

**Written Submission for the Pre-Budget
Consultations in Advance of the Upcoming
Federal Budget**

By: Robert Webster

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Recommendation

- **Recommendation** That the government amend subsection 241 (3.2) of the Income Tax Act, in order to permit employees of the Canada Revenue Agency to meet the public expectation of specific information being available about individual charities, especially details about audits and outcomes.

Background

At present, there is public and media interest in registered charities because of charities that are involved with government efforts to alleviate conditions related to the pandemic.

A charity registered with the Canada Revenue Agency can issue official tax receipts to its donors, and its donors can use those receipts to lower their tax burden. A registered charity does not have to pay tax on any surplus it may accumulate, and it does not have to pay tax on its assets (such as buildings, property, or endowments).

According to returns filed with the CRA in 2017, the over 84,000 registered charities reported \$450 billion in assets, and issued receipts for gifts totalling \$18 billion dollars. These are aggregate numbers and reflect the sector as a whole, not the situation of any individual charity.

Those returns also show that registered charities received over \$183 billion dollars from federal, provincial, territorial, and municipal governments, well over half of their reported revenue (\$279 billion).

Whether we donate to charities or not, all Canadian taxpayers are helping fund them.

Registered charities are obviously significant in Canada, because of the services that some of them offer, and the amounts of money and property they control.

Given the importance of registered charities in the lives of all Canadians, and the impact of the tax benefits to charities and their donors on the fisc, I think it is reasonable to make more detailed information available to Canadians. Specifically, information about the activities of individual charities, and how the CRA fulfils its regulatory responsibilities.

The Issue

Specific, detailed information is rarely available to Canadians, because subsection 241 (3.2) the Income Tax Act, severely restricts the information employees of the CRA can make available to the public about individual charities, especially audits and outcomes. The available information about registered charities is usually limited to what is collected on the public portion of the annual return, a return that all registrants must file or face possible revocation. The Act states additional information “may” be released if a registered charity is revoked, annulled, or assessed a tax or penalty.

Canadians looking for details as to how the CRA promotes the compliance of individual registered charities is not new. As witnessed after 2012, when the Conservative government resourced the CRA to undertake audits of charities engaging in political activities, Canadians had requested that the CRA offer detailed information explaining its regulation of individual charities. In an apparent response, the Charities Program Update-2014, included the following:

Why are audits not made public?

The Income Tax Act prohibits the Directorate from discussing the affairs of a particular charity. We cannot disclose information such as whether a charity is being audited or the status of a charity audit. Information about educational letters and compliance agreements is confidential, although charities may choose to release it themselves.

Even though most Canadians are focused on more immediate needs, as we have seen this summer, the expectation of transparency has not

gone away, nor has the need to encourage confidence in the CRA as a regulator.

Other jurisdictions already make similar information available to the public. In New Zealand the decisions of the Charities Registration Board are available through the Charities Services website. The Scottish Charity Regulator posts its Inquiry Reports on its website. The Charity Commission for England and Wales posts case reports, decisions made, inquiry reports, regulatory alerts, and statements on live cases.

Given the size of the expected deficit, I believe that Canadians will be even more interested in how charities are regulated and how the Government of Canada is safeguarding our money.

Benefits

Amendments to the Act that permit the CRA to make more information available to the public would show that the government is committed to transparency, as the government makes efforts to recover from the COVID-19 pandemic and restart the Canadian economy.

The amendments could also spur:

- Increased public awareness of how charities operate;
- Improved quality of work done by the CRA;
- Increased public confidence in the CRA as a regulator, encouraging trust in the CRA's actions and decisions; and
- Expedited awareness of rogue charities, allowing stakeholders to make more informed decisions about their involvement with registered charities.

Costs

The amendments may lead to increased costs because:

- The CRA could receive additional requests for information; and
- The CRA may need to make substantive changes to its processes to allow for automatic posting of specific information regarding audits.

Whatever the specific wording of the amendments, I hope it will not require the CRA to create additional documents. Requiring the CRA to create additional documents will increase costs, and further delay the audit process.

Thank you for your time and consideration.

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