CANADA REVENUE AGENCY (CRA)

Follow-up to the appearance before the

Special Senate Committee on the Charitable Sector

April 23, 2018

The impact of public policy on charities and non-profit organizations, and of the voluntary sector
What follows is the Canada Revenue Agency’s (CRA) follow up response to questions posed by members of the Special Senate Committee on the Charitable Sector during the April 23, 2018 meeting on ‘the impact of public policy on charities and non-profit organizations, and of the voluntary sector.’

For ease of reference, the relevant excerpts of the Evidence have been included to provide additional context.
Question 1

During the meeting, officials were asked what portion of charities in Canada dealt with ethno-cultural groups and how CRA engages with such groups.

_Senator Martin:_

_I was just thinking about ethnocultural communities as I was listening to your presentation and the complex process for any organization to get charitable status, which is good. We want them to be fully accountable, and so the process is in place._

_I don’t know if you have any stats regarding what percentage of the charities in Canada are serving or initiated out of these ethnocultural groups. Has there been any outreach to reduce some of the barriers that there may be for some ethnocultural communities to become charities? They are serving various sectors of community that deserve that attention. I don’t know if these are questions that you would answer or if it would be someone else, but I’m just thinking about our ethnocultural communities at this time._

_Antonio Manconi, Director General, Charities Directorate, Legislative Policy and Regulatory Affairs Branch, Canada Revenue Agency:_

_We definitely understand and appreciate the work they are involved in. We can certainly go back to the office and see if we have that type of information available. I’m not sure what our system allows us to do._

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**CRA response**

The CRA does not require registered charities to report if they provide programs to ethnocultural groups, consequently we do not have data on the number of charities that do so.

The CRA is committed to helping registered charities comply with their regulatory obligations under the _Income Tax Act_.

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Question 2

During the meeting, CRA officials were asked for a written description explaining the prohibition of charities from engaging in partisan political activities.

Senator Raine:
I’m very confused when it comes to the political activities of charities. I read here in the Report of the Consultation Panel on the Political Activities of Charities that you released in March last year: Amend the ITA by deleting any reference to non-partisan “political activities” to explicitly allow charities to fully engage, without limitation, in non-partisan public policy dialogue and development, provided that it is subordinate to and furthers their charitable purposes.

Is the use of a charity’s resources for partisan political activities always prohibited? Can you explain what these partisan political activities include? I don’t understand partisan, non-partisan, political activities and charitable reasons. There seems to be a vague area there.

Sharmila Khare, Director, Charities Directorate, Legislative Policy and Regulatory Affairs Branch, Canada Revenue Agency:
Thank you for the question. It is complex and nuanced.

Senator Raine: Maybe we could ask you for a written description as well.

Ms. Khare: Sure. We’d be happy to do that.

CRA response

On July 16, 2018, the Ontario Superior Court of Justice rendered its decision in Canada Without Poverty v. AG Canada. The Court found that the CRA’s interpretation and enforcement of the “substantially all” requirement in the Income Tax Act that limits charitable organizations to using no more than 10% of their resources on political activities violated subsection 2(b) of the Charter of Rights and Freedoms, and was not saved by section 1.

On September 14, 2018, the Department of Finance released draft legislative proposals for a 30-day public consultation period.

Taking into account feedback received from stakeholders, the Government proposed related amendments to the Income Tax Act in Bill C-86 (A second Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures).
Bill C-86 was adopted by Parliament, receiving Royal Assent on December 13, 2018. The amendments allow a charity to carry out unlimited non-partisan “public policy dialogue and development activities” in support of its stated charitable purposes. Prohibitions on partisan activities remain.

The CRA has recently released draft guidance on public policy dialogue and development activities by charities (CG-027) for public consultation, to explain how it will administer the new rules. This draft guidance can be found at www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/public-policy-dialogue-development-activities.html. The guidance provides a framework that explains how the CRA distinguishes between partisan and charitable activities.