

# Update from the Charities Directorate

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On May 10<sup>th</sup>, 2007, Elizabeth Tromp, head of the Charities Directorate at the Canada Revenue Agency, spoke at the National Symposium on Charities Law in Toronto. She addressed recent issues and developments at the Charities Directorate. The following highlights the information she imparted.

The Directorate has gone through a growth spurt over the last three years by increasing by one third. The focus now is on stabilization and the Directorate does not have any major shifts planned. The current focus is on improving service, outreach and education, and audit and enforcement.

The policy areas the Directorate is investigating include: fundraising, calculation of the capital amount in the disbursement quota, sponsorship and advertising, determination of fair market value, alternative medicine as a charitable purpose, and implementing the 2007 Budget proposals. Plans for future publications include: administration of the proposed definitions of charitable organization and public foundation, a checklist on how to run a charity and background information on becoming a registered charity.

Ms. Tromp reported that applications for registration have declined. This year there have been 2,300 applications, while last year the Directorate had approximately 3,300 in the same period. However, there were more applications under the fourth head of charity (purposes beneficial to the community, other than advancement of education, advancement of religion and relief of poverty), which adds complexity to the determination. Acknowledging the long wait times, the Directorate is implementing new service targets for reviewing and responding to applications for registration. The Directorate aims to respond to an application within 2 months for simple applications and 6 months for more complex applications with either a decision letter, request for information or acknowledgement letter outlining the planned response time. They intend to achieve this objective with at least 80% of the applications filed.

The number of audits is definitely on the rise since the audit function has been reorganized and coordinated through the Directorate and certain tax services offices. There were 847 audits last year. Currently, there are 40 field auditors dedicated to auditing charities in addition to the office audits, which usually focus on books and record keeping or follow-up on previous audit issues. Last year, 58% of audits targeted high risk groups and 42% were randomly selected. The Directorate plans to target all charities involved in tax shelters. Last year, smaller charities were also targeted to gain an understanding of their compliance issues.

Ms. Tromp reported that the sector is largely compliant – only three percent of the audited charities were issued revocations for cause. Twenty percent of the audited charities were offered compliance agreements. The largest area of non-compliance in the sector is timely filing of the T3010, as 40% of the sector was late. Many charities were revoked for failure to file the T3010 and the majority of these charities reapply for registration and pay the \$500 penalty.

While the CRA has not yet applied the intermediate sanctions (other than for failure to file the T3010), the Directorate expects the use of these sanctions will begin in the coming months. The new appeals process has begun and there have been 11 appeals filed and 52 objections.

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