

Registering a Charity for Income Tax Purposes

Canada Customs and Revenue Agency's service pledge

As a client, you can expect reliable, responsive, fair service in the official language of your choice. We will provide this service to you, explain our decisions and actions, and seek your suggestions on ways to improve our services.

Before you start

This publication is a companion to Form T2050, *Application to Register a Charity Under the Income Tax Act*. You should read it carefully before you apply for registration as a charity.

The first section of this publication explains whether or not an organization should apply for registration, and outlines the principal factors we consider in evaluating an application. The second section contains step-by-step instructions that explain in detail how to complete the application.

ONCE COMPLETED THE FORM SHOULD BE MAILED TO:

CHARITIES DIRECTORATE
CANADA CUSTOMS AND REVENUE AGENCY
OTTAWA ON K1A 0L5

Need more information?

This publication uses plain language to explain the most common questions you may have when you consider registering a charity for income tax purposes. Please contact the Charities Directorate if you need more information or

further clarification on a particular topic. You can reach the Charities Directorate at the following telephone numbers:

- 954-0410 for local Ottawa calls (English);
- 954-6215 for local Ottawa calls (bilingual);
- 1-800-267-2384 for toll-free, long-distance calls (English);
- 1-888-892-5667 for toll-free, long-distance calls (bilingual);
- 1-800-665-0354 for toll-free service for hearing impaired persons.

You can get copies of all forms, pamphlets, information circulars, and interpretation bulletins referred to in this guide from the Charities Directorate or from any of the tax services offices. You can also get copies by calling **1-800-959-2221**. See the order form printed at the back of this guide.

To contact a tax services office, see the telephone listings in the Government of Canada section of the telephone book.

Internet access

You can find the list of registered charities and many of our publications on our Web site at www.cra.gc.ca/charities

Your opinion counts

If you have any comments or suggestions that would help us improve this guide, we would like to hear from you. Please send your comments to:

Charities Directorate
Canada Customs and Revenue Agency
Ottawa ON K1A 0L5

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Section I – Information on Registration

Introduction

You already know that the Canada Customs and Revenue Agency collects income tax. But did you know it is also responsible for registering charities for income tax purposes? The Charities Directorate of the Canada Customs and Revenue Agency administers the *Income Tax Act* as it applies to registered charities.

This publication explains:

- the benefits available to a registered charity;
- the legal requirements of being registered; and
- information you should know when sending us your registration application.

We can only grant registration if:

- the applicant's purposes and activities fall within the legal concept of charity as recognized by the courts (see the information provided under the question "What are charitable purposes?" on page 6); and
- the organization meets the other requirements of the *Income Tax Act* (see the information provided under the question "What are the obligations of a registered charity?" on page 5).

Please note that there are organizations in the community with worthwhile purposes that are not considered "charitable" by the courts. For example, organizations like non-profit social clubs and advocacy groups fall in this category. These groups do not qualify for registration (see the information provided under the question "What are charitable purposes?" on page 6).

Glossary of terms used in this publication

At Arm's Length

At arm's length is a tax concept describing a relationship in which the parties are acting independently of each other. The opposite, **not at arm's length**, covers people acting in concert without separate interests. Not at arm's length also includes individuals who are related to each other by blood, marriage, adoption, Common Law relationships, or close business ties. (See the term **related persons** below.) You can find general information on this subject in Interpretation Bulletin IT-419, *Meaning of Arm's Length*, and Interpretation Bulletin IT-64, *Corporations: Association and Control*.

Fair Market Value

The generally accepted meaning of **fair market value** is the highest price that a property would bring in an open and unrestricted market between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other.

Fiscal Period

A **fiscal period** is the 12 months (or, for incorporated charities, a period of up to 53 weeks) covered by an organization's financial statements. Many organizations select a fiscal period that matches the calendar year (January 1 to December 31). Others select a different fiscal period (e.g., April 1 to March 31). If an organization applied for registration in February 1998, and its fiscal period is July 1 to June 30, then its next complete fiscal period would have been July 1, 1998, to June 30, 1999.

Significance of the fiscal period

Each year, a registered charity is required to file a *Registered Charity Information Return* (Form T3010) with the Canada Customs and Revenue Agency. This return must be submitted within 6 months following the **fiscal period end** chosen by the charity, otherwise its registration may be revoked.

Gift

A **gift** is a voluntary transfer of property for which the donor receives or expects nothing in return. A contribution of services (i.e., time, skills, and effort) does not qualify as a gift, since services are not property. To qualify as a **gift**, all three of the following conditions must be met:

- Some property, either in the form of cash or a gift-in-kind, is transferred by a donor to a registered charity. (A gift-in-kind involves property other than cash, such as equipment, shares, or land);
- The property is given voluntarily. The donor must not be obliged to part with the property (e.g., as the result of a larger contract or a court order); and
- The donor is transferring the property to the charity without expecting anything in return. No benefit of any kind may be provided to the donor or to anyone designated by the donor as a result of a gift.

Qualified Donees

Under the *Income Tax Act*, "qualified donees" are:

- registered charities;
- registered Canadian amateur athletic associations;
- registered national arts service organizations;
- certain housing corporations resident in Canada that are constituted exclusively to provide low-cost accommodation for the elderly;
- Canadian municipalities;
- the United Nations or its agencies;
- prescribed universities outside Canada;
- charitable organizations outside Canada to which Her Majesty in right of Canada (the federal government or its agents) has made a gift during the taxpayer's taxation year or the 12 months before it; or
- Her Majesty in right of Canada or in right of a province (i.e., the federal government, a provincial government or their agents).

Related Persons

Individuals can be related to each other by blood, marriage, adoption, common-law relationship, **or** by a close business or corporate association (e.g., business partners, employee and employer).

Individuals or groups can **also** be related to a corporation in which they have a controlling interest. Those people related to these individuals or groups are also related to the corporation.

Related persons are considered to be acting **not at arm's length** with each other.

What are the advantages of being a registered charity?

There are two basic advantages of being a registered charity:

- Registration allows an organization to issue official receipts for gifts received. This reduces the individual donor's income tax payable, and reduces the taxable income of a corporate donor.
- Once the organization is registered, it is exempt from paying income tax (under Part I of the *Income Tax Act*).

What are the obligations of a registered charity?

Once it is registered, an organization must:

- devote its resources to charity;
- continue to meet the other requirements of registration; and
- file Form T3010, *Registered Charity Information Return*, within six months of the organization's year-end. (Part of the return is available to the public on request.)

If it does not meet these obligations, the charity may lose its registered status.

Does the organization need to be registered?

An organization may not need to be registered in the following situations:

- it does not need to be exempt from income tax, and it does not anticipate receiving gifts for which it will issue official receipts for income tax purposes; or
- it is a branch or agent of a Canadian municipality, or is raising funds for a municipal project.

The *Income Tax Act* provides that gifts to a Canadian municipality are tax-supported to the same extent as gifts to registered charities. If a municipality agrees to receive the money contributed, control the expenditures, and issue official receipts in the municipality's name, the organization does not need charitable registration for income tax purposes.

Organizations should keep in mind that some provinces and municipalities will only grant certain licences or provide relief from provincial and municipal taxes to

organizations that are registered charities under the *Income Tax Act*. Special provisions are available for registered charities under the goods and services tax rules. For more information, see the information provided under the next question.

If an organization cannot meet the requirements for becoming a registered charity, it may qualify as a non-profit organization under the *Income Tax Act*. An organization with non-profit status does not have to pay tax on most types of income, but it cannot issue official receipts for income tax purposes.

For more information on non-profit status, contact the Assistant Director – Client Services of your local Canada Customs and Revenue Agency's tax services office. To contact a tax services office, see the telephone listings in the Government of Canada section of the telephone book.

Are charities subject to other federal and provincial requirements?

The *Income Tax Act* is not the only law that applies to charities. Charities can also be subject to other federal or provincial legislation that is associated with their operations, such as provincial or municipal standards for a nursing home, hospital, school board, or housing project.

At the federal level, registered charities also have to meet the requirements of the goods and services tax (GST) or the harmonized sales tax (HST), and may need to register with us for GST/HST purposes. An organization may be able to claim a rebate for a part of the GST and HST it paid or owes on goods and services it purchased for use in its activities. However, **an organization is eligible for the rebate only after it is registered as a charity**. For more information about the GST/HST, contact our local tax services office. You will find the address and telephone number in the Government of Canada section of your telephone book.

If a charity is federally or provincially incorporated, it has to meet certain requirements under the incorporating law. These may include the requirement that corporations send returns to the appropriate incorporating authority. For more information, contact the government department that issued the charity's certificate of incorporation, letters patent, memorandum of association, or other incorporating document.

To find out how a charity may be affected by legislation other than the *Income Tax Act*, contact the appropriate government authority.

What standards does the Canada Customs and Revenue Agency use to register charities?

To qualify for registration, an organization must be established and operated for charitable purposes, and it must devote its resources to charitable activities. The charity must be resident in Canada, and cannot use its income to benefit its members.

A charity also has to meet a public benefit test. To qualify under this test, an organization must show that:

- its activities and purposes provide a tangible benefit to the public;
- those people who are eligible for benefits are either the public as a whole, or a significant section of it, in that they are not a restricted group or one where members share a private connection, such as social clubs or professional associations with specific membership; and
- the charity's activities must be legal and must not be contrary to public policy.

For purposes of registration as a charity, the organization has to be either incorporated or governed by a legal document called a trust or a constitution. This document has to explain the organization's purposes and structure. When an organization is governed by a constitution or trust, these documents have to meet the minimum requirements outlined under the question "What are the minimum requirements of a 1) **trust document?** 2) **constitution?**" on page 9.

What are charitable purposes?

The courts have identified four general categories of charitable purposes. For an organization to be registered, its purposes have to fall within one or more of the following categories:

- the relief of poverty;
- the advancement of education;
- the advancement of religion; or
- certain other purposes that benefit the community in a way the courts have said are charitable.

The application for registration you send to us should clearly show the way the organization will meet each of its charitable purposes. Thus, a purpose "to relieve poverty" is acceptable only if it is accompanied by a statement of activities indicating how the organization will accomplish this purpose. For example, the statement might say the organization will relieve poverty "by establishing a food bank, operated by volunteers, in rented premises on Maple Street. The food bank will receive gifts of food from retail stores and individual donors."

The following are examples of the types of organizations that may qualify as charitable under each of the four categories.

The relief of poverty

Organizations established for the relief of poverty include food banks, soup kitchens, as well as enterprises that supply low-cost rental housing, clothing, furniture, and appliances to the poor.

The advancement of education

The courts recognize a purpose or activity as advancing education in the charitable sense if it involves formal training of the mind or formal instruction, or if it prepares a person for a career, or if it improves a useful branch of human knowledge. Only providing information is not

accepted by the courts as educational; training or instruction also have to be offered. The advancement of education includes:

- establishing and operating schools, colleges, universities, and other similar institutions;
- establishing academic chairs and lectureships;
- providing scholarships, bursaries, and prizes for scholastic achievement;
- undertaking research in a recognized field of knowledge (The research must be carried out for educational purposes and the results must be made available to the public.);
- advancing science and scientific institutions, including maintaining learned societies (Professional associations or other societies that primarily provide benefits to members are not considered charitable.); and
- providing and maintaining museums and public art galleries.

The courts have ruled that an activity which advances education should involve a full and fair presentation of the facts so people can draw their own conclusions. If an organization intends to influence the opinion or actions of the public toward one side of a controversial issue, it is not advancing education in the charitable sense. For this reason, an advocacy group would not qualify as a charity.

The advancement of religion

This category refers to promoting the spiritual teachings of a religious body, and maintaining the doctrines and spiritual observances on which those teachings are based. There has to be an element of theistic worship, which means the worship of a deity or deities in the spiritual sense. To foster a belief in proper morals or ethics alone is not enough to qualify as a charity under this category. A religious body is considered charitable when its activities serve religious purposes for the public good. The beliefs and practices cannot be what the courts consider subversive or immoral.

Other activities that advance religion include:

- organizing and providing religious instruction, and performing pastoral and missionary work; and
- establishing and maintaining buildings for worship and other religious use.

Purposes beneficial to the community

This category includes various purposes that do not fall within the other categories, but which the courts have decided are charitable. However, not all purposes that benefit the public are charitable. For example, a property-owners' association or community association might not qualify. Organizations that normally qualify as charitable include those with the following purposes:

- providing immediate relief to victims of natural disasters or sudden catastrophes (e.g., floods, earthquakes, and tornadoes);

- relieving suffering or disability caused by old age, which includes providing facilities for the care, maintenance, and rehabilitation of the elderly;
- preventing and relieving sickness and disability, both physical and mental (e.g., services performed by hospitals, clinics, nursing and convalescent homes, the provision of home care services and the establishment of workshops or other centres for disabled people);
- providing rental housing and related facilities for people with special needs (e.g., homes for disabled people);
- preserving the environment;
- protecting the welfare of children (e.g., societies for the prevention of child abuse);
- providing counselling services for people in distress;
- rehabilitating victims of substance abuse and preventing substance abuse;
- providing certain public amenities to benefit the community;
- establishing safety rescue operations or a volunteer fire department; and
- establishing humane societies, animal shelters, and similar institutions to prevent cruelty to animals.

What factors will disqualify an organization from registration?

Providing personal benefits

The *Income Tax Act* stipulates that no part of a registered charity's income can be payable or otherwise available to personally benefit any proprietor, member, shareholder, trustee, or settlor of the organization. However, this does not prevent an organization from paying for services rendered, or incurring and paying other expenses that are associated with the normal operation of the charity.

Political purposes or activities

Under Common Law, political purposes are not charitable and an organization will not qualify for charitable registration if at least one of its purposes is political. In this regard, the courts have decided that organizations seeking to achieve political objects, in whole or in part, cannot be recognized as charities. Examples of purposes of a political nature include:

- furthering the aims of a political party;
- promoting a political doctrine;
- persuading the public to adopt a particular view on a broad social question; and
- attempting to bring about or oppose changes in the law or government policy.

As well, purposes that are so broad as to allow for unlimited political activity are not acceptable.

Under the *Income Tax Act*, a registered charity that is established exclusively for charitable purposes can engage to a limited extent (i.e., devote no more than 10% of the charity's resources) in **non-partisan political**

"activities" which directly help accomplish the charity's purposes. This includes, for example, distributing publications or holding conferences, workshops or other forms of communication intended primarily to sway public opinion to the charity's point of view.

However, the Act specifically prohibits a registered charity from engaging in any partisan political activity. Partisan political activity usually means supporting or opposing, monetarily or otherwise, a political party or candidate for public office.

A registered charity with a charitable purpose to provide for the welfare of children can engage in activities that take a public position about certain legislation in the field of child welfare provided the activities are within the limits described above. However, an organization established solely for purposes of pressuring for change in legislation affecting the welfare of children cannot be recognized as a "charity", according to the principles recognized by the courts.

Additional information about political activities and registered charities can be obtained by contacting the Charities Directorate or by consulting the draft publication RC4107, *Registered Charities: Education, Advocacy, and Political Activities*. You will find the address and telephone numbers of the Charities Directorate on the inside front cover of this publication.

What types of organizations or activities are not "charitable at law"?

The public supports and benefits from a number of worthwhile organizations and activities. However, the courts may not consider all of these as "charitable" in the legal sense. The following are examples of organizations and activities that are not considered "charitable."

Service clubs or fraternal lodges

Many service clubs and fraternal lodges devote their resources to a mix of charitable and non-charitable activities. For example, many clubs provide services for needy members of the community, but also hold regular social events for their members. Therefore, they cannot be registered as charities under the *Income Tax Act*.

However, these groups could establish a separate organization to handle their charitable activities (e.g., a trust established to purchase wheelchairs for physically challenged children) and then apply for charitable registration on its behalf. In this instance, **it is the separate organization which is applying to be registered and not the service club or lodge**. Therefore, it is crucial that the two organizations keep their funds, activities and books and records separate. Where there is insufficient separation, the charity's registration may be revoked, which could potentially expose the service club or lodge's assets to a revocation tax.

Acts of private benevolence

A family loses its house in a fire and the community establishes a fund to accept donations for the family. An organization is set up to cover the travel and incidental costs for a particular child's surgery. While these

endeavours are commendable, an organization that is established to provide assistance to a single identified individual or to a group of specifically named individuals is established for private benevolence. The courts do not accept the act of private benevolence as charitable, since it lacks the necessary element of public benefit. This means organizations that are formed to help named individuals or a private group do not qualify for charitable registration.

However, other registered charities that are established to provide general help to the community may be able to assist in these circumstances. For more information, contact the Charities Directorate.

What types of charities are identified by the *Income Tax Act*?

There are three types of charity. The designation of a charity depends on its structure, its source of funding and the charity's mode of operation. The *Income Tax Act* requirements are different, depending on the type of charity.

- A **charitable organization** (e.g., a hospital) primarily carries on its own charitable activities. It can be a corporation, or it can be established by a **constitution** or a **trust document**. Less than 50% of its directors/trustees are **related persons** and at least 50% of the funds it receives are from donors who are **not related persons**.
- A **public foundation** (e.g., a hospital foundation) gives more than 50% of its income annually to other **qualified donees**, usually other registered charities. It must be established either as a corporation or a trust. Less than 50% of its directors/trustees are **related persons** and at least 50% of the funds it receives are from donors who are **not related persons**. A public foundation may carry on some of its own charitable activities.
- A **private foundation** may either carry on its own charitable activities, or it may give funds to other **qualified donees**, usually other registered charities. It must be established either as a corporation or a trust. 50% or more of its directors/trustees are **related persons** or otherwise do **not deal at arm's length**, or more than 50% of its funds are received from one person or from a group of persons who do not deal with each other **at arm's length**.

Public foundations and charitable organizations can only operate businesses that are related to their mandate or that are run substantially by volunteers. **Private foundations** are not allowed to engage in any business activity.

Governing documents

Every registered charity (other than an **internal division** of an existing registered charity) must be legally established by a governing document, e.g., letters patent, articles of incorporation, trust deeds, or constitutions that legally establish a charity and that identify the objects or purposes for which the organization is established, as well as provide information on the organization's corporate structure and internal procedures.

How should a governing document define an organization's purposes?

Note

The terms "object", "goal", "purpose" and "mandate" are used interchangeably throughout this publication and may be regarded as synonyms.

An organization must be constituted and operated exclusively for charitable purposes in order to qualify for registration under the *Income Tax Act*. (For an explanation of what purposes are considered charitable under Common Law, please refer to page 7.) In addition, it is a basic principle of charity law that an organization's objects must be expressed in precise rather than broad or vague terms. This identifies as clearly as possible a recognized charitable purpose and ensures that an organization does not have the legal capacity to engage in any non-charitable activities.

Incorporation as a non-profit organization in some provinces does not automatically or always require an organization to restrict itself to purposes and activities that are exclusively charitable. In some cases, there may be no restrictions on the activities that a non-profit corporation may carry on. Some organizations, of course, prefer to define their goals in broad terms, thereby allowing themselves more flexibility in carrying out their activities. However, in relation to charities and the law, only those objects that restrict an organization to charitable pursuits are acceptable for purposes of registration under the *Income Tax Act*. We cannot register an organization that has a mix of charitable and non-charitable purposes. Therefore, vague and broad objects in a governing document usually constitute grounds for denial of registration.

Examples of objects which we consider too vague or broad for registration are:

- to facilitate and encourage community spirit and development;
- to provide a network of information to the public;
- to support programs and activities for seniors in the community;
- to assist youth in becoming self-employed; and
- to establish a forum for networking, communication, and liaison between government and Canadian citizens.

Examples of objects which we would consider precise enough for purposes of charitable registration:

- to raise funds for the repair and restoration of _____ Synagogue (or Temple, Mosque, Church) in the city of _____, province of _____, so that it may continue to be used as a place of worship;
- to establish a shelter for women throughout the regional municipality of _____, who are victims of spousal abuse, to provide them with necessary counselling, and to make available medical and legal services when needed;
- to promote the preservation of the environment through the sponsorship of a tree-planting program in the county of _____, province of _____;

- to provide financial and material relief to the victims of the floods in _____;
- to establish and maintain a toll-free telephone line in the city of _____ in order to provide counselling services to teenagers on matters related to substance abuse, and to provide referrals, where appropriate, to physicians or social workers.

Note

The promotion of a sport is not considered charitable at law. However, an organization which has, as its primary purpose and its primary function, the promotion of amateur athletics in Canada on a nation-wide basis, may be registered as a Canadian amateur athletic association. Organizations seeking registration as a Canadian amateur athletic association should obtain Form T1189, *Application to Register a Canadian Amateur Athletic Association Under the Income Tax Act*.

What type of governing document is required for registration?

The type of governing document needed for registration will depend on the designation that we assign to an organization. As indicated above, the *Income Tax Act* has established three designations for charities: **charitable organization**, **public foundation**, and **private foundation**.

In relation to governing documents:

- **Charitable organizations** can either be incorporated or established by a constitution or trust document.
- **Public or private foundations** must either be incorporated or established in the form of a trust.

What are the minimum requirements of a

1) trust document?

For the purpose of registering a trust as a charity, the trust document has to include at least the following items:

- the name of the trust;
- the names of the original trustees;
- the purpose for which the trust is established;
- the rules governing how the trustees of the trust will administer all money received;
- a provision in which the trustees give assurance that all the money received will be spent only for the purposes outlined in the trust document;
- provisions that explain how trustees will be replaced;
- the effective date of the document; and
- the signatures of at least three of the trustees.

2) constitution?

For the purposes of registering an organization as a charity, its constitution has to include at least the following items:

- the organization's name;
- the organization's purposes;

- a clause stating that the organization shall be carried on without purpose of gain for its members, and any profits or other accretions to the organization shall be used solely to promote its objectives;
- the organization's structure (president or chair, secretary, treasurer, etc.);
- a provision that explains how the organization will replace its directors;
- the effective date of the document; and
- the signatures of at least three of the organization's directors.

What should an organization know when it seeks to incorporate under the laws of certain provinces?

Organizations should be aware that some provincial incorporating documents, or guidelines with respect to incorporation, can sometimes produce results which could effectively disqualify an organization from registration as a charity. Examples are provided below.

Alberta

Under *Alberta's Societies Act*, the *Application to Form a Society* lists a number of objects that an organization can choose to describe its purposes. Some of the objects that are listed are analogous to purposes which the courts have determined are **not** charitable, while others are simply too vague and broad to identify clearly any recognized charitable aim. Furthermore, the objects often bear little, if any, real relationship to the actual work that an organization may be undertaking. We would prefer that organizations formed in **Alberta** provide a clear list of their purposes only in their governing documents but, if selecting objects from the *Application to Form a Society*, they should choose only those which clearly and accurately reflect their intentions. In general, however, we recommend that organizations formed in **Alberta** do **not** select any of the objects listed in the *Application to Form a Society* document if they intend to apply for registration as a charity.

Some examples of objects listed in *Alberta's Application to Form a Society* that are not charitable at law and which, if chosen, would disqualify an organization from becoming a registered charity, are:

- to provide for the recreation of the members and to promote and afford opportunity for friendly and social activities;
- to encourage and promote amateur games and exercises; and
- to carry on a literary and debating club for the discussion of topics of general interest, and to encourage the practice of public speaking among its members.

Saskatchewan

The *Non-Profit Corporations Act* of Saskatchewan does not require that an organization provide a list of its objects. It does allow an organization the opportunity, under article 7 of the Articles of Incorporation, to list restrictions, if any, that the organization may have on its powers and business activities. However, as explained above, in order that an organization be considered for registration as a charity, it must outline in precise terms what its purposes and programs are. Organizations in Saskatchewan that have been formed under the *Non-Profit Corporations Act* should therefore make clear that they are restricting themselves to purposes and activities that are exclusively charitable. Unless an organization has provided a list of its objects elsewhere in its application, it should not leave article 7 blank. When asked to indicate what restrictions it might have on its powers and activities, an organization should provide a clear list of its objects so that we can readily determine whether the objects are charitable at law.

Quebec

In Quebec, the Inspector General of Financial Institutions provides a list of objects that he considers acceptable for purposes of non-profit incorporation, and which includes the object "to promote and defend the interests of members." However, this purpose is not charitable at law. Organizations formed in Quebec that wish to apply for charitable registration should therefore not include this object in their governing documents.

Will the Canada Customs and Revenue Agency review draft governing documents?

In considering whether an organization might qualify for registration as a charity, we are prepared to consider draft governing documents. **However, all other documents and information required on the application form must also be provided.** We cannot make a determination regarding registration solely on the basis of a draft governing document, or on other, partial information. We will consider draft governing documents on a one-time basis only, on the understanding that any further contact by the organization must include a copy of the organization's formal governing documents. Draft applications are recognized on a one-time basis to alleviate the costs in time and money that an organization can incur when it goes through the formal procedures and expense of constituting itself, only to discover that its formally constituted objectives are not acceptable for registration as a charity.

With these facts in mind, what happens if an applicant seeks charitable registration on the basis of a draft governing document, and we view the draft application favourably?

We will tell the applicant to finalize the governing document. In most cases where we view a draft application favourably, we will proceed with registration once we receive a copy of the organization's formal incorporating documents, executed trust deed, or signed constitution. However, we do reserve the right to change our preliminary view about an organization's eligibility for registration.

What happens if an applicant seeks charitable registration on the basis of a draft governing document, and we view the draft application negatively?

In cases involving draft documents, it is important to note that the *Income Tax Act* does not allow for the possibility of any appeal in situations where an organization has yet to be formally created. Moreover, it is not appropriate for us to make a formal decision on registration in cases where applications contain only draft governing documents. We will usually explain in writing our reasoning behind a negative assessment of an application. However, in such cases, applicants must recognize that no official mechanism exists that would allow them to appeal our conclusions if an organization is not yet formally in existence. The appeal mechanism is available only to legally constituted entities; it does not cover cases where an organization has yet to be legally created.

What happens if an applicant seeks charitable registration on the basis of proposed revisions to an existing governing document?

It is not appropriate for us to make a formal decision on registration based on proposed revisions to an existing governing document. In cases where a legally constituted entity applies to be registered as a charity on the basis of proposed changes to its governing document, we will consider both the formal governing document under which the organization was legally established, as well as the proposed revisions to it, and then provide an assessment that takes both into account. Such an assessment, however, is provided on a one-time basis only, on the understanding that any further contact by the organization must include a copy of the official amended governing document under which the organization intends to operate. Failure to provide the official amended governing document means that any decision on registration could **only** be based on the purposes of the organization as contained in the original formal governing document.

What can you do if the organization is denied registration?

Before we make a final decision, we send a letter to the applicant to explain why it likely will not qualify for charitable registration. The applicant has 60 days to make further submissions to us. However, if we deny an application for registration, you can appeal this decision to the courts.

What should an organization know about re-registration?

Organizations that have had their charitable registration revoked and that are now applying to be re-registered, should be aware of the following:

- After revocation, any application for re-registration is treated in the same way as a new, first-time application. An organization seeking to regain its registration must complete Form T2050, *Application to Register a Charity Under the Income Tax Act* in full, and provide the requested documentation, information, and signatures.
Incorporated organizations applying for re-registration

must also include a certificate of good standing (see Q.10A.1 on page 13).

- Before it can be re-registered, an applicant will be required to submit annual returns and financial statements for the years that it has not filed such information. This requirement applies to years both before and after revocation.
- Statute law, Common Law, and administrative policies concerning charities change over time. Therefore, an organization that qualified for registration several years ago may not qualify today, or may have to make changes to its objects and activities.

Where can you get more information?

For more information on the registration process and registered charities in general, contact us at the address and telephone numbers printed on the inside front cover of this publication.

Section II – Guide to Completing Form T2050, *Application to Register a Charity Under the Income Tax Act*

Who should complete the application form?

The application form should be completed by either:

- a person holding a responsible position in the organization (e.g., the chairperson, treasurer, or manager); or
- someone appointed by the organization to act on its behalf (e.g., a legal representative).

Who should sign the application form?

The certification section at the end of the form must be completed by **two** persons who are authorized to sign on behalf of the organization. Such persons could be directors, trustees, treasurers, or anyone else holding a responsible position within the organization.

When should it be completed?

The form should only be completed when the organization has a clear idea of what it will do and how it will operate. If you do not yet have all the information you need to complete the form, please wait until you have clarified the details. If you want us to consider whether the organization would qualify for registration and you have not yet formally set up the organization by adopting or executing a governing document, we will consider draft governing documents on a one-time basis, and on the understanding that any further contact by the organization must include a copy of the organization's formal governing documents. You should send not only the draft of any proposed governing document, **but also all other documentation and information required on the form.** We cannot make a determination regarding registration solely on the basis of a draft governing document, or on other partial information.

How to use this Guide

The question numbers in this guide correspond to the question numbers on Form T2050, *Application to Register a Charity Under the Income Tax Act*. All applicable questions must be answered. If a particular question does not apply to the organization, check box N/A (not applicable) or indicate N/A in the space provided. Where answers to questions are left blank, we may ask for information that seems to be missing, or we may even reject the application as incomplete.

If there is not enough space on the form to provide the information you wish to give, please use separate sheets of paper. Put the organization's name at the top of each sheet and label each so that we know which questions are being answered on which sheet. On the form itself, indicate that you are answering a question or continuing a response elsewhere by writing "see attached."

Send the completed form to:

Charities Directorate
Canada Customs and Revenue Agency
Ottawa ON K1A 0L5

You should keep a copy of the completed application for your own records.

Registration of applicants

We make every effort to process applications as quickly as possible. Generally, our practice is to process applications on a first-in, first-out basis. Acknowledgement letters are sent for all applications received.

We appreciate that applicants may have unique circumstances that would warrant our earlier consideration. In that case, it is the applicant's responsibility to submit details and documentation with its application identifying why its application should be addressed on a priority basis.

We understand that applicants need to be registered quickly to enable them to receive gifts and issue tax receipts to donors. Likewise, applicants need to be registered before they can receive grants from funding agencies. While these reasons are important, because they are common to almost all applicants, we do not grant priority on those grounds.

You should also note that delays occur for a variety of reasons, most commonly as a result of missing or incomplete information.

For example, failure to provide a list of directing officials would not allow us to determine whether an applicant is a charitable organization or a foundation. Failure to supply complete and appropriate governing documents (i.e., you provide no governing documents, only partial governing documents, or inappropriate documents), or a detailed list of activities, would prevent the Directorate from making a determination regarding registration itself.

Accordingly, in order for the Directorate to be able to consider an application, it is important to ensure that:

- all the questions on the form are fully answered;
- all required documents are provided; and
- detailed and specific information is given.

Failure to provide all of the information and documentation required by the form will usually result in the Directorate contacting the organization to request the documents and/or details necessary to proceed with the processing of the application. If the material requested is not provided, the Directorate will not be in a position to give any further consideration to the application.

If the application is approved

If the application is approved, we will send you a "Notification of Registration." It includes important information about the rights and obligations of a registered charity, and also provides the registered charity with a business number (BN) (see Q.4 on this page). Please note that, although a BN is issued to all corporate entities, this number is not the same as the BN that we issue to an organization to identify the organization as a registered charity.

An organization must not issue official donation receipts until we have formally registered it as a charity. It also must not promise such receipts or misrepresent itself to the public as a registered charity before it is officially registered.

If the organization is unlikely to qualify

If it appears that the organization is unlikely to qualify for registration, we will send a letter explaining why. You will then have an opportunity to reply to our concerns. Meanwhile, if you need any information, you can contact the Charities Directorate at any of the telephone numbers listed at the front of this publication.

Part 1 – Identification of applicant

Q.1 Current legal name of the organization

This refers to the legal name of the organization as it appears on its governing document (see Q.10 on page 13). A charity is registered under its legal name only.

Q.2 Current operational or trade name

The current operational or trade name refers to any alternative name that the organization uses (e.g., a shortened version or acronym of the full name).

Q.3 Previous names

Indicate any other name under which the organization has operated in the past.

Q.4 Business number (BN)

Having a business number (BN) does not mean that an organization is a business. Furthermore, an organization does not have to have a BN before it applies for charitable registration. The BN is a new numbering system the Government of Canada has introduced as a more efficient way to identify organizations. A single number replaces many numbers previously used by the Government.

For example, a registered charity used to have a charitable registration number. It may also have had an employer's number if it hired staff, and yet another number for the goods and services tax (GST). Under the BN system, an organization will have one basic number with added suffixes to

identify its various accounts with the Government as a charity, as an employer, or as a GST registrant.

The BN consists of two parts:

- nine digits to identify an organization (e.g., 12345 6789); and
- two letters and four digits to identify the type of accounts an organization might have (e.g., the suffix RR0001 is used to identify charity accounts).

Thus, a sample BN identifying an organization as a charity could be: 12345 6789 RR0001. That same organization might also be a GST registrant and its GST account could be identified by the BN 12345 6789 RT0001. In order to help identify a BN account, we need to know which program accounts (if any) an organization already has with us.

Note

While a charity program account is opened for each applicant as part of the registration process, this account is not valid unless the organization becomes registered. Therefore, if an organization issues a receipt to a donor using an unregistered account number, that receipt will be disallowed.

Q.5 Mailing address

Provide a complete address (street name and number, floor, suite or apartment number, post office box number, rural route number, postal code, etc.). This is the address we will use to send mail to the organization.

Email address: Where applicable, we ask that you provide **the organization's** email address. Please note that while we are expanding our service channels, the CCRA does not currently correspond by email due to security and confidentiality concerns. Accordingly, we are soliciting your organization's email address on an anticipatory basis only.

Q.6 Previous contact

If the Charities Directorate has previously corresponded with the organization, provide the Directorate's reference number. The reference number can be found on the first page of the Directorate's letter.

Q.7 Re-registration

More charities have their registration revoked for failing to file their annual information returns (Form T3010, *Registered Charity Information Return*) than for any other reason. Registered charities must file their annual returns six months after the end of their **fiscal period** if they want to retain their charitable registration.

Charities sometimes have their registration revoked for other reasons. These include carrying on non-charitable activities, changing the governing document to include non-charitable objects, or issuing improper donation receipts. As well, some charities voluntarily request that we

revoke their registration. A charity may request voluntary revocation for a number of reasons such as when it merges with another charity, or when it decides to wind up its affairs. If you are uncertain why the organization's registration was revoked, write "not known" on the form.

Part 2 – List of applicant's directors or trustees

Q.8 Name and position of directors, trustees or other similar officials on the applicant's governing body

Directors and **trustees** are the directors, trustees, and other similar officials who make up an organization's elected or appointed governing body. These people hold positions that are usually identified in the organization's governing document, such as chair, president, treasurer, and secretary.

List the full names of all the organization's directors and trustees, and identify for each any special position within the organization (e.g., treasurer, board member, trustee, religious leader).

Full name includes at least the given name and family name of the director or trustee. Where a particular name is shared in common by two or more members of the governing body (e.g., John Smith), include additional given names or initials to identify clearly each individual director or trustee.

In the case of a congregation, include the name of the priest, minister, or other religious leader in charge, even if this person is not a director or trustee.

Part 3 – Organizational structure of applicant

Q.9 Internal divisions of registered charities

For administrative convenience, some charities register their internal divisions separately. This allows those internal divisions to receive donations and issue receipts on their own behalf. In most cases, we are able to process applications for these registrations quickly.

The main factor that determines whether an applicant qualifies as an **internal division** of an already registered charity (the parent organization) is that it does not have its own governing document. Instead, it operates under the governing document of the parent organization.

A parent organization-internal division relationship can also be confirmed where, for example, the parent organization exercises one or more of the following powers:

- approves the internal division's budget;
- holds title to property used or managed by the internal division;

- signs all contracts, loans, or agreements affecting the internal division; or
- has the authority under its governing document to create internal divisions.

For registration purposes, an internal division must provide a **Letter of Good Standing** from the legal entity (i.e., parent organization). This document must confirm the status (branch, section, parish, congregation, etc.) of the **internal division** and give the name of the applicant, the date it was established, the name of the governing document it was established pursuant to, and the name of the governing document it currently adheres to. This document must be dated and signed by a director or trustee of the parent organization (indicating the position within the organization). For further clarification or advice on your particular situation, we suggest you contact us in advance.

Q.10 Governing document

Details on the type of governing document an organization should provide for registration purposes, and the type of information that the governing document should contain, can be found on pages 8 and 9.

Q.10A Incorporated applicants

We need a clear copy of the document bearing the seal, signature, or stamp of the federal or provincial incorporating authority, acknowledging its approval of the incorporation. These documents vary from authority to authority. They could be a certificate of incorporation, letters patent, or a memorandum of incorporation. Copies of any later documents that amend the governing document (e.g., supplementary letters patent) must also be included.

Q.10A.1 Certificate of good standing

A certificate of good standing is a document issued by an incorporating authority, stating that the organization is duly incorporated, and that it is in good standing with the authority. The name of the document may vary from jurisdiction to jurisdiction.

A certificate of good standing is required in the following circumstances:

New applicants: When an organization has had five or more fiscal year ends between the day it was incorporated and the day it has submitted its application for registration (Form T2050), it must submit a certificate of good standing.

Re-registrations: Incorporated entities applying to be re-registered must always provide a certificate of good standing.

Q.10B Unincorporated applicants

As a minimum requirement, we need a clear copy of an organization's constitution, trust deed, or other trust document. A copy, however, must be certified by the signatures of at least three

directors, trustees, or other similar officials. The effective date of the document and the date of each signature must also be indicated. By signing the constitution or other trust document, directors or trustees are acknowledging that the governing document they are providing is the one under which the organization currently operates.

If an unincorporated organization does not currently have a governing document, it will need to draw up a constitution or trust document. Refer to the information provided under the question “What are the minimum requirements of a 1) trust document? 2) constitution?” on page 9 for the details of what is required in drawing up a constitution or trust document. An organization that intends to draw up its own governing document should seek legal advice where possible. Although a document produced by an organization itself may be acceptable for purposes of registration as a charity under the *Income Tax Act*, the document may not be acceptable in other contexts.

You also need to attach copies of any later documents that amend the constitution or trust document (e.g., special resolutions).

Q.10C By-laws

An incorporated organization’s by-laws usually form part of its incorporating or constituting documents. However, if an organization has by-laws that do not form part of its constituting documents (as is the case with many unincorporated organizations), it should include a copy of those by-laws, as well as all amendments, with its application. These by-laws should bear the signatures of at least two directors or trustees. The effective date of the by-laws, and the date that each of the two directors or trustees signed the by-laws, should also be indicated.

Q.11 Ownership

If an organization owns (or intends to own) land or buildings, we recommend that it become incorporated for the purpose of holding title to the real property. Incorporation can ensure that a charity is better able to protect its assets. However, an unincorporated charity can have the use of real property where it is held in trust by trustees acting on behalf of the organization. In such circumstances, the trust indenture should clearly specify the following:

- that the legal title to the property is vested in trustees on behalf of the charity and for the charity’s own charitable purposes, and that the trustees are bound to apply the property for the charitable purposes of the charity;
- the provisions for the replacement of trustees acting on the organization’s behalf. In the absence of such provisions, replacement of trustees is usually made by the courts—a slow and onerous process; and

- that the trust indenture is registered against the title of the property under the property title laws of the relevant province, if appropriate.

Unincorporated organizations are encouraged to contact the Charities Directorate in writing or seek legal advice before acquiring any real property.

Q.12 Designation

The information in response to this question and Q.19 will determine whether we will designate the applicant as a charitable organization, a public foundation, or a private foundation.

For a description of the differences between the three designations, please refer to the information provided under the question “What types of charities are identified by the *Income Tax Act*?” on page 8. Explanations of the terms **at arm’s length** and **qualified donees** are provided in the Glossary on page 4 of section I.

Briefly, directors or trustees would not be considered to be **at arm’s length** with any of the other directors or trustees if they are **related** to one another by blood, adoption, marriage, or common-law relationship. If they are not related, they may still not be considered to be **at arm’s length** factually by virtue of any close business or corporate ties (e.g., depending on the circumstances, **non-arm’s-length** relationships would usually be considered to exist between business partners, or between employers and employees).

Example

Consider a seven-member board of directors/trustees. Two of the members of the board, Allan Lee and Pat MacDonald, live in a common-law relationship. The other five members of the board have no links either to Allan and/or Pat, or among themselves.

Michael Clark Allan Lee Jean Leclair
Pat MacDonald Sandy MacIntyre Françoise Smith
Pierre Tremblay

We have underlined the names of the two non-arm’s-length members. In this situation, the organization could be designated as a charitable organization or a public foundation if it qualifies for registration. However, if Pierre’s wife, Anne, and adopted daughter, Nadia, become members of the board, the number of non-arm’s-length directors/trustees rises to five out of nine, even though the three members of the Tremblay family have no ties with Allan and Pat, the common-law couple.

Michael Clark Allan Lee Jean Leclair
Pat MacDonald Sandy MacIntyre Françoise Smith
Pierre Tremblay Anne Tremblay Nadia Tremblay

Under these circumstances, the organization would be designated as a private foundation if it qualifies for registration since over 50% of the board's members are in **non-arm's-length** relationships.

Consider another example, where there is a five-member board of directors/trustees, two of whom are father and daughter, while the other three members have no links either to the father and/or the daughter, or among themselves. Joseph Martin is a schoolteacher, his daughter, Katherine, is an accountant, Yves Messier is a businessperson, Stella Jones is a public relations consultant, and Chris Black is a lawyer.

Joseph Martin Katherine Martin Yves Messier
Stella Jones Chris Black

We have underlined the names of the two non-arm's-length members. Given the makeup of the board, the organization would be designated as either a charitable organization or a public foundation if it qualifies for registration.

However, if we add Chris Black's legal assistant, Susan Hardy, to the board, the number of non-arm's-length directors/trustees **could** rise to four out of six, even though Chris and Susan have no ties with the Martins. This situation arises because Chris and Susan could be considered to be **not at arm's length** with each other by virtue of their professional ties in the same law firm. A determination of whether a **non-arm's-length** relationship exists would turn on the facts of the case, on whether Chris and Susan are seen to be acting in concert without separate interests in carrying out their duties on the board.

Joseph Martin Katherine Martin Yves Messier
Stella Jones Chris Black Susan Hardy

If it is determined that Chris and Susan are indeed acting in concert with interests in common, we would have to designate their organization as a private foundation should it qualify for registration since over 50% of the members of the organization's board would now be considered to be in **non-arm's-length** relationships.

Part 4 – Information about the activities of the applicant

Q.13A Activities

Activities are the means a charity uses to carry out its charitable objectives and benefit the community. To determine if the organization can be registered, we need to know what specific activities the organization will undertake to achieve **each** of the formal objects listed in its governing documents. **It is not sufficient to simply re-state your objectives.** In completing this section, the organization should describe in full detail both the charitable activities it will carry out itself, and provide details on the resources (financial or

material) that it intends to make available to **qualified donees** to assist those donees in carrying out their charitable activities.

The organization is expected to provide sufficient detail to help us determine whether its activities are charitable. Most delays in processing applications are the result of information that is too broad or vague. We need enough information to give us a clear understanding of what an organization intends to do.

In this regard, it is more advantageous to provide us with too much detail rather than too little.

We do not require details of activities related solely to fund-raising or administration. Details about fund-raising activities should be reported under Q.15 and Q.16. The type of information that is relevant depends on the activities an organization will pursue. The following examples illustrate the kind of details we are looking for:

- If an organization's object is to advance education by providing scholarships at a particular school, we need to know:
 - what the organization is trying to achieve in awarding the scholarships;
 - who is eligible to receive a scholarship, and why (i.e., what are the criteria in selecting candidates);
 - how and where the scholarship program will be advertised; and
 - who chooses the winning candidates (e.g., will it be the organization or an outside committee; if an outside committee, will the organization be represented on the committee?).
- If an organization wants to establish a community centre, it should provide details about:
 - membership requirements;
 - the kind of facilities and services that the community centre will provide (e.g., indoor/outdoor sports facilities, meeting rooms, catering services, day-care services, and banquet hall facilities);
 - the centre's schedule of events;
 - the percentage of time reserved for sports compared to other kinds of activities, whether sports facilities will be available to all, whether coaching or instruction will be compulsory, whether certain sports will be specifically reserved for special groups of people (e.g., "gifted" or semi-professional basketball players); and
 - the activities that will be organized by the community centre itself rather than by community groups.

- If an organization is established to provide housing for seniors, we would want to know:
 - whether the housing project for seniors will be to provide relief mostly to poor seniors, or will it be generally to provide relief from conditions associated with old age, such as lack of mobility? (In this regard, the objects in the governing document should clearly reflect the real and underlying purpose of the organization.);
 - where applicable, how the organization defines such terms as **poor** (where the criteria of some official agency are being used, attach a copy of those criteria to the application), **senior**, and **conditions related to aging** (e.g., social isolation or mental confusion);
 - how candidates qualify as the beneficiaries of the organization’s housing services;
 - what activities and services the organization will provide and how its building is specially adapted to serve its clientele; and
 - how the organization will determine the rent to be paid by beneficiaries.
- If the beneficiaries of an organization’s activities are **outside** Canada, the following information should be provided:
 - the countries, and the locations within the countries, where the activities will be carried out (include a photocopy of the area on a map, if necessary);
 - whether the organization will carry out its activities abroad through its own volunteers or employees, through an agent, or through some other arrangement;
 - if through an agent or through some other arrangement, the control measures that will be established to ensure that the organization’s charitable activities are properly carried out; and
 - if applicable, the name and a description of any foreign organization that will receive funds or goods from the Canadian organization.

Q.13B Additional information

Any copies of additional, relevant information you can provide is very important. It gives us a comprehensive portrait of the organization in action and helps us understand what it is trying to achieve.

Q.14 Political activities

The *Income Tax Act* allows a registered charity to devote up to 10% of its resources to **non-partisan political activities** in order to influence law, policy, and public opinion on matters **related to its charitable purposes**.

Examples of non-partisan political activities

would include organizing meetings with elected officials or their staff, arranging presentations or providing briefs to elected or appointed officials, organizing conferences, workshops, lectures, rallies or demonstrations, overseeing mailings to officials or the public, managing letter-writing campaigns, as well as producing published or broadcast statements.

However, registered charities are **not** permitted to engage in partisan political activities. For more information on political activities, please see page 7.

The term **human resources** in Q.14D refers to volunteers and staff. In estimating the percentage of its human resources the organization expects to use in carrying out its political activities, consider both how many of the volunteers and staff will be involved in political activities and how much of their time will be devoted to these activities. For example, if 50% of staff and volunteers will be active politically, but only for a quarter of the year, indicate a quarter of 50% (12.5%). If only 20% of staff and volunteers will be active politically, but for half of the year, indicate a half of 20% (10%).

Physical resources in Q.14D includes the physical assets of the organization, such as a car, building, or office equipment. In the same way as with human resources, consider both how much of the organization’s assets will be used for political activities and for how long.

Q.15 Occasional fund-raising

This question refers to those fund-raising activities that an organization will conduct on an irregular and intermittent basis (e.g., yearly or twice-a-year bingos, an auction, a Christmas craft sale, an annual walk-a-thon, or an annual mail campaign for donations). Describe any line of goods the organization sells or will sell, any service it provides or will provide for a fee, or resources and facilities it uses or will use, to generate revenues. Describe as well the different types of fund-raising activities the organization intends to employ, how often it intends to carry out these activities, and estimate what proportion of the people working in the events will be volunteers. **The organization should also indicate, where applicable, whether a professional fund-raiser from outside the organization will be involved in any, or all, of the occasional fund-raising activities and, if so, how much the fund-raiser, whether an individual or an agency, will receive for the services provided.**

Q.16 Regular fund-raising

This question refers to the sale of goods and services carried out on a **regular** basis (e.g., sales from a bookstore, income from catering or day-care services, daily or weekly bingos, tuition fees, consulting fees, or rental income), and the development and maintenance of regular programs to solicit **donations** (e.g., the development and upkeep of mailing lists of

donors, the development of initiatives to identify and attract new donors). Describe the type of goods the organization sells or will sell, any service it provides or will provide for a fee, or resources and facilities from which it generates or will generate revenues which are not listed in Q.15. Indicate the percentage of people involved in carrying out these regular fund-raising activities who will be volunteers.

If you are uncertain whether a particular fund-raising activity should be included under occasional or regular fund-raising (e.g., bi-monthly bingos), do not omit it from your list of activities. Report it under either Q.15 or Q.16. An organization should use its best judgement in determining which of its fund-raising activities can be viewed as regular and which should be categorized as occasional.

Part 5 – Financial information

Q.17 Next complete fiscal period

For a definition of **fiscal period**, please see the Glossary on page 4 of section I. If the fiscal period end indicated on this application is different from that recorded in the organization's governing documents, please provide an explanation. If the Canada Customs and Revenue Agency registers the organization as a charity, the organization cannot change its fiscal period without obtaining our prior approval. Such permission is required since any change in a charity's fiscal period end affects its obligations under the *Income Tax Act*, in particular the requirement to file its information returns.

All applicants must complete this section, whether they are operating or not, and whether they are submitting financial statements or not.

It is recognized that not all of the categories in the proposed budget will apply to all applicants. It is also understood that the amounts we are asking an organization to provide will only be approximate amounts, since they are projections of what the organization expects to receive and spend in its next **fiscal period**. The amounts may be rounded off to the nearest \$100 or \$1000. In the case of gifts of items, amount refers to the **fair market value** of the item.

The accounting term "**receipts**" describes cash received from any source, including proceeds from loans, proceeds from the sale of capital assets, while the term "**disbursements**" describes all cash outlays, whether as a business expense, a loan repayment, or a loan to someone else. The amounts reported as **receipts** should be gross amounts; that is, the actual amounts received before any deductions for costs are applied. For example, the total amount of entrance fees collected by a museum would be indicated as **receipts**, without deducting any **disbursements** related to the operation of the museum.

A. Receipts

Line 001 – Gifts from individuals – Enter the total value of cash and other gifts the organization expects to receive from individual donors.

Line 002 – Gifts from other organizations and businesses – Enter the total amount the organization expects to receive as gifts from organizations **that are not charities**, such as non-profit organizations or businesses. Provide the name of the donor organization(s) where known.

Line 003 – Gifts from registered charities not already included – Enter the total amount the organization expects to receive from registered charities not accounted for under lines 001 and 002 above. Provide the names of the donor charities, if known.

Line 004 – Fund-raising activities carried on **by the organization itself** – Enter the total income the organization expects to receive from programs designed to solicit donations such as ongoing mail campaigns, or from selling goods and services. For example, include income from operating a catering service, church bookstore, or hospital gift shop, or from sources such as subscription fees for magazines, day-care fees, registration fees for seminars and courses, and tuition fees. Also include regular rental income on this line. **Do not include amounts received from professional fundraisers or other organizations contracted to raise funds on the organization's behalf.**

Line 005 – Fundraising activities carried on through other organizations – Enter the total amount the organization expects to raise from fund-raising events or campaigns which it will conduct through a third-party organization such as a professional telemarketer or fundraising company. You should indicate the **gross** amount the third-party organization will raise – before deductions such as remuneration and expenses. A copy of any proposed or existing contracts **must** be attached.

Line 006 – Government grants or contracts – Enter the total amount the organization anticipates receiving from government grants and contracts.

Line 007 – Receipts from other sources – Enter any other income not already reported on lines 001 to 006, such as membership dues, interest, and dividends. Briefly explain the nature of the income.

Line 012 – **Total estimated receipts from all sources** – Add lines 001 to 007 inclusive, and enter the total on line 012.

B. Disbursements

Line 013 – Charitable programs – Enter the total amount the organization expects to spend **directly** on its charitable programs. In the space provided, briefly describe the program and **approximate** amount to be spent on that program. A hospital, for example, would include the salaries not only of the medical and nursing staff who are treating the patients, but also of those providing support

services that enable the patient to stay in the hospital, such as kitchen and housekeeping staff. A religious organization would include not only the salary of the person who conducts the religious ceremonies, but also the cost of maintaining and heating the building, printing of religious materials and other such expenditures **essential** to the charitable program.

Line 014 – Gifts to qualified donees – A registered charity can provide property (e.g., money, equipment, educational materials, or land) as a gift to other organizations if these organizations are **qualified donees**, usually other registered charities. The list of qualified donees is provided in the Glossary on page 4 of section I. Enter the total amount for gifts that the organization plans to make to **qualified donees**. If the **qualified donees** that are to receive gifts are already known, please provide the names of those organizations, and indicate the nature and amount of each gift to be made to each donee.

Line 015 – Fund-raising activities carried on by the organization itself – Enter the total amount the organization expects to spend to raise funds **itself** (i.e. not through any outside organization). Examples of such disbursements are:

- expenses for conducting fund-raising activities, including salaries and overhead costs, promotional materials such as posters and newspaper ads, campaign supplies, electronic data processing, and year-round office expenses directly related to fund-raising;
- expenses for promoting the charity and its activities to the community primarily for fund-raising purposes; and
- postage costs for direct-mail canvassing.

Line 016 – Fund-raising activities carried on by third party organizations on the charity's behalf – Enter the total amount the organization expects to spend to raise funds through other organizations. Examples of such disbursements are:

- fees the charity paid to outside fund-raising consultants or agencies (or amounts retained by them); and
- any expenses incurred for conducting fund-raising activities, including overhead costs, promotional materials, campaign supplies, electronic data processing, and year-round office expenses directly related to fund-raising.

Management and Administration

Line 017 – Remuneration and benefits – Enter the total amount the organization will pay for remuneration of persons within management or administrative roles (e.g., salaries, wages, commissions, bonuses, fees, and honoraria), plus the fair market value of benefits (the private use of a car or office space).

Do not include salaries already reported on previous lines. Also do not include repayments of amounts directors, trustees, or employees spend to carry out their duties (e.g., a director's travel expenses and out-of-town accommodation for purposes of attending a board meeting). These expenses should be included on line 022 or 023, as appropriate.

Provincial law determines the circumstances under which a charity's directors or trustees can receive compensation. Some provinces permit a charity to pay its directors or trustees for any services they provide to the charity. However, in general, a charity cannot compensate its directors or trustees simply for occupying the position of director or trustee. If an organization is uncertain about what compensation it may provide to its directors or trustees, it should seek legal advice.

Line 018 – Accounting/legal fees – Enter the total amount to be spent on accounting and legal fees.

Line 019 – Occupancy costs – not already included – Enter the total amount to be spent on occupancy costs (rent, mortgage payments, building maintenance, insurance, heat, hydro, etc.). Do not include amounts already reported on line 013.

Line 020 – Supplies and equipment not already included – Enter the total amount for items such as office supplies, telephone and fax costs, as well as other items the organization uses (e.g., medicines in a hospital, desks in a school, shelving in a library).

Line 021 – Printing, publications not already included – Enter the total amount related, for example, to preparing and printing the annual report, informational flyers, or other publications that are distributed free of charge.

Line 022 – Social events not already included – Examples of social events are a Christmas party for volunteers, or a dinner for the organization's members. Briefly describe any such events and indicate the total amount spent on them.

Line 023 – Other disbursements – Enter the total amount for any other disbursements and briefly explain their nature. Among items that may be included are bank charges and the cost of maintaining life-insurance policies that donors have given to the organization.

Line 029 – Total estimated disbursements – Add lines 013 to 023 inclusive, and enter the total on line 029.

C. Foreign disbursements

If any of the amounts recorded in lines 013 to 024 relate to the disbursement of funds or goods outside Canada, indicate the location where the disbursements will be made, and the value of the money and/or property involved. The *Income Tax Act* does not allow a registered charity to carry out its purposes abroad simply by making its money or other resources available to a foreign

organization (unless that organization is a qualified donee). For information on the requirements that must be met if a charity has, or intends to have, any foreign disbursements, please consult the Canada Customs and Revenue Agency publication RC4106, entitled *Registered Charities: Operating Outside Canada*.

D. Assets

Lines 030 to 032 – Enter approximate amounts for assets that the organization expects to have by the end of its next fiscal period.

Line 035 – Add lines 030 to 032 inclusive, and enter the total on line 035.

E. Liabilities

Lines 036 and 037 – Enter approximate amounts the organization expects to owe by the end of the next fiscal year.

Line 040 – Add lines 036 and 037, and enter the total on line 040.

Q.18 **Financial transactions with directors, trustees, founders, etc.**

We need sufficient information to establish whether a transaction would be consistent with the Common Law definition of charity and whether it would also comply with the provisions of the *Income Tax Act*. For example, if the organization intends to lend funds to one of its directors, or has done so, we would want to know information such as the amount involved, the terms of the loan (e.g., interest payable, the loan repayment schedule, and the guarantee taken), and the position of the individual within the organization. Similarly, if an individual who serves on the organization's board of directors also serves on the board of a company that will rent space from the organization, we would want to know details concerning the terms of the lease, including the number of square feet of the space to be rented, the fair market value of the space, and the monthly rent.

Part 6 – Confidential information

Q.19 **Business address or physical location of organization**

The business address or physical location refers to the actual location of the organization. Some organizations are physically located at an address other than their mailing address or the address at which they keep their books and records.

Q.20 **Physical location of books and records**

Provide either a complete street address, or a legal description of the physical location (i.e., a lot or concession number), that clearly indicates where the organization will keep its books and records. A post office box number or rural route number is **not sufficient**.

Q.21 **Authorized representative/contact person**

If one of the directors or trustees listed in Q.8 and Q.22 is to be the authorized representative for the organization, only the name of the person chosen needs to be provided. However, if the person chosen to represent the organization is not a director or trustee of the organization, give the person's name, full address, telephone number, and fax number. We will only provide information to the persons who, at any given time, are identified as the organization's authorized representatives. Unless otherwise specified, information will normally be sent to the organization's mailing address. Changes to who may act as the authorized representative of an organization can be made as the occasion arises, but should be immediately brought to the Directorate's attention in writing.

Q.22 **Confidential information about directors and trustees**

The names and positions of the directors and trustees of a registered charity, and the periods during which they held their office, may be made publicly available at any time. However, we also want, as confidential information, a full mailing address and phone number for each director or trustee of an organization and their usual occupation or line of business (e.g., school teacher, engineer, car salesperson, retiree). If any of the directors or trustees live outside Canada, include in their mailing address the name of the country, as well as the postal code or its equivalent.

Q.23 **Financial statements**

Attach a separate copy of the organization's most recent financial statements if it has already been operating for a complete fiscal period. Provide details about any entries that a person outside the organization would not necessarily understand.

These statements form a separate document and will supplement the financial information provided on Q.17 of Form T2050. They remain confidential and, subject to the qualifying conditions noted below, will not be made publicly available.

At the very least, **financial statements** consist of both a statement of receipts and disbursements and a statement of assets and liabilities for a particular fiscal period. They should show the different sources of an organization's income and how it spent its money.

Part 7 – Certification and final steps

Certification

Please ensure that the application is dated and signed by two **individuals** authorized to sign on the organization's behalf, showing their position within the organization. This application will not be processed if it has not been properly certified.

The organization's treasurer should sign any financial statements that have not been professionally audited.

It is our policy that information provided under Part 6 of Form T2050 will remain confidential and will not be made publicly available except in circumstances where the release of any or all of the information is required by law or, in certain exceptional circumstances, where it is permitted by law. Circumstances where the law would require or permit the disclosure of such information include a court order, warrant, or subpoena issued with respect to criminal proceedings initiated under any Act of Parliament, or any legal proceedings relating to the administration or enforcement of the *Income Tax Act*, the *Canada Pension Plan*, the *Unemployment Insurance Act* or the *Employment Insurance Act*, or "any other Act of Parliament or law of a province that provides for the imposition or collection of a tax or duty." Other circumstances where we are required or permitted by law to disclose certain records would include requests made under the authority of the *Auditor General Act*, warrants issued by the *Canadian Security Intelligence Service Act*, and inquiries from the Department of Finance for information "solely for the purposes of the formulation or evaluation of fiscal policy."

Order form

Please check (✓) the boxes for the publications you need. Print your name and address in the space provided below, then send the order form to the Charities Directorate or a tax services office.

Name _____

Address _____

City and province _____ Postal code _____

Information Circulars

- 75-23 *Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools*
- 77-6 *Registered Charities: Designation as Associated Charities*
- 78-10 *Books and Records Retention/Destruction*
- 84-3 *Gifts to Certain Charitable Organizations Outside Canada*
- 87-1 *Registered Charities – Ancillary and Incidental Political Activities*
- 97-2 *Customized Forms*

Interpretation Bulletins

- IT-64 *Corporations: Association and Control – After 1988*
- IT-110 *Gifts and Official Donation Receipts*
- IT-111 *Annuities Purchased From Charitable Organizations*
- IT-179 *Change of Fiscal Period*
- IT-226 *Gifts to a Charity of a Residual Interest in Real Property or an Equitable Interest in a Trust*
- IT-244 *Gifts by Individuals of Life Insurance Policies as Charitable Donations*
- IT-288 *Gifts of Capital Properties to a Charity and Others*
- IT-297 *Gifts in Kind to Charity and Others*
- IT-407 *Disposition of Cultural Property to Designated Canadian Institutions*
- IT-419 *Meaning of Arm's Length*
- IT-496 *Non-Profit Organizations*
- IT-504 *Visual Artists and Writers*

Brochures and Guides

- P113 *Gifts and Income Tax*
- RC4082 *GST/HST Information for Charities*
- RC4106 *Registered Charities: Operating Outside Canada*
- RC4108 *Registered Charities and the Income Tax Act*

- RC4142 *Tax Advantages of Donating to Charity*
- RC4143 *Registered Charities: Community Economic Development Programs*
- T4118 *Auditing Charities*

Forms

- T280 *Registered Charities and Registered Canadian Amateur Athletic Associations*
- T913 *Part XI.2 Tax Return – Tax for the Disposition of Certain Properties*
- T1189 *Application to Register a Canadian Amateur Athletic Association Under the Income Tax Act*
- T2046 *Tax Return Where Registration of a Charity is Revoked*
- T2052 *Registered Canadian Amateur Athletic Association Return of Information*
- T2092 *Contributions to a Registered Party – Information Return*
- T2093 *Contributions to a Candidate at an Election – Information Return*
- T2094 *Registered Charities: Application to Reduce Disbursement Quota*
- T2095 *Registered Charities: Application for Re-Designation*
- T2140 *Part V Tax Return – Tax on Non-Qualified Investments of a Registered Charity*
- T3011 *Registered Charities: Application for Designation as Associated Charities*

Information Packages

- T3010/
T4033 *Registered Charity Information Return (form) and Completing the Registered Charity Information Return (guide)*
- T2050/
T4063 *Application to Register a Charity Under the Income Tax Act (form) and Registering a Charity for Income Tax Purposes (guide)*