



Canada Revenue  
Agency

Agence du revenu  
du Canada

# Registering a Charity for Income Tax Purposes

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If you have a visual impairment, you can get our publications in braille, large print, or etext (CD or diskette), or MP3. For more information, visit our Web site at [www.cra.gc.ca/alternate](http://www.cra.gc.ca/alternate) or call 1-800-959-2221.

## Canada Revenue Agency's Service Pledge

As a taxpayer, 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.

### Charities Directorate

#### Our Mission

Our mission is to promote compliance with the income tax legislation and regulations relating to charities through education, quality service, and responsible enforcement, thereby contributing to the integrity of the charitable sector and the social well-being of Canadians.

#### Our Vision

The Charities Directorate will be recognized and respected by charities, stakeholders, and the Canadian public for its integrity, fairness, knowledge, and innovative service delivery resulting in client-oriented service and compliance.

## Need more information?

### Internet access

You can find the list of registered charities, newsletters, policies, and other pertinent information regarding charities at [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities). You may want to bookmark this address for easy access later.

The Web site also has a list of newly registered charities as well as a list of charities that have recently been revoked or annulled.

### Electronic mailing list

When you subscribe to our electronic mailing list, we will **email you** whenever there's important new information on a subject of interest to you. We offer mailing lists for various tax matters (e.g., Charities and Giving – What's New).

When you subscribe to the Charities and Giving – What's New, you will be notified of additions to the Charities Web site, including Charities Newsletters, policy statements and commentaries, new guidelines, draft guidelines for consultation, and information about outreach activities.

### Forms and publications

Throughout the guide, we refer to other forms and publications. You can get these documents on our Web site at <http://www.cra.gc.ca/tax/charities/formspubs/menu-e.html> or by calling 1-800-959-2221.

If you need more information on a particular topic, you can reach the Charities Directorate by calling:

- 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 TTY service for persons with a hearing or speech impairment.

The Directorate's fax numbers are:

- 613-954-8037 – Client Service
- 613-957-8925 – Monitoring
- 613-952-6020 – Determinations
- 613-948-1320 – Policy, Planning, and Legislation

## Your opinion counts!

We review our publications every year. If you have any comments or suggestions that would help us improve this guide, we would like to hear from you. You can email your comments or suggestions to [charities-bienfaisance@cra.gc.ca](mailto:charities-bienfaisance@cra.gc.ca).

You can also send your comments to:

Charities Directorate  
Canada Revenue Agency  
Ottawa, Ontario K1A 0L5

# Section I – Information on Registration

## Introduction

In addition to collecting taxes, the Canada Revenue Agency is responsible for registering charities for income tax purposes. The Charities Directorate of the Canada Revenue Agency administers the *Income Tax Act* (Act) and the *Charities Registration (Security Information) Act* (CRSIA) as they apply to registered charities.

- Section I of this publication explains the legal requirements of becoming a registered charity; and
- Section II explains how to complete Form T2050, *Application to Register a Charity under the Income Tax Act*.

## Is registration as a charity right for your organization?

If you are thinking about registering a charity, there are a few things you should consider before you apply.

- What is a registered charity?
- What is a non-profit organization?
- What are the advantages of being a registered charity?
- Are there existing charities with the same purpose and activities as yours?
- What disqualifies an organization from being charitable at law?
- Is your organization a branch or agent of a Canadian municipality, or are you raising funds for a municipal project?
- Are registered charities subject to other federal and provincial/territorial requirements?
- What is the review process of an application?
- What are the obligations of a registered charity?
- What are the consequences of not meeting the obligations?

## What is a registered charity?

Organizations that are charities and that meet other requirements of the *Income Tax Act* can become **registered** charities with the Canada Revenue Agency (CRA). A registered charity receives a registration number and is entitled to issue tax receipts.

To qualify for registration under the Act, an organization must be established and operate for charitable purposes, and it must devote its resources to charitable activities. The organization must first be a charity under the common law, and its purposes must 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 is charitable.

Also, the organization must be resident in Canada, and cannot use its income to benefit its members.

## What is a non-profit organization?

There are organizations in the community with worthwhile purposes that are not considered “charitable” by the courts and will not qualify for registration as a charity under the Act. For example, organizations like non-profit social clubs (e.g., service clubs or fraternal lodges).

A non-profit organization is an association organized and operated exclusively for social welfare, civic improvement, pleasure, sport, recreation, or any other purpose except profit (e.g., a club, society, or association). The organization will generally be exempt from tax if no part of its income is payable to, or available for, the personal benefit of a proprietor, member, or shareholder unless the proprietor, member, or shareholder is a club, society, or association whose primary purpose and function is to promote amateur athletics in Canada.

A non-profit organization cannot issue official donation receipts. For more information, refer to the Income Tax Interpretation Bulletin, Non-Profit Organizations, IT-496, which is available on the CRA Web site at [www.cra.gc.ca/E/pub/tp/it496r/it496r-e.html](http://www.cra.gc.ca/E/pub/tp/it496r/it496r-e.html).

## What are the advantages of being a registered charity?

The primary advantages of being a registered charity are:

- Registration allows an organization to issue official receipts for gifts it receives. 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 *Act*.
- Eligible to receive gifts from other registered charities, such as foundations.
- Increased credibility in the community, as registered charities must follow rules and guidelines.

## Are there existing charities with the same purpose and activities as yours?

There are approximately 83,000 registered charities in Canada. Some may already be doing the same kind of charitable work as your new charity, and in the same region.

Before setting up a new charity, you should think about offering your services to, or combining with, an existing charity if there is a possibility of duplicating existing charitable work.

For example, if your organization will be providing financial and/or material relief to the victims of natural disasters or sudden catastrophes, you may wish to consider offering money or services to an existing charity.

Many charities find it difficult to get access to the limited funding that is available to the charitable sector, and this can be particularly problematic for new charities.

## What disqualifies an organization from being charitable under the law?

### Personal benefits

The Act requires 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 from incurring and paying other expenses that are associated with the normal operation of the charity.

### Private Benevolence

The courts do not accept acts of private benevolence as charitable. This means organizations that are formed to help named individuals or a private group do not qualify for charitable registration. For example:

- 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 group of specifically named individuals or to a single identified individual is established for private benevolence.

### Political purposes

Political purposes are not charitable and an organization will not qualify for charitable registration if any of its purposes are political. The courts have decided that organizations seeking to achieve political purposes, in whole or in part, cannot be recognized as a registered charity. Political purposes 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.

Purposes that are so broad as to allow for unlimited political activity, or organizations with unspecified political purposes, will not qualify for charitable registration.

In addition, the Act specifically prohibits a registered charity from engaging in any partisan political activity. A partisan political activity is one that involves direct or indirect support of, or opposition to, any political party or candidate for public office.

However, under the Act, a registered charity that is established exclusively for charitable purposes can engage, to a limited extent, in **non-partisan political "activities"** that directly help accomplish the charity's purposes.

For example, 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 a change in the legislation affecting the welfare of children cannot be registered as a charity. For further information, refer to the policy statement on Political Activities, CPS-022, which is available on the CRA Web site at [www.cra.gc.ca/tx/chrts/plcy/cps/cps-022-eng.html](http://www.cra.gc.ca/tx/chrts/plcy/cps/cps-022-eng.html).

### Activities that are illegal or contrary to public policy

Organizations that undertake illegal activities (e.g., fraud, or money laundering) will not qualify for registration.

The courts have held that an organization is not charitable under the law if its activities are contrary to Canadian public policy. A public policy is a definite and officially declared and implemented policy (*i.e.*, found in an Act of Parliament, a regulation, or another publicly available government document of any kind).

An organization that makes its resources available either directly or indirectly to further terrorism will not qualify for registration, in accordance with the *Charities Registration (Security Information) Act*. This law was enacted as part of the Anti-terrorism Act in 2001, and it provides a mechanism for refusing to register or revoking the registration of any charity when security information is used to establish that the organization is involved in supporting terrorism. For more information on this process and the *Charities Registration (Security Information) Act*, see the publication *Charities in the International Context*, available on the CRA Web site at [www.cra.gc.ca/tx/chrts/international-eng.html](http://www.cra.gc.ca/tx/chrts/international-eng.html).

When the decision not to register the organization as a charity or to revoke the registration of a charity is made under the *Charities Registration (Security Information) Act*, then the information relied on will be based on security information that will not be disclosed to the organization. Under this Act, the Minister of Public Safety and the Minister of National Revenue may sign a special certificate when they have reasonable grounds to believe that an organization or charity is implicated in supporting terrorism. The organization or charity will be served with a copy of this certificate, and a notice informing it that the certificate will be referred to a Federal Court no sooner than seven days after the date of service. A court then reviews the evidence. If it confirms that it was reasonable to issue the certificate, the organization will either not be registered as a charity or will have its registration revoked.

## Are you a branch or agent of a Canadian municipality, or are you raising funds for a municipal project?

Where a Canadian municipality agrees to receive your monetary contribution, control the expenditures, and issue official receipts to the donors in the municipality's name, you do not need to register a new charity.

Donations to a Canadian municipality are tax-supported to the same extent as donations to registered charities.

## Are registered charities subject to other federal and provincial/territorial requirements?

Registered charities can also be subject to other federal or provincial/territorial legislation that is associated with their operations, such as provincial or municipal standards for a nursing home, hospital, school board, or housing project.

Charities may need to register with the CRA for GST/HST purposes. An organization may be able to recover the GST/HST it paid or owes on purchases made and expenses incurred to carry out 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, refer to Guide RC4082 *GST/HST Information for Charities*, which is available on the CRA Web site at <http://www.cra.gc.ca/E/pub/gp/rc4082/README.html>.

If a charity is federally, provincially, or territorially incorporated, it must meet certain requirements under the incorporating statute. These may include other filing requirements. Should the charity allow its corporate status to dissolve, it must provide us with valid governing documents or its charitable registration will be revoked.

For more information, contact the provincial, federal, or territorial authority that issued the charity's certificate of incorporation, letters patent, memorandum of association, or other incorporating document.

Additionally, there may be provincial, territorial, or municipal laws governing fundraising and other operating activities.

## What is the review process for an application?

Generally, we process applications on a first-in, first-out basis. Acknowledgement letters are sent for all applications we receive.

We appreciate that applicants may have unique circumstances that would warrant our earlier consideration. If this is the case, the applicant should submit details and documentation explaining 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. Applicants also need to be registered before they can receive grants from funding agencies. These reasons are important, however, they are common to almost all applicants, so we do not grant priority on these grounds.

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

- 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 us from making a determination regarding registration itself;

- failure to supply financial information;
- failure to provide enough details about the organization's activities for us to determine whether the activities are charitable at law and/or the organization's legal (official) purposes do not relate to its statement of activities; and
- failure to provide the details and/or any copy of an agreement regarding representatives who are directed to carry out the organization's activities outside Canada on its behalf.

For us to be able to consider an application, it is important to ensure that:

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

Failure to provide all of the information and documentation requested on the application will usually result in the application being rejected as incomplete. In this case, we will return the application and send a letter outlining the information and documentation that is missing.

During the review process, we may contact the organization to request documents and/or details necessary to proceed with the processing of the application. If the material requested is not provided, registration will be denied.

### 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 (e.g., a registered charity's requirement to file its annual information return), and also provides the registered charity with a Business Number (see Q.4 "Business Number" in Section II). A registered charity should keep the Notification of Registration on file for the duration of its existence.

An organization must not issue official donation receipts until the CRA has 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 have 60 days to reply to our concerns.

### If the organization is denied registration

If we deny an application for registration, a charity can appeal the decision by filing a notice of objection within 90 days after the day on which the Minister's decision was mailed. An organization can file a notice of objection to the Minister by writing to the Assistant Commissioner, Appeals Branch, 25 Nicholas Street, Ottawa, ON K1A 0L5. In all cases, the organization will have to provide the reasons for the objection and all the relevant facts.

## What are the obligations of a registered charity?

Once an organization is registered as a charity, it must:

- devote all of its resources to charitable purposes and activities;
- file its annual Form T3010, *Registered Charity Information Return*, within six months of the charity's fiscal period end; and continue to meet the other requirements of the Act;
- maintain adequate books and records and make them available for audit upon request;
- follow the requirements of the Act when issuing official donation receipts;
- keep the Charities Directorate updated on changes to the organization, i.e., changes to address, directors, legal or operating name, purposes, activities, and structure.

Note that a variety of information about registered charities is available to the public, including a registered charity's governing document, most of the application form, the public portions of the annual return, and the financial statements filed with it.

## What are the consequences of not meeting the obligations?

If a registered charity does not meet its obligations, it may be subject to a penalty and/or lose its registration.

If a charity's registration is revoked, it:

- is no longer exempt from tax, unless it qualifies as a non-profit organization;
- cannot issue official donation receipts; and
- must transfer its property to an eligible donee or be subject to a revocation tax equivalent to the full value of its remaining assets (under Part V of the *Act*).

The purpose of this revocation tax is to ensure that charitable property continues to be applied to charitable uses. In essence, a revoked charity must ensure that it spends its money on its own charitable programs or donates the remaining assets to an **eligible donee** (e.g., a Canadian registered charity). If the revoked charity does this, the tax may be zero. However, if it fails to do this, the tax is set at the amount that remains once outstanding debts have been paid.

Under the Act, an **eligible donee** is a registered charity:

- that is not subject to a suspension of tax-receipting privileges;
- that is not subject to a security certificate under the *Charities Registration (Security Information) Act*;
- that has no unpaid liabilities under the Act or *Excise Tax Act*;
- that has filed all of its information returns; and
- of which more than 50% of the members of the board of directors or trustees deal at arm's length with each member of the board of directors or trustees of the particular charity.

## When should the application be completed?

The application 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 application, 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 requested on the application. We cannot make a determination regarding registration solely on the basis of a draft governing document, or on other partial information.

## Is the organization charitable under the law?

The Act does not contain a definition of charity. Therefore to become a registered charity, an organization must first be a charity under the common law and meet the requirements of the Act.

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

## Meeting the public benefit test

To be registered as a charity, an organization 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; and
- 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.

For further information, refer to the policy statement *Guidelines for Registering a Charity: Meeting the Public Benefit Test CPS-024*, which is available on our Web site at <http://www.cra.gc.ca/tx/chrts/plcy/cps/cps-024-eng.html>.

## What are charitable purposes and activities?

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 is charitable.

### **The relief of poverty**

To relieve poverty in the charitable sense means to bring relief to the poor. 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 the formal training of the mind, advancing the knowledge or abilities of the recipient, raising the artistic taste of the community, or improving a useful branch of human knowledge through research. The courts do not accept simply providing information as being educational; a charity must also provide training or instruction. 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 that 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.

### **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 register a charity under this category. A religious body is considered charitable when its activities serve religious purposes for the public good. Beliefs and practices considered subversive or immoral have not been accepted by the courts as charitable. The advancement of religion also includes:

- 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 recognized as charitable. An organization's purposes and activities must provide a tangible benefit to the public as a whole, or a significant section of it. However, not all purposes that benefit the public are charitable. For example, a property-owners' association or community association might not qualify.

Activities that would normally qualify under this category include:

- providing immediate relief to victims of natural disasters or sudden catastrophes (e.g., floods, earthquakes, and tornadoes);
- relieving a condition or disability associated with 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);
- organizing environmental projects which protect, preserve, and restore bodies of water;
- 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 (e.g., library, museum, gallery, botanical garden, public recreation grounds);
- establishing safety rescue operations or a volunteer fire department; and
- establishing humane societies, animal shelters, and similar institutions to prevent cruelty to animals.

Note that your application for registration must describe in clear detail how the organization will meet each of its charitable purposes.

For example, a purpose "to relieve poverty" is acceptable only if it is accompanied by a statement of activities showing how the organization will accomplish this purpose. 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."

## How should a registered charity's purposes be stated?

An organization must be constituted and operated exclusively for charitable purposes to qualify for registration under the Act.

To be exclusively charitable, an organization's purposes must be expressed in precise rather than broad or vague terms. This identifies, as clearly as possible, a recognized charitable purpose and ensures that the income and property of the organization cannot be applied for purposes clearly falling outside the scope of charity. In addition, we cannot register an organization that has a mix of charitable and non-charitable purposes.

The incorporating authority 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 corporation may carry on. However, in relation to charities and the law, only those purposes that restrict an organization to charitable pursuits are acceptable under the Act.

Examples of purposes we consider too vague or broad for registration as a charity 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 purposes we would consider precise enough are:

- to advance religion by repairing and restoring the \_\_\_\_\_ Synagogue (or Temple, Mosque, Church) in the city of \_\_\_\_\_, province of \_\_\_\_\_;
- to establish a shelter for women throughout the Region or Municipality of \_\_\_\_\_, who are victims of spousal abuse;
- to promote the preservation of the environment by operating 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 \_\_\_\_\_ to provide counselling services to teenagers.

Note that the Supreme Court of Canada, in *A.Y.S.A Amateur Youth Soccer Association v. Canada (Canada Revenue Agency)* (2007 SCC 42), confirmed that the promotion of a sport is not considered charitable at law. However, an organization that 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 types of charities are identified by the *Income Tax Act*?

There are three types of designations for charities: charitable organization, public foundation, and private foundation. The designation of a charity depends on its board structure and its mode of operation. Registered charities have different requirements under the Act, depending on their designation.

### Charitable organization

A registered charity, whether or not incorporated, is designated as a charitable organization if, at the particular time:

- a) it devotes all of its resources to charitable activities that it carries on itself;
- b) no part of its income is payable to, or is otherwise available for, the personal benefit of any of its proprietors, members, shareholders, trustees, or settlers;
- c) more than 50% of its directors, trustees, officers, or like officials deal at arm's length with each other and with:
  - (i) each of the other directors, trustees, officers, and like officials of the charity,
  - (ii) each person described in (d)(i) or (ii), and
  - (iii) each member of a group of persons, who do not deal with each other at arm's length if the group, considered as a single person, would be described in (d)(i), and
- d) on the assumption that the charity is a corporation, it is not controlled at the particular time directly or indirectly in any manner whatever by:
  - (i) a person that has through one or more contributions contributed more than 50% of the capital of the charity, as determined immediately after the particular time; or
  - (ii) a person or group of persons that do not deal with each other at arm's length if the person or any member of the group does not deal at arm's length with the person described in (d)(i).

### Note

For purposes of (c)(iii) and (d)(i), a person does not include Her Majesty in right of Canada or of a province, a municipality, another registered charity that is not a private foundation, and any club, society, or association described in paragraph 149(1)(l) of the Act.

## Public foundation

A registered charity is designated as a public foundation if it is a corporation or a trust constituted and operated exclusively for charitable purposes and it meets requirements (b), (c) and (d) for a charitable organization.

The essential difference between a charitable organization and a public foundation is that public foundations focus on funding qualified donees, while charitable organizations focus on carrying on their own charitable activities.

## Private foundation

A registered charity is designated as a private foundation if it is a corporation or a trust constituted and operated exclusively for charitable purposes and it does not meet requirements (c) or (d) for a charitable organization.

A private foundation may either carry on its own charitable activities and/or it may fund other qualified donees.

Note that the CRA, in its review of applications for registration, is now applying the new definitions of charitable organization and public foundation contained in proposed legislation.

## Governing documents

Every registered charity (other than an **internal division** of an existing registered charity) must be established by a governing document, such as letters patent, articles of incorporation, trust deeds, or constitutions. These documents must identify the purposes for which the organization is established, as well as provide information about the organization's structure and internal procedures. An organization's governing documents must accompany its application for charitable registration.

### What type of governing document is required for registration?

The type of governing document needed for registration depends on whether the organization's designation is charitable organization, public foundation, or private foundation, as described above.

- **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 governing document?

#### 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 the trustees.

#### 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 provision stating that the organization shall be carried on without purpose of gain for its members, and any profits or other assets of 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.

#### Incorporation

For the purpose of registering a charity, the requirements for incorporating documents vary depending on whether an organization is incorporating under federal, provincial, or territorial statutes. For more information on legislation dealing with incorporation, refer to the incorporating authority's Web site.

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

Organizations can incorporate federally, provincially, or territorially. However, incorporation under some statutes, such as Business Corporations Acts, can be problematic for applicants seeking charitable registration. To qualify for registration as a charity, an organization must be established as a not-for-profit entity, but most Business Corporations Acts are designed for businesses that intend to earn a profit. Organizations that seek to be registered as a charity should ensure that the Act, or the section of the Act, under which they choose to incorporate, is suitable for a non-profit organization.

Organizations should also be aware that some provincial incorporating documents, or incorporation guidelines with respect to incorporation, produce results that disqualify the organization from being registered as a charity. Examples are provided below.

### Alberta

Under **Alberta's** Societies Act, the *Application to Form a Society* lists a number of purposes that an organization can select to describe its purposes. Some of the purposes that are listed are analogous to those which the courts have determined are **not** charitable, while others are simply too vague and broad to clearly identify any recognized charitable aim.

However, the purposes listed in the *Application to Form a Society* are only examples or suggestions of purposes that an organization can use. An organization is not required to use any of them. For these reasons, we recommend that organizations formed in **Alberta** not use any of the listed purposes if they intend to apply for registration as a charity. Instead, the organization should provide a clear list of its own purposes in the application.

### Saskatchewan

The *Non-Profit Corporations Act* of **Saskatchewan** does not require that an organization provide a list of its purposes, but it does allow an organization the opportunity, under article 7 of the Articles of Incorporation, to list restrictions on what it will do. Organizations in **Saskatchewan** that have been formed under the *Non-Profit Corporations Act* should make it clear, in article 7, that they are restricting themselves to purposes and activities that are exclusively charitable. We will consider these restrictions as the organization's purposes.

### Manitoba

The *Manitoba Corporations Act* does not require an organization to restrict its activities in the Articles of Incorporation (without Share Capital). For the purpose of charitable registration under the *Income Tax Act*, an organization incorporating under the *Manitoba Corporations Act* must identify its purposes under Article 5.

### Quebec

In **Quebec**, the Inspector General of Financial Institutions provides a list of purposes that is considered acceptable for non-profit incorporation. Some of these purposes are not charitable at law and should not be included amongst the purposes of organizations that wish to apply for charitable registration.

## Will the Canada Revenue Agency review draft governing documents?

We will review draft governing documents on a one-time basis when submitted with a complete application. All other documents and information requested on the application form must be provided. We cannot make a

determination regarding registration solely on the basis of a draft governing document, or on other partial information. Any further contact by the organization must include a copy of the organization's formal governing documents.

If it appears the organization will not qualify for registration, we will provide our reasoning in writing. However, in such cases, applicants must recognize that no official mechanism exists that would allow them to appeal our decisions 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 should an organization know about re-registration?

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

- After revocation, any application for re-registration is treated 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*, and provide the requested documentation, information, and signatures. Incorporated organizations applying for re-registration must also include a certificate of good standing (see Q.9.1 c on Form T2050).
- Before it can be re-registered, an organization will be required to file all missing *Registered Charity Information Returns* (Form T3010) and financial statements. 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 purposes and/or activities.
- A charity that loses its registration under the *Charities Registration (Security Information) Act* may apply for re-registration as a charity if it can demonstrate that there has been a material change in the circumstances that caused it to lose its registration. Alternatively, the organization may re-apply 7 years after the date that a judge of the Federal Court upholds a certificate issued by the Minister of Public Safety and Emergency Preparedness and the Minister of National Revenue.

A charity that loses its registration because it did not file its T3010 is subject to a late-filing penalty of \$500. The payment must accompany the application for re-registration.

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

### How to use this section

The following questions 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 enter N/A in the space provided. Where answers to questions are left blank, we may ask for the missing information, or we may reject the application as incomplete.

If there is not enough space on the application to provide the requested information, attach additional sheets with the organization's name at the top of each sheet and the question to which it relates.

Send the completed application to:

Charities Directorate  
Canada Revenue Agency  
Ottawa ON K1A 0L5

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

### Who should complete the application?

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?

The certification section at the end of the application must be completed by **two** persons who are authorized to sign on behalf of the organization. An original signature is required. Directors, trustees, treasurers, or anyone else holding a responsible position within the organization can sign the application.

## Part 1 – Identification of the organization applying for registration

- Q1 Current legal name of the organization**  
Give the legal (official) name of the organization as it appears on its governing document. A charity is registered under this name only.
- Q2 Current operating or trade name**  
The current operating or trade name is any other name that the organization uses (e.g., a shortened version or acronym of the full name).

- Q3 Previous names**  
Give any other name under which the organization has operated in the past.

- Q4 Business Number**  
Having a business number (BN) does not mean that an organization is a business.

An organization does not have to have a BN before it applies for charitable registration.

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).

A sample BN identifying an organization as a charity could be: 12345 6789 **RR**0001. That same organization might also be a GST registrant, and its GST account could be identified by the BN 12345 6789 **RT**0001. To help identify a BN account, we need to know if an organization already has a program account 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.

- Q5 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.

Provide the organization's phone number, fax number, and Web site address, if any.

- Q6 Previous contact with the CRA**  
If the organization has previously applied for charitable status and has received correspondence from us, provide the Directorate's reference number. The reference number can be found on the first page of the Directorate's letter.

- Q7 Re-registration**  
If the organization has had its registration revoked and this application is for re-registration tick "yes" and provide a response to Q7 a) and b).

For more information on the re-registration process and what must be included with this application, refer to "What should an organization know about re-registration?" on page 11.

## Part 2 – Organizational structure

### Q8 Internal divisions of Canadian 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. The main factor that determines whether an organization is an **internal division** of a 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.

For registration purposes, an internal division must provide a **Letter of Good Standing** from the parent organization. This document must confirm the status (branch, section, parish, congregation, etc.) and give the name of the internal division, the date it was established, the name of the governing document under which it was established 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 (include the director or trustee's position within the organization). For further clarification or advice on your particular situation, contact us in advance.

### Q9 Governing document

See "Governing documents" in section I on page 10 for details on the type of governing document an organization should provide for registration purposes, and the type of information that it should contain.

#### Q9.1 a) Incorporating document

We need a clear copy of the document bearing the seal, signature, or stamp of the federal, provincial, or territorial 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.

#### Q9.1 b) By-laws

An incorporated organization's by-laws usually form part of its incorporating documents. The organization should include a copy of those by-laws and all amendments with its application. If the by-laws do not bear a stamp from the incorporating authority, they 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 included.

### Q9.1 c) Certificate of good standing

A certificate of good standing is a document issued by an incorporating authority (i.e., federal, provincial, or territorial government) 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.

### Q9.2 a) Not incorporated

As a minimum requirement, we need a clear copy of an organization's constitution, trust deed, or other trust document. A constitution, trust deed, or other trust document must be certified with the signatures of its directors, trustees, or other similar officials (at least three must be included for a constitution). The effective date of the document and the date of each signature must also be included. By signing the constitution, trust deed, or other trust document, directors, trustees, or other like officials 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. See "What are the minimum requirements of a governing document?" on page 10 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 other documents that amend the constitution or trust document (e.g., special resolutions).

If the organization has by-laws, it should include a copy of those by-laws and 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 must also be included.

## Q10 Designation

The information provided in response to this question and Q.15 will determine whether we will designate the applicant as a charitable organization, a public foundation, or a private foundation.

See page 9 for a description of the difference between the three designations, as identified by the *Income Tax Act*.

The questions in this section deal with the tax concept of **arm's length**. Arm's length describes 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. You can find general information on this subject in Interpretation Bulletin IT-419R, *Meaning of Arm's Length*, and Interpretation Bulletin IT-64R4, *Corporations: Association and Control*. Briefly, directors or trustees would be considered to be **not 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 be considered **not at arm's length** by virtue of any close business or corporate ties.

Another term used in this section is **major contributor**. This term is used to describe a person (i.e., individual, corporation, trust, unincorporated entity), or a group of persons who are not at arm's length, or any individual member thereof, from which the organization receives more than 50% of its capital (e.g., funds or assets).

### Example 1

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

Omar Zameli, Allan Lee, Jean Leclair, Sandy MacIntyre, Sarah Smith, Pierre Tremblay, Françoise Lambert

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 Sarah, the common-law couple.

Omar Zameli, Allan Lee, Jean Leclair, Sarah Smith, Sandy MacIntyre, Pierre Tremblay, Anne Tremblay, Nadia Tremblay, Françoise Lambert

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.

### Example 2

Consider the example where an organization has received a \$200,000 donation from a single donor, John Biggs. The organization's total assets are \$300,000 and the organization is made up of a three-member board of directors/trustees.

Dave Biggs, Emily Cook, Anirban Bhaumik

Since John Biggs has contributed more than 50% of the organization's capital he is considered a major contributor. John Biggs is also related to both Dave Biggs (brother) and Emily Cook (daughter-in-law). While Dave Biggs and Emily Cook are **at arm's length** with each other, they are **not at arm's length** with the major contributor, John Biggs. The organization would be designated as a private foundation because more than 50% of the directors are **not at arm's length** with the major contributor (i.e., two of the 3 directors are related to the major contributor).

## Part 3 – Activities of the organization

**Q11a)** Activities are the means a charity uses to carry out its charitable purposes 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 purposes listed in its governing documents. **It is not sufficient to simply re-state your purposes.** In completing this section, the organization should describe in 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.

### Qualified donees

If a registered charity prefers to transfer gifts to other organizations rather than use its resources on its own programs, it can only transfer such gifts to 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 tax year or the 12 months before it; and
- Her Majesty in right of Canada or in right of a province (i.e., the federal government, a provincial government or their agents).

**Note**

Under proposed legislation, for gifts made after May 8, 2000, the list of qualified donees is expanded to include a municipal or public body performing a function of government in Canada.

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 fundraising or administration in response to this question. Details about fundraising activities should be reported under Q.12. 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 purpose 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 for selecting candidates);
  - how and where will the scholarship program be advertised; and
  - who chooses the winning candidates (e.g., will it be the organization or an outside committee; if it's an outside committee, will the organization be represented on the committee?).
- If an organization wants to establish a community centre, we need to know:
  - 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 need 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?;
- 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.

**Q11 b) State** whether the organization is currently carrying out any of the activities described in 11a. If no, explain when the organization plans to begin operations.

**Q11 c) Activities outside of Canada**

- If the beneficiaries of an organization's activities are **outside** Canada, the following information has to 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 outside Canada 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, address and a description of any foreign organization that will receive funds or goods from the Canadian organization and copies of any current or proposed written agreements.

For more information about activities outside Canada, refer to Guide RC4106, *Registered Charities: Operating Outside Canada*, which is available on the CRA Web site at <http://www.cra.gc.ca/E/pub/tg/rc4106/rc4106-e.html>.

**Q11 d)** Attach any copies of additional, relevant information such as minutes of meetings, newspaper cuttings, videos, CDs, fundraising materials, pamphlets, brochures, or other items that further describe the organization's work and purposes. This information gives us a comprehensive portrait of the organization in action and helps us understand what it is trying to achieve.

**Q12 Fundraising Activities**

This question refers to those fundraising activities that an organization will conduct on an 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).

**Q12 a)** Describe the different types of fundraising activities the organization intends to undertake, how often it intends to carry out these activities, and estimate what proportion of the people working in the events will be volunteers.

**Q12 b)** State if a professional fundraiser from outside the organization will be involved in any, or all, of the fundraising activities. If yes, say how much the professional fundraiser will be compensated and the terms of payment. If applicable, attach copies of any current or proposed contracts.

**Q12 c)** State whether the organization intends to receive non-cash gifts on a regular basis. If applicable, describe the nature of the non-cash gift (e.g., art work).

If you are uncertain whether a particular activity should be included under fundraising or business activities, do not omit it from your list of activities. Report it under either Q.13 or Q.14. An organization should use its best judgement in determining which of its fundraising activities can be viewed as regular and which should be categorized as occasional.

**Q12 d)** State whether the organization is involved in, or plans to be involved with, or is in any way associated with a tax shelter arrangement. A tax shelter arrangement, under the *Income Tax Act*, includes any property or gifting arrangement for which a promoter represents that an investor can claim deductions or credits which equal or exceed the cost of the property less certain benefits within a four year period.

**Q13 Regular revenue from sale of goods, services, or use of assets**

This question refers to any fees or regular income received from the sale of goods or services. The term "regular" does not necessarily mean daily. It means on a repeated basis where there is a system and continuity to the transactions being carried on.

Some examples would be weekly bingos, monthly operation of a used clothing store, or an annual summer camp. These include revenue from goods or services provided as part of the organization's programs.

The Act permits registered charities designated as charitable organizations and public foundations to carry on related businesses that accomplish or promote their charitable purpose(s). Private foundations cannot carry out any business activities. A related business is a commercial activity (i.e., revenue-generating) that is either related to a charity's purpose(s), or substantially run by volunteers. For more information, see Policy Statement CPS-019, *What is a Related Business?*, on the CRA Web site at <http://www.cra.gc.ca/tx/chrts/plcy/cps/cps-019-eng.html>.

- Describe the activity in detail, for example, 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. Explain how these activities relate to the organization's purpose(s).
- Give the percentage of the organization's total resources (human, financial and physical) that will be devoted to carrying out these activities.

The term **human resources** refers to volunteers and staff. In estimating the percentage of its human resources the organization expects to use in carrying out its revenue generating activities, consider how many of the volunteers and staff will be involved in the revenue generating activities and how much of their time will be devoted to these activities.

**Physical resources** include 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 revenue generating activities and for how long.

- Give the percentage of human resources involved that are volunteers.

**Q14 Political activities**

The Act allows a registered charity to devote up to 10% of its resources to non-partisan political activities to influence law, policy, and public opinion on matters related to its charitable purposes. For more information on political activities, please see the section on Political purposes on page 5.

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.

State if the organization is engaged in or plans to engage in any political activities. If applicable, describe the activity in detail, explain how the political activities are related to the organization's purpose, and provide a total of the human, financial, and physical resources that will be devoted to these activities.

The terms **human resources** and **physical resources** are described in Q13b.

**Q15 Financial transactions with the organization's officials**

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 Act. For example, if the organization intends to lend funds to one of its directors, or has done so, we would want to know 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 the terms of the lease, including the number of square feet of the space to be rented, the fair market value of the rent for that space, and the monthly rent the organization will pay, if different from the fair market value.

**Q.16 Ownership**

- a) State if the organization owns or expects to own more than 2% of the outstanding shares of any class of shares of a corporation. A share represents ownership in a corporation. Some corporations issue more than one class of share, where the holders of different types of shares are entitled to different treatment or all holders of the same class of shares are treated identically. For example, Class A may have voting rights, while Class B are non-voting shares.
- b) 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; 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.

## Part 4 – Financial information of the organization

**Q17** This section must be completed, whether the organization is operating or not, and whether the organization is submitting financial statements or not.

For organizations that have been in operation for a full fiscal period, attach a separate copy of the organization's most recent financial statements.

These statements form a separate document and will supplement the financial information provided in the application. These financial statements remain confidential.

At the very least, financial statements consist of both a statement of revenue and expenditures 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.

### Fiscal period end

Give the organization's fiscal period end.

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 2007, and its fiscal period is July 1 to June 30, then its next complete fiscal period would have been July 1, 2007, to June 30, 2008.

If the fiscal period end given on this application is different from that recorded in the organization's governing documents, provide an explanation. If we register the organization as a charity, the organization cannot change its fiscal period without obtaining our approval. Any change in a charity's fiscal period end affects its obligations under the Act, in particular the requirement to file its information returns.

#### **Proposed operating budget for the next fiscal period**

We recognize that not all of the categories in the proposed budget will apply to all organizations. We also understand 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, where reasonable. In the case of gifts of items, provide the **fair market value** of the item.

**Revenue** describes cash received from any source, including proceeds from loans and proceeds from the sale of capital assets, while **expenditures** describes all cash outlays, whether as a business expense, a loan repayment, or a loan to someone else. The amounts reported as **revenue** 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 shown as **revenue**, without deducting any **expenditure** related to the operation of the museum.

#### **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.

#### **Note**

The Charities Directorate is currently applying proposed legislation. For gifts made after December 20, 2002, a transfer of property for which the donor receives an advantage may still be considered a gift for purposes of the *Income Tax Act*, as long as we are satisfied that the transfer of property was made with the intention to

make a gift. The existence of an advantage will not disqualify the transfer from being considered a gift where the fair market value (FMV) of the advantage does not exceed 80% of the FMV of the transferred property.

See pamphlet P113, *Gifts and Income Tax*, or *Income Tax Technical News*, Issue 26, on our Web site for more information on the proposed amendments to the definition of gift.

#### a) **Revenue**

**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 corporations 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. In the space provided, enter the name of the donor organization(s) if known and the approximate amount to be received.

**Line 003 – Gifts from registered charities** – Enter the total amount the organization expects to receive from registered charities. In the space provided, give the names of the donor charities and Business Numbers, if known, as well as the approximate amounts to be received.

**Line 004 – Government grants, contributions, or contracts** – Enter the total amount the organization anticipates receiving from government grants, contributions, and contracts.

**Line 005 – Fundraising activities carried on by the organization itself** – Enter the total income the organization expects to receive from the fundraising activities described in Q12. Do not include amounts received from professional fundraisers or other organizations contracted to raise funds on the organization's behalf.

**Line 006 – Fundraising activities carried on by third parties on the organization's behalf** – Enter the total amount the organization expects to raise from fundraising events or campaigns which it will conduct through a third-party organization such as a professional telemarketer or fundraising company. You should include the **gross** amount the third-party organization will raise before deductions such as remuneration and expenses. Attach a copy of any proposed or existing contracts.

**Line 007 – Revenue from the sale of goods, services, or the use of assets** – Enter the total amount the organization expects to generate through regular activities as described in Q13. You should enter gross amounts before deductions for expenditures such as operating costs. For example, include income from selling goods or services, 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.

**Line 008 – Other** – Enter any other income not already reported on lines 001 to 007, such as membership dues, interest, and dividends. In the space provided, briefly explain the source of the income and the approximate amount of revenue expected.

**Line 009 – Total estimated revenue from all sources** – Add lines 001 to 008 inclusive, and enter the total on line 009.

#### b) Expenditures

**Line 010 – Charitable activities** – Enter the total amount the organization expects to spend **directly** on its charitable activities. In the space provided, briefly describe the program and the **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 religious materials, and other expenditures required to carry out the charitable program.

**Line 011 – 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. See the list of qualified donees provided in Part 3 – Activities of the organization on page 14. Enter the total amount for gifts that the organization plans to make to **qualified donees**. If the organization already knows which **qualified donees** will receive gifts, give the names of those organizations, and describe the nature and amount of each gift to be made to each donee.

**Line 012 – Fundraising 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 fundraising 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 013 – Fundraising activities carried on by third parties 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 fundraising consultants or agencies (or amounts retained by them); and
- any expenses incurred for conducting fundraising activities, including overhead costs, promotional materials, campaign supplies, electronic data processing, and year-round office expenses directly related to fundraising.

**Line 014 – The sale of goods or services or the use of assets** – Enter the total costs associated with the sale of the organization's goods or services, or the use of assets.

**Line 015 – Political activities** – Enter the total amount the organization expects to spend on political activities.

#### Management and Administration

**Line 016 – Remuneration and benefits not already included** – 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 (e.g., 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 spent to carry out their duties (e.g., a director's travel expenses and out-of-town accommodation to attend a board meeting). These expenses should be included on line 021 or 022, 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 017 – Accounting/legal services** – Enter the total amount to be spent on accounting and legal fees.

**Line 018 – Occupancy costs** – 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 010.

**Line 019 – Supplies and equipment** – 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 020 – Printing, publications, and advertising** – 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 021 – Travel**– Enter the total amount spent on travel costs. Do not include amounts already included on line 010.

**Line 022 – Other** – Enter the total amount for any other expenditures 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 023 – Total estimated expenditures**– Add lines 010 to 022 inclusive, and enter the total on line 023.

**c) Revenue and expenditures outside of Canada**

If any of the revenue reported in section a) is received from a source outside Canada, name the source of the revenue and the corresponding amount. If any of the expenditures in section b) are incurred for activities outside of Canada, give the location (country, including region) where the expenditures will be made, the intended activity, and/or recipient, and the amount of money and/or value of the property involved.

The 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 more information on the requirements that must be met if a charity has, or intends to have, any foreign disbursements, refer to Guide RC4106, *Registered Charities: Operating Outside Canada*, which is available on the CRA Web site at <http://www.cra.gc.ca/E/pub/tg/rc4106/rc4106-e.html>.

**d) Assets and Liabilities**

**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 033 – Total assets** – Add lines 030 to 032 inclusive, and enter the total on line 033.

**Liabilities**

**Line 034 – Total Liabilities** – Enter approximate amounts the organization expects to owe by the end of the next fiscal year, and enter the total on line 034.

## Part 5 – Information about the organization’s officials

**Q.18 Public and confidential information about directors and trustees**

**Name and position of directors, trustees, officers, or other like officials on the organization’s governing body**

Directors, trustees, officers, and like officials are the persons who make up an organization’s elected or appointed governing body. These people hold positions, such as chair, president, treasurer, or secretary and are usually identified in the organization’s governing document.

List the full names of all the organization’s directors, trustees, officers, or like officials, and give their position within the organization (e.g., treasurer, board member, trustee, religious leader). Attach a separate sheet if there is not enough space on the application.

Full name includes at least the first name and surname. Where a particular name is shared in common by two or more members of the governing body, include additional given names or initials to clearly identify each individual. 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.

Provide the name, position in the organization, home address, phone number, and date of birth for each director, trustee, or like official of the organization. If any of the directors or trustees live outside Canada, include in their home address the name of the country, as well as the postal code or its equivalent.

Directors/trustees are required to provide date of birth and home address to facilitate the administration and enforcement of the Act. The date of birth information provides further means of identification of directors/trustees who are fiscally accountable for the management of the charity. This information will remain confidential.

## Part 6 – Confidential Information, Final Steps and Certification

**Q.19 Physical location of the organization**

Physical location is 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**

Give either a complete street address or a legal description of the physical location (i.e., a lot or concession number) that clearly shows 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.18 is the authorized representative for the organization, give that person’s name. However, if the authorized representative is not a director or trustee of the organization, give the person’s name, full address, telephone number, and fax number. We will only send information to the persons who are identified as the organization’s authorized representatives. Unless otherwise specified, information will normally be sent to the organization’s mailing address. Changes to the authorized representative of an organization should immediately be brought to our attention in writing.

### **Certification**

Ensure that the application is dated and signed by two individuals authorized to sign on the organization's behalf, and give their position within the organization. Original signatures are required. 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 the confidential information provided under Part 5 and Part 6 of Form T2050 and financial statements, if provided, 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."

## Notes

## Notes

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