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Canadian Charities, Donations and Nonprofits An examination of tax expenditures

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Introduction

Taxation and philanthropy are complex systems in Canada and at the international level (OECD, 2020). The complexity can be illustrated by the numerous deductions, tax credit, and exemptions which exist in tax systems across various countries. Tax expenditures (TEs) is an example of a concept used to account for some found preferred treatments. TEs are usually “a form of implicit government spending taking the form of tax revenue that is not collected because of deductions, exemptions, and other exclusions for businesses and individuals” (Auerbach and Smetters, 2017, p.4).

At home, “[t]he charitable sector is an important contributor to Canadian society, playing a vital role in providing valuable goods and services to Canadians in areas such as health care, education, poverty relief and the protection of the environment.” (Canada - Department of Finance, 2014, p.30). Registered charities and nonprofits in Canada benefit from tax exemption. Individuals received non-refundable tax credits for their charitable donations in their tax payable calculations, while corporations received tax deductions in their taxable income leading to tax payable calculations. As there are 85,639 registered charities (Brouard and Litalien, 2024), the amount of tax expenditures may be important. Perry (2007, p.88) indicates that with the numerous tax expenditures, “the revenue base had been seriously undermined”. Questions about the level of various preferred treatments may be appropriate, and for all sectors, for example Federal Business Subsidies (Lester, 2024).

Provided this context, our research question is: What are the Canadian tax expenditures of registered charities, charitable donations, and nonprofit organizations?



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Methodology

Using the archival method, data are obtained from public information, in particular the tax expenditures report at federal and provincial levels (see Appendix A). The main document in Canada describing the tax expenditures is the federal report (Canada - Department of Finance, 2024a). Before those publications, some estimations were calculated to give an approximation (Perry, 1976).

The various tax expenditures are classified in the federal document by subject (Canada - Department of Finance, 2023). Among the 20 subjects listed in Appendix B, the ones selected for this research note are “[d]onations, gifts, charities and non-profit organizations”. As the tax expenditures are classified per the type of tax, namely individual / personal income tax, corporate income tax and GST (Good and services tax) (Canada - Department of Finance, 2024a), this is the mode of presentation chosen. The estimates “are based on a static analysis of the costs and do not consider any behavioural changes” and eliminating one measures may impact the other measures and its costs (Government of British Columbia, 2024, p.124; Government of New Brunswick, 2024).

Canadian Tax System

Governments want to achieve various economic and social objectives and may use various tools such as spending programs and the tax system to influence the economy (business, employment, investment), personal life (health, education, housing, retirement, savings), and society (arts, environment) (Perry, 2007).

A tax system may use multiple mechanisms to collect taxes at the various levels of government (federal, provincial, local). They could be on what someone earn, on what someone buy or on what someone own. Among the different types of taxes, the list could include income tax (personal, corporate), sales tax on goods and services, value-added tax, capital tax, excise taxes (alcoholic, carbon, cigarettes, duty, fuel), payroll tax, health tax, property taxes, transfer tax, tariffs, wealth taxes, and estate taxes.

The Canadian tax system with tax expenditures estimates, including those for registered charities, is mainly governed by two laws, the *Income Tax Act* (ITA) and the *Excise Tax Act* (ETA) plus other documents, such as regulations, administrative rules, and jurisprudence, at the federal level and by provincial income tax rules in each province. Overall, “[t]he principal goal of a tax system is to raise revenue in order to finance government operations and programs.” (Canada - Department of Finance, 2000, p.39)

“The federal government provides tax assistance to registered charities and nonprofits through three vehicles: the charitable donations credit / deduction, their tax-exempt status, and partial rebates of the GST.” (Canada - Department of Finance, 2023, p.51)

Objectives

“Governments worldwide use TEs to pursue different policy goals (...).” (Redonda, Millan, von Haldenwang, and Aliu, 2023, p.4) Multiple objectives of the tax system are described in Appendix C. The tax system is used to reduce administrative costs for governments and compliance costs for taxpayers.

“The tax system is an instrument of policy that serves to advance a wide range of economic, social and other public policy objectives.” (Government of Newfoundland and Labrador, 2022, p.A1(262)). In the federal document, the objective regarding the subject of “[d]onations, gifts, charities and non-profit organizations” is mainly “[t]o achieve a social objective” (listed in Appendix C), but also “[t]o reduce administration or compliance costs”.

Measures

Measures of the tax system are described in Appendix D. The measures are exemption, exemption and zero-rating under the GST, deduction, deemed remittance, credit (refundable, non-refundable), rebate and refund, preferential tax rate, surtax, and timing preference (Canada - Department of Finance, 2023). In addition to the measures at the federal level, provinces also have their tax system and specific measures. “The various tax measures could be divided between individual income tax, corporate income tax and GST.” (Canada - Department of Finance, 2024, p.51) The rules at the federal level, which apply to almost all provinces, except Québec, are described below. By getting credit / deduction, the net cost of a donation is reduced by the tax advantage. If combined federal / provincial tax rate is 50%, it reduces by half the cost of a donation allowing in theory for more donations.

At the provincial level, it is possible to include other categories; for example, “[t]ax expenditures and other benefits (...) are separated into six sections: personal income tax and benefits, corporate income tax, sales tax, fuel tax, carbon tax and tobacco tax.” (Government of Newfoundland and Labrador, 2022, p.A1(262)).

Individual federal income tax

At the federal level, individuals received non-refundable tax credits for their charitable donations. An income limit may apply. “Individuals donating certain assets that have appreciated in value are eligible for a tax exemption with respect to the capital gains realized on the donated assets. Assets eligible for a capital gains tax exemption include publicly listed securities and certain exchangeable shares, certified cultural property and ecologically sensitive land.” (Poirier, 2016, p.303)

Corporate federal income tax

A corporation may receive a deduction for the donation amount in their taxable income reducing the tax payable calculations and tax liability. Similar rules apply to corporations regarding capital gains exemption realized on the donated assets, such as publicly listed securities, certified cultural property, and ecologically sensitive land.

Goods and Services Tax (GST) and others

Rebates and exemptions are part of the Goods and Services Tax (GST) / Harmonized Sales Tax (HST) for qualifying non-profit organizations and registered charities at the federal level and in some provinces. For example, certain supplies are exempt from HST. In Ontario, a charity rebate exists for charities regarding education property tax. In British Columbia, they have a relief from employer health tax for charities and non-profits and property tax exemption on transfers to charities.

Nonprofits and Registered Charities

In addition to charitable donations treatments described, the organizations themselves (nonprofits and registered charities) benefit from some preferred treatments. Nonprofit organization is defined as “an organization formed for social, philanthropic or similar purposes, in which there is normally no transferable ownership interest and that does not carry on business with a view to distribution or use of any profits for the pecuniary gain of its members” (CICA, 1992, p.143). Nonprofits get exemptions and rebates, for example, income tax exemption.

Additionally, “Governments in Canada provide significant assistance to charities through direct grants and contributions as well as by way of a number of tax incentives to encourage charitable donations.” (Poirier, 2016, p.301) Canada Revenue Agency (CRA) describes a “registered charity” as an organization established that operates exclusively for charitable purposes. Charity “means a charitable organization or charitable foundation” (ITA 149.1(1)). Three types of registered charities exist in Canada: charitable organization, public foundation, and private foundation (ITA 248(1)) (Brouard, 2023).

Tax Expenditures Concept

Stanley Surrey is considered the father of the tax expenditures concept with the first publication in 1969, as he was the Treasury Assistant Secretary in the United States (Auerbach and Smetters, 2017; Burman et al., 2017; Crane, 2023; Forman, 1986; Harpaz and Steuerle, 2023). In 1975, the tax expenditures analysis was integrated in the budget process in the United States (Surrey and McDaniel, 1979). By providing information about tax expenditures, the disclosure helps the budget policy, tax policy, spending policy, and political decisions (Surrey and McDaniel, 1979). This information may contribute to a tax reform context. Some guiding principles are provided by AICPA

(2001) to evaluate tax proposals and achieve a good tax policy (see list of ten principles in Appendix E).

However, the tax expenditures received less scrutiny compared to spending programs listed in the annual budget. Control may be more difficult with tax expenditures. Some tax expenditures may be tilt toward high-income beneficiaries. An example is the principal residence exemption (Office of the Auditor General of British Columbia (2018).

Definitions

Multiple definitions of what is a tax expenditure exist. Some of them are presented. In Stanley Surrey's definition from his 1973 book, "tax expenditures are governmental financial assistance programs ... carried out through special tax provisions rather than direct Government expenditures" (Canada - Department of Finance, 2000, p.52).

Other definitions of tax expenditures are:

- "Tax expenditures are the estimated costs to the tax revenue of preferential treatment for specific activities." (OECD, 2002, #2.2, p.12)
- "Tax expenditures are tax exemptions, allowances, rate reductions, deferrals, non-refundable credits that reduce government tax revenues." (Office of the Auditor General of British Columbia, 2018, p.5)
- A "tax expenditure" is any tax measure that aims to achieve a policy objective at the cost of lower tax revenues, according to Canada - Department of Finance (2021). This includes tax credits, deferrals, deductions, exemptions, and preferential tax rates.
- "Tax expenditures are foregone revenues and serve as alternatives to direct program spending." (Government of Newfoundland and Labrador, 2022, p.A1)
- "Tax expenditures (TEs) are tax benefits that lower government revenue and the tax liability of the beneficiary." (Redonda, Millan, von Haldenwang and Aliu, 2023, p.4)

Approach

The approach to determine tax expenditures could be to assess the tax concessions compared to a benchmark or to disclose information on many concessions leaving the reader to determine if they want to consider some measures of tax expenditures or not.

Even if it is not our purpose of defining exactly what are the tax expenditures, not all tax concessions could be considered TEs; a benchmark tax system should be define with a combination of various components such as the tax unit, tax base, tax rate structure, tax period, and treatment of inflation (Canada - Department of Finance, 2000). However, no consensus exists as to what constitutes a benchmark tax structure.

Originating in the 1970s in the United States, the benchmark approach may lead to a different definition. “The term ‘tax expenditure’ means those reductions in federal attributable to provisions of the Internal Revenue Code which grant a special exclusion, exemption, deduction, deferral, credit, rate of tax, or other monetary benefits representing a deviation from the normal income tax rate structure for individuals and corporations.” (Forman, 1986, p.543)

“Tax expenditures (TEs) – also called tax breaks, tax reliefs or tax subsidies – are deviations from a benchmark or standard tax system that provide preferential tax treatment to individuals or businesses.” (Redonda, Millan, von Haldenwang and Aliu, 2023, p.5) Defining the income baseline or benchmark to determine the tax expenditures and their measure is a debate not only in Canada, but also in other countries (Burman, Todev, Berger and Rohaly, 2017). Canada chose to disclose information on many concessions (Canada - Department of Finance, 2000).

“Finance Canada’s income tax expenditures are defined relative to a benchmark described as a variant of the Haig-Simons comprehensive income base.” [...] “The Haig-Simons comprehensive income base includes worldwide income from all sources: labour income, capital income (including imputed income from owner-occupied housing and consumer durables), the imputed value of household services, and transfers between taxpayers, such as gifts and inheritances.” (Lester, 2019, p.757) Stanley Surrey also preferred a comprehensive income as the baseline, but they are no agreements on the baseline (Burman, Todev, Berger and Rohaly, 2017). Canada - Department of Finance (2024b) provides a description and key features of the benchmark tax system retained at the federal level.

Elements

Surrey and McDaniel (1979, p.227-228) distinguish two elements in the tax expenditures concept:

- “First element is the structural provisions necessary for implementation of a normal income tax. These structural provisions include the definition of net income; the specification of accounting periods; the determination of the entities subject to tax; and the specification of the rate schedule and exemption levels. These provisions compose the revenue raising aspects of the tax.”
- “The second element consists of the special preferences found in every income tax system. These special preferences, often called tax incentives or tax subsidies, are departures from the normal tax structure, designed to favor a particular industry, activity, or class of persons.”

Types and categories of tax expenditures

Several classifications may help to distinguish various types of tax expenditures. Canada - Department of Finance (2000, p.55-56) proposes a classification of four types of tax expenditures based on a set of criteria, such as the deliverability criteria. Table 1 presents the eight main types of tax expenditures per Canada - Department of Finance (2024b).

Table 1 – Main types of tax expenditures

Type of Tax Expenditures	Examples
Exemption from tax of certain taxpayers	Registered charities and non-profit organizations are exempt from income tax.
Exemption from income tax of certain items of income or gains	Capital gains realized on certain donated assets are not subject to income tax.
Exemption from GST or zero-rating of certain supplies of goods or services	GST are not charge on certain services.
Tax rates that depart from the benchmark tax rates	The income of small incorporated businesses is taxed at a preferential tax rate.
Tax credits, rebates and refunds	A rebate is available in respect of the GST paid by public sector bodies (e.g., schools, hospitals) on purchases related to their supply of GST-exempt goods and services.
Provisions that permit the transfer of tax attributes among taxpayers or otherwise extend the unit of taxation	Couples are allowed to split pension income for income tax purposes.
Provisions that permit the deferral of tax or depreciation of a capital asset faster than its useful life	Taxation of contributions to a Registered Retirement Savings Plan and investment income earned within such a plan is deferred until these amounts are withdrawn from the plan.
Recognition is given for income tax purposes to expenses incurred to earn employment income or income that is not subject to income tax or expenses not incurred to earn income	Charitable donations made by corporations are deductible in determining taxable income.

Source: Canada - Department of Finance (2024b, p.14)

Type I Tax Expenditures

“The first classification level comprises those tax concessions that are closest to direct expenditures. They are broadly deliverable outside the tax system as their delivery through direct spending leads to no significant alteration in the distribution of benefits and no substantial changes in program and administration costs. In general, Type I tax expenditures consist of refundable tax credits and rebates, as qualification for these tax provisions and their delivery through direct spending would remain the same as their delivery through the tax system.”

Type II Tax Expenditures

“Type II tax expenditures are tax concessions that are deliverable outside the tax system with a similar distribution of benefits and program costs. Direct delivery of these tax concessions will, however, result in measurable increases in administration costs. In general, Type II tax expenditures comprise non-refundable tax credits with a carryover and/or transferability. In addition, because of the single tax rate in the corporate tax system, Type II tax expenditures also include many exemptions and deductions in the corporate tax structure. Under the GST/HST, Type II tax expenditures comprise most zero-rated goods and services.”

Type III Tax Expenditures

“These tax concessions, if delivered through direct spending rather than the tax system, would significantly increase both administration costs and program costs and would substantially change the distribution of benefits. In general, Type III tax expenditures include non-refundable tax credits that have no provision for transferability or carry-over, and therefore might not be claimed in full. In the case of the GST/HST, type III tax expenditures consist of the tax-exempt goods and services which, if delivered directly, would alter the distribution of benefits and increase program costs.”

Tax Reductions

“Tax reductions are those tax concessions that simply cannot be delivered outside the tax system without incurring substantial and prohibitive increases in administrative costs as well as changes in the distribution of benefits and program costs. Not only would the distribution of benefits and program costs change, as in the case of Type III tax expenditures, but the value of these tax reductions would vary depending on the marginal tax bracket faced by the individual. In general, the tax reduction category comprises deductions, deferrals and exemptions in the personal income tax system. In the corporate income tax system, tax reductions consist of deferrals. Deferrals often have variable lengths, and thus the benefit of the deferral may vary from corporation to corporation.”

Kaplow (2017, p.148) suggests three types: the first one is the “tax provisions that are best understood not as true tax expenditures but rather as refinements to income measurement”, the second one is the provisions “that provide inefficient subsidies to certain forms of consumption”, and the third one are “those that correct otherwise distorted behavior”.

“Finance Canada distinguishes between structural and non-structural tax measures. Structural measures are implemented to improve the fairness and simplicity of the tax system; they address such issues as avoiding double taxation, promoting horizontal or vertical equity, and recognizing costs incurred to earn taxable income. Non-structural measures are implemented to achieve economic development and social policy goals, such as promoting investment and providing income support. Non-structural measures are similar to spending programs.” (Lester, 2019, p.756)

A variable presented by Canada - Department of Finance (2023) is the category. “The category indicates whether the measure is structural or non-structural. A structural tax measure is one whose main objective is internal to the tax system [...] [see Appendix C]. When a measure pursues both structural and non-structural objectives, it is categorized based on an assessment of whether the structural or non-structural component predominates; for instance, the Home Accessibility Tax Credit supports independent living and as such is classified as non-structural, even though this credit also provides tax recognition for some non-discretionary expenses, which is a structural objective.

The classification of a tax expenditure as structural or non-structural is not indicative of the relevance and performance of the measure. [...] Refundable tax credits (with the exception of the GST/HST Credit) are treated as direct spending for government accounting purposes, and for that reason are assigned to a separate category.” (Canada - Department of Finance, 2023, p.52) Lester (2019, p.762) prefer the expression “tax-based spending” to replace “non-structural”.

Another set of three categories is proposed by Brooks (2016, p.71-72). “One category is tax expenditures intended to serve as incentives. In enacting these measures, the government is, in traditional Musgravian terms, discharging its allocation function.” “A second category of tax expenditures is relief measures, which the government enacts, again in Musgravian terms, in discharging its distribution function.” “Finally, a third category of tax expenditures covers clear departures from the Haig-Simons comprehensive definition of income where there are compelling tax administration reasons for the departure, as well as (often) incentive and (sometimes) relief arguments.”

Advantages and drawbacks

Several advantages and drawbacks depending on the perspectives on tax expenditures could be mentioned (Burman, Todev, Berger and Rohaly, 2017; Financial Accountability Office of Ontario (FAO), 2020; Government of British Columbia, 2024; National Council of Welfare, 1976; Redonda, 2015). The main advantage is the easiness of administration, as much information on eligibility is already part of tax returns preparation. Using the tax system allow to avoid duplication between provincial and federal. Time saving is also a factor, as there is no need to apply to other programs. Another advantage is the anonymity avoiding the welfare stigma of recipients.

Among the drawbacks is the hidden aspect of tax expenditures from the public’s view. It may be easier to sneak subsidies in the tax system, especially when no costs are attached to it. A deduction / credit may be available only to a minority of taxpayers; may not target those who are intended to benefit from them; and a deduction may have more value for high-income taxpayers compare to lower-income tax filers. Taxpayers may not understand the real tax cost, which can be understatement of revenue and costs can be

more difficult to control. In the context of tax reform, tax expenditures could be a prime target. However, even if cancelling or limiting some of them would raise revenue, eliminating tax expenditures may be difficult politically as voters like them.

Canada (Federal) Tax Expenditures

Tax expenditures estimates are prepared by Finance Canada since 1979 (Lester, 2019). Annual federal reports are available since 1995 (published in August 1996) (Canada - Department of Finance, 2024a). “Over the years, this report has become a key component of the government’s reporting on the federal tax system, and has contributed significantly to the public dialogue on federal tax policies—a role it continues to play today.” (Canada - Department of Finance, 2024b, p.6)

“This report is intended to facilitate analysis of tax expenditures and indicate their role within the tax system. Information provided includes a description of each measure and of its objectives, cost estimates and projections (for 2018 to 2025 in this year’s [2024] report), legal references, historical information, as well as references to key federal government spending programs that are relevant to the policy area of a tax expenditure to better inform Canadians and Parliamentarians about related programs. The report will continue to be updated every year, providing a convenient, easily accessible point of reference for information on federal tax expenditures.” (Canada - Department of Finance, 2024b, p.6) In this report, items under donations, gifts, charities and non-profit organizations are classified as non-structural (Canada - Department of Finance, 2023).

“Prior to 2016, measures were grouped into tax expenditures and memorandum items, which were part of the benchmark. The publication now uses three groups: tax expenditures, tax measures other than tax expenditures (the former memorandum items), and refundable tax credits. Refundable tax credits are in a separate group in recognition of their classification as direct spending in 2012.” (Lester, 2019, p.758-759)

As an indication, even if they could be part of the nonprofit sector but are excluded from the present note, the tax-based spending in 2019 regarding taxation of the MUSH sector (municipalities, universities, schools, and hospitals) is estimated to be 3.9 billion of dollars (Lester, 2019, p.766).

Regarding the amounts reported, some general comments may be valuable. Amounts under \$500,000 are reported as ‘S’ (‘small’); amounts between \$500,000 and \$5 million are rounded to the nearest \$1 million; and amounts above \$5 million are rounded to the nearest \$5 million. For some tax expenditures, amounts are not published for confidentiality reason (X). The method of calculations of estimates (E) and projections (P) are described in the report (Canada - Department of Finance, 2024b).

Individual income tax

Table 2 presents federal tax expenditures regarding individual income tax. The main measure is the charitable donation tax credit. A First-Time Donor's Super Credit existed in the past but was terminated in 2017. Table 3 presents details of the federal tax expenditures regarding donation by individuals by type of donations.

Charitable donation tax credit

"The Charitable Donation Tax Credit is a non-refundable tax credit on donations to registered charities, registered Canadian amateur athletic associations and other qualified donees. In 2023, the formula for determining the credit for individuals is linked to the lowest, second-highest and highest federal tax rates. The credit rate is 15% on the first \$200 of total annual gifts and 29% on total annual gifts over \$200, with the exception of donors with taxable income exceeding \$235,675 who may claim a 33% tax credit on the portion of total annual donations over \$200 made from taxable income greater than \$235,675. In general, the credit may be claimed on donations totaling up to 75% of an individual's net income (up to 100% of net income for donations of ecologically sensitive land and cultural property or in certain other circumstances) and may be carried forward for up to 5 years (up to 10 years for donations of ecologically sensitive land)." "About 5 million individuals and 3,600 trusts claimed this credit in 2021." (Canada - Department of Finance, 2024b, p.102)

Table 2 – Federal tax expenditures - Individual income tax

(millions of dollars)	Code	2018	2019	2020	2021	2022	2023	2024	2025
		E	E	E	E	P	P	P	P
Charitable donation tax credit	PIT	2,980	3,060	3,290	3,615	3,620	3,625	3,705	3,805
	TRU	30	30	45	45	45	50	50	50
Deduction for certain contributions by individuals who have taken vows of poverty	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of capital gains on donations of cultural property	PIT	5	3	5	5	4	4	4	4
Non-taxation of capital gains on donations of ecologically sensitive land	PIT	3	2	2	3	4	3	3	3
	TRU	S	S	S	S	S	S	S	S
Non-taxation of capital gains on donations of publicly listed securities	PIT	75	125	100	130	95	100	105	110
	TRU	2	1	S	2	1	1	2	2
Grand total		3,095	3,221	3,442	3,800	3,769	3,783	3,869	3,974

Source: Canada - Department of Finance (2024b, p.33)

Note: PIT = Personal income tax (excluding trusts); TRU = Personal income tax with respect to trusts; n.a. = No data available; S = small (amounts under \$500,000); E = Estimation; P = Projection

Table 3 – Federal tax expenditures - Individual income tax - Type of charitable donation

(millions of dollars)	Code	2018	2019	2020	2021	2022	2023	2024	2025
Donation by individuals by type of donations		E	E	E	E	P	P	P	P
- Publicly listed securities	PIT	270	410	340	430	320	340	355	370
- Cultural property	PIT	10	5	10	10	15	10	10	10
- Ecologically sensitive land	PIT	15	10	15	15	10	15	15	15
- Other	PIT	2,685	2,630	2,925	3,155	3,270	3,260	3,330	3,410
total		2,980	3,060	3,290	3,615	3,620	3,625	3,705	3,805
Donations by trusts	TRU	30	30	45	45	45	50	50	50
Grand total		3,010	3,090	3,335	3,660	3,665	3,670	3,755	3,855

Source: Canada - Department of Finance (2024b, p.103)

Note: PIT = Personal income tax (excluding trusts); TRU = Personal income tax with respect to trusts

Deduction for certain contributions by individuals who have taken vows of poverty

“Individuals who have taken a vow of perpetual poverty as a member of a religious order may claim a deduction in a year in which they are a member of that religious order for the amount of earned income and pension benefits assigned and paid in the year to the order.” (Canada - Department of Finance, 2024b, p.123)

Non-taxation of capital gains on donations of cultural property

“Certain objects certified by the Canadian Cultural Property Export Review Board as being of cultural importance to Canada are exempt from capital gains tax when disposed of by sale or donation within 24 months of certification to a cultural institution, such as a museum or art gallery, designated under the *Cultural Property Export and Import Act*. Recipient cultural institutions are required to hold the cultural property for at least 10 years. Such donations are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).” “The Canadian Cultural Property Export Review Board issued approximately 376 certificates in respect of donations of cultural property to individuals and 27 to corporations in 2020-21.” (Canada - Department of Finance, 2024b, p.218)

Non-taxation of capital gains on donations of ecologically sensitive land

“A zero inclusion rate applies to capital gains arising from a donation of ecologically sensitive land (including a conservation easement, covenant or, in the province of Quebec, a personal servitude the rights to which the land is subject and which has a term of not less than 100 years, or a real servitude on such land) to a public conservation charity (other than a private foundation) or certain other qualified donees if the fair market value of the land is certified by the Minister of the Environment. These donations are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).” “This measure provided tax relief to a small number of corporations (fewer than 20) in 2021. The number of individuals and trusts who obtained tax relief is unknown; however, fewer than 100 individuals made donations of ecologically sensitive land in that year.” (Canada - Department of Finance, 2024b, p.220)

Non-taxation of capital gains on donations of publicly listed securities

“A zero inclusion rate applies to capital gains arising from a donation of publicly listed securities made to a qualified donee, which effectively exempts such gains from income tax. Donations of publicly listed securities are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).” “This measure provided tax relief to about 2,075 corporations in 2021. The number of individuals and trusts who obtained tax relief is unknown; however, about 9,200 individuals made donations of publicly listed shares in that year.” (Canada - Department of Finance, 2024b, p.222)

Corporate income tax

Table 4 presents federal tax expenditures regarding corporate income tax. The main measure is the deductibility of charitable donation. An additional deduction for gifts of medicine existed in the past (since 2007) but has been repealed in 2017.

Deductibility of charitable donation

“Donations made by corporations to registered charities are deductible in computing taxable income within certain limits. In general, a deduction may be claimed on donations totaling up to 75% of a corporation’s taxable income. The limit is increased by 25% of the amount of taxable capital gains arising from donations of appreciated capital property and 25% of any capital cost allowance recapture arising from donations of depreciable capital property. The net income restriction does not apply to certain gifts of cultural property or ecologically sensitive land. Donations in excess of the particular limit applied may be carried forward up to 5 years with the exception of gifts of ecologically sensitive land, which may be carried forward up to 10 years.” “This measure provided tax relief to about 100,400 corporations in 2021.” (Canada - Department of Finance, 2024b, p.116)

Table 4 – Federal tax expenditures - Corporate income tax

(millions of dollars)	Code	2018	2019	2020	2021	2022	2023	2024	2025
		E	E	E	E	P	P	P	P
Deductibility of charitable donation	CIT	690	890	715	1,030	990	835	865	870
Non-taxation of capital gains on donations of cultural property	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of capital gains on donations of ecologically sensitive land	CIT	1	1	S	1	2	1	2	2
Non-taxation of capital gains on donations of publicly listed securities	CIT	85	220	120	180	85	145	150	155
Non-taxation of non-profit organizations	CIT	135	90	50	95	210	255	255	255
Non-taxation of registered charities	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Grand total		911	1,201	885	1,306	1,287	1,236	1,272	1,282

Source: Canada - Department of Finance (2024b, p.33)

Note: CIT = Corporate income tax; n.a. = No data available; E = Estimation; P = Projection

Table 5 presents details of the federal tax expenditures regarding donation by corporations by type of donations.

Table 5 – Federal tax expenditures - Corporate income tax - Type of charitable donation

(millions of dollars)	Code	2018	2019	2020	2021	2022	2023	2024	2025
Donation by corporations by type of donations		E	E	E	E	P	P	P	P
- Cultural property	CIT	3	4	1	1	2	1	1	1
- Ecologically sensitive land	CIT	10	2	1	1	5	2	2	2
- Other	CIT	680	885	715	1,030	985	830	860	865
Grand total		690	890	715	1,030	990	835	865	870

Source: Canada - Department of Finance (2024b, p.116) Rounding numbers not adding up in Grant total.

Note: CIT = Corporate income tax; E = Estimation; P = Projection

Non-taxation of capital gains on donations of ecologically sensitive land

“A zero inclusion rate applies to capital gains arising from a donation of ecologically sensitive land (including a conservation easement, covenant or, in the province of Quebec, a personal servitude the rights to which the land is subject and which has a term of not less than 100 years, or a real servitude on such land) to a public conservation charity (other than a private foundation) or certain other qualified donees if the fair market value of the land is certified by the Minister of the Environment. These donations are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).” “This measure provided tax relief to a small number of corporations (fewer than 20) in 2021. The number of individuals and trusts who obtained tax relief is unknown; however, fewer than 100 individuals made donations of ecologically sensitive land in that year.” (Canada - Department of Finance, 2024b, (p.220)

Non-taxation of capital gains on donations of publicly listed securities

“A zero inclusion rate applies to capital gains arising from a donation of publicly listed securities made to a qualified donee, which effectively exempts such gains from income tax. Donations of publicly listed securities are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).” “This measure provided tax relief to about 2,075 corporations in 2021. The number of individuals and trusts who obtained tax relief is unknown; however, about 9,200 individuals made donations of publicly listed shares in that year.” (Canada - Department of Finance, 2024b, (p.222)

Non-taxation of non-profit organizations

“A non-profit organization that is a club, society or association that is not a charity and that is organized and operated exclusively for social welfare, civic improvement, pleasure or for any other purpose except profit, qualifies for an exemption from income tax if it meets certain conditions. To be eligible, it is generally required that no part of the income of the organization be payable to, or otherwise available for the personal benefit of, any proprietor, member or shareholder of the organization. The exemption applies to both incorporated and unincorporated organizations. A tax expenditure results to the

extent that the organization has income that would otherwise be taxable, such as investment income or profits from commercial activities.” “About 31,800 non-profit organizations with positive net assets filed a non-profit organization information return in 2020.” (Canada - Department of Finance, 2024b, p.233)

Non-taxation of registered charities

“Registered charities, both incorporated and unincorporated, are exempt from income tax. Registered charities include charitable organizations, public foundations and private foundations. A tax expenditure results to the extent that the charity has income that would otherwise be taxable, such as investment income or profits from certain commercial activities.” (Canada - Department of Finance, 2024b, p.238)

GST

Table 6 presents federal tax expenditures regarding GST. The main measure is the exemption from GST for certain supplies made by charities and non-profit organizations.

Table 6 - Federal tax expenditures - GST

(millions of dollars)	Code	2018	2019	2020	2021	2022	2023	2024	2025
		E	E	E	E	P	P	P	P
Exemption from GST for certain supplies made by charities and non-profit organizations	GST	1,345	1,405	1,455	1,510	1,640	1,740	1,815	1,885
Rebate for poppies and wreaths	GST	X	X	X	X	X	X	X	X
Rebate for qualifying non-profit organizations	GST	80	80	75	80	85	90	95	95
Rebate for registered charities	GST	320	335	300	330	375	390	405	420
Grand total		1,745	1,820	1,830	1,920	2,100	2,220	2,315	2,400

Source: Canada - Department of Finance (2024b, p.33)
 Note: GST = Goods and Services Tax; E = Estimation; P = Projection
 X = not published for confidentiality reason

Exemption from GST for certain supplies made by charities and non-profit organizations

“Most supplies made by charities are exempt from GST. Many supplies made by non-profit organizations are also exempt, including: supplies made for no consideration; supplies of food and lodging made for the relief of poverty or distress; subsidized home-care services; meals on wheels; recreational programs established for children, individuals with a disability and disadvantaged individuals; memberships in organizations providing no significant benefit to individual members; and trade union and mandatory professional dues.” (Canada - Department of Finance, 2024b, p.165)



in
collaboration
with



Rebate for poppies and wreaths

“The Royal Canadian Legion is eligible for a 100% rebate of GST paid on Remembrance Day poppies and wreaths it acquires.” “The Royal Canadian Legion is the sole direct beneficiary of this measure.” (Canada - Department of Finance, 2024b, p.262)

Rebate for qualifying non-profit organizations

“Non-profit organizations that receive at least 40% of their funding from governments, municipalities or Indian Bands are eligible for a rebate of 50% of the GST paid on purchases related to their supplies of exempt services.” “About 7,000 entities claim this rebate each year.” (Canada - Department of Finance, 2024b, p.263)

Rebate for registered charities

“Charities registered under the *Income Tax Act* and registered Canadian amateur athletic associations are eligible for a rebate of 50% of the GST paid on purchases related to their supplies of exempt services. Non-profit organizations operating a facility or part thereof to provide nursing home care are also eligible for the rebate.” “About 45,000 entities claim this rebate each year.” (Canada - Department of Finance, 2024b, p.264)

Specific analysis regarding charitable donations

As part of the tax expenditures reports, over the years three special analysis were prepared on charitable donations, namely:

- Canada - Department of Finance (2002). *Tax Expenditures and Evaluations 2002*. (Special Federal Tax Assistance for Charitable Donations of Publicly Traded Securities)
- Canada - Department of Finance (2014). *Evaluation of the Federal Charitable Donation Tax Credit*
- Poirier (2016). *An Evaluation of the Response of Individuals to Changes in the Price of Charitable Donations*

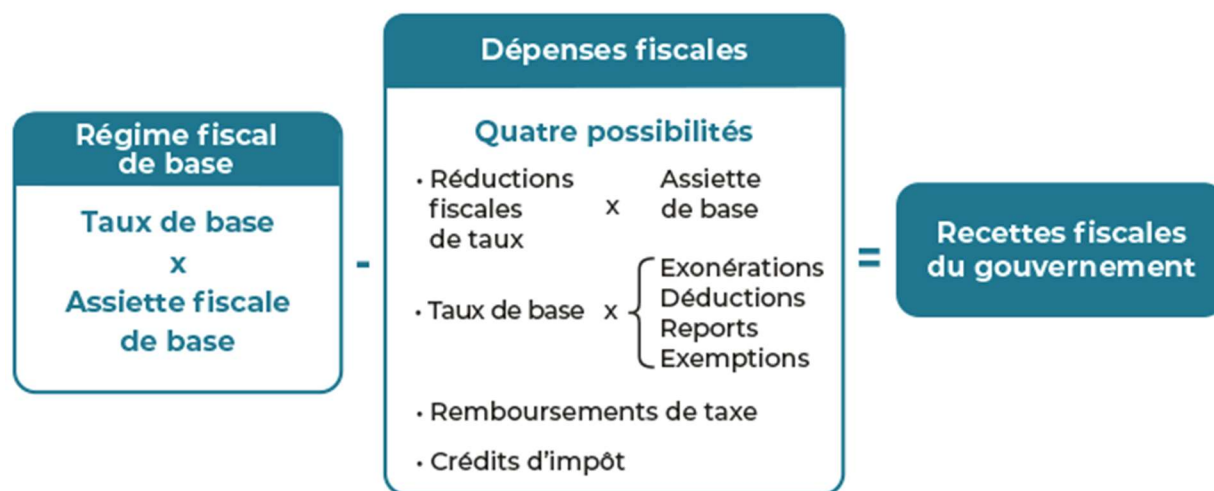
In addition, a report of the Standing Committee on Finance was prepared:

- Rajotte, J. (chair) (2013). *Tax incentives for charitable giving in Canada*, Report of the Standing Committee on Finance, 41st Parliament, 1st Session, February, 50p.

Dépenses fiscales Québec Tax Expenditures

Dans le rapport du Gouvernement du Québec (2024) sur les dépenses fiscales, il y a un certain nombre de mesures. Le rapport fournit certaines descriptions de chaque mesure, les objectifs, les dates d'instauration et des modifications, le type de mesure, le nombre de bénéficiaires, l'harmonisation avec le fédéral, la référence juridique, l'estimation des coûts et des projections pour les années 2018 à 2024. La Figure A illustre le fonctionnement des dépenses fiscales.

Figure A – Illustration du fonctionnement des dépenses fiscales



Source: Gouvernement du Québec (2024, p.A.3 – Illustration A.1)

“Il existe trois principales méthodes de calcul du coût des dépenses fiscales.

- La méthode des pertes de recettes fiscales consiste à calculer ex post le montant du manque à gagner sur les recettes du fait de l'application d'une mesure.
- La méthode des gains de recettes consiste à calculer ex ante l'augmentation de recettes attendue en cas de suppression de l'avantage. Cette méthode diffère de la première dans la mesure où elle implique une estimation des comportements probables en réaction au changement apporté.
- La méthode de l'équivalent en dépense permet de calculer combien il en coûterait d'offrir un avantage financier équivalent à la dépense fiscale au moyen d'une dépense directe, en supposant, comme dans la méthode des pertes de recettes, que les comportements demeurent inchangés.

Comme dans le cas de tous les pays de l'Organisation de coopération et de développement économiques (OCDE), la méthode adoptée dans ce document est celle des pertes de recettes fiscales.” (Gouvernement du Québec, 2024, p.A.15) (Voir aussi OECD, 2010)

Mesures relatives aux impôts des particuliers

Le Tableau 7 présente les mesures relatives aux impôts des particuliers au Québec. Le Québec classe sous l'expression 'Donateurs' les mesures qui nous intéressent pour les particuliers. Le crédit d'impôt pour contributions à un parti politique est classé sous cette expression, contrairement au niveau fédéral. La mesure principale de ce groupe est le Crédit d'impôt pour dons.

Tableau 7 – Dépenses fiscales au Québec – Impôt des particuliers

(en millions de dollars)	2018	2019	2020	2021	2022	2023	2024
	E	E	E	E	P	P	P
Crédit d'impôt pour dons	244,6	286,2	282,9	336,5	358,5	376,7	393,6
Crédit d'impôt premier don important en culture	0,5	0,7	0,5	0,6	0,6	0,6	0,6
Crédit d'impôt pour le mécénat culturel	0,8	1,1	0,7	0,5	0,7	0,7	0,7
Crédit d'impôt pour contributions à un parti politique	0,7	0,6	0,5	2,1	0,8	0,7	0,6
Non-imposition des gains liés aux dons et aux autres aliénations de biens culturels	nd	nd	nd	nd	nd	nd	nd
Non-imposition des gains liés aux dons d'instruments de musique	nd	nd	nd	nd	nd	nd	nd
Réduction du taux d'inclusion des gains en capital découlant du don de certains titres	nd	nd	nd	nd	nd	nd	nd
Réduction du taux d'inclusion des gains en capital découlant du don de biens ayant une valeur écologique indéniable	nd	nd	nd	nd	nd	nd	nd
Déduction relative aux dons de titres acquis en vertu d'une option d'achat	nd	nd	nd	nd	nd	nd	nd
Grand total	246,6	288,6	284,6	339,7	360,6	378,7	395,5

Source: Gouvernement du Québec (2024, p.B.20)

Note: E = Estimation; P = Projection; nd = données non disponibles

Crédit d'impôt pour dons

L'objectif du crédit d'impôt pour dons est de: “[f]avoriser le financement des organismes qui se consacrent à la bienfaisance, au sport amateur, à la culture, aux communications ou encore à l'éducation politique et stimuler les dons d'œuvres d'art, d'instruments de musique et de biens ayant une valeur culturelle ou écologique.” “Les particuliers peuvent bénéficier d'un crédit d'impôt non remboursable à l'égard de certains dons qu'ils effectuent. Ce crédit d'impôt renferme plusieurs éléments constitutifs qui se rapportent soit à l'admissibilité du don, soit au calcul du crédit d'impôt. De façon générale, un don est admissible au crédit d'impôt lorsqu'il est fait en faveur d'un donataire reconnu.” Les bénéficiaires sont : “1 207 000 particuliers en 2021.” (Gouvernement du Québec, 2024, p.C.54)

Crédit d'impôt additionnel de 25 % pour un don important en culture

L'objectif du crédit d'impôt premier don important en culture est d' : "[a]ccroître le montant des dons faits dans le domaine culturel." "Un particulier, autre qu'une fiducie, peut bénéficier, pour une année d'imposition, en plus du crédit d'impôt pour dons, d'un crédit d'impôt non remboursable égal à 25 % du montant d'un don important en culture qu'il a fait pour l'année. Pour l'application de ce crédit d'impôt, un don important en culture signifie le montant admissible d'un don en argent d'au moins 5 000 \$, jusqu'à concurrence de 25 000 \$, fait en faveur d'un donataire culturel admissible par le particulier, ou par sa succession." Les bénéficiaires sont : "207 particuliers en 2021". (Gouvernement du Québec, 2024, p.C.58)

Crédit d'impôt pour le mécénat culturel

L'objectif du crédit d'impôt pour le mécénat culturel est de : "[r]econnaître l'importance du rôle de mécène que jouent certains particuliers dans le financement des organismes culturels." "Au lieu de demander le bénéfice du crédit d'impôt pour dons et du crédit d'impôt additionnel pour un premier don important en culture, un particulier peut bénéficier d'un crédit d'impôt non remboursable, calculé selon un taux de 30 %, à l'égard des dons de mécénat faits en faveur d'un donataire culturel admissible après le 3 juillet 2013 par le particulier, ou après le 31 décembre 2015 par sa succession. Pour l'application du crédit d'impôt pour le mécénat culturel, est considéré comme un don de mécénat tout don fait en argent, lorsque le montant admissible du don fait dans l'année à un donataire admissible est d'au moins 250 000 \$ ou d'au moins 25 000 \$ si le don est fait en vertu d'une promesse de don par laquelle le donateur s'engage envers le donataire à lui faire un don d'un montant admissible d'au moins 250 000 \$ sur une période d'au plus dix ans, à raison d'au moins 25 000 \$ par année." Pour les bénéficiaires, il y a un : "[f]aible nombre de particuliers en 2021". (Gouvernement du Québec, 2024, p.C.59)

Mesures relatives aux impôts des sociétés

Le Tableau 8 présente les mesures relatives aux impôts des particuliers au Québec. Le Québec classe sous les expressions 'Taux réduits, exemptions et exonérations' et 'Déductions' les mesures qui nous intéressent pour les sociétés.

Tableau 8 - Dépenses fiscales au Québec – Impôt des sociétés

(en millions de dollars)	2018	2019	2020	2021	2022	2023	2024
	E	E	E	E	P	P	P
Exonération des organismes de bienfaisance enregistrés et des organismes sans but lucratif	nd	nd	nd	nd	nd	nd	nd
Exonération de certains organismes publics	nd	nd	nd	nd	nd	nd	nd
Déductibilité des dons	72,9	72,1	50,6	76,4	76,3	71,1	72,7
Grand total	72,9	72,1	50,6	76,4	76,3	71,1	72,7

Source: Gouvernement du Québec (2024, p.B.30)

Note: E = Estimation; P = Projection; nd = données non disponibles

Déductibilité des dons

La mesure principale de ce groupe est la déductibilité des dons et l'objectif est de : "[f]avoriser le financement des organismes qui se consacrent à la bienfaisance, au sport amateur, à la culture, aux communications ou encore à l'éducation politique et stimuler les dons d'œuvres d'art, d'instruments de musique, de biens ayant une valeur culturelle ou écologique." "Les sociétés peuvent bénéficier d'une déduction dans le calcul de leur revenu imposable à l'égard des dons qu'elles effectuent. De façon générale, un don est admissible en déduction dans le calcul du revenu imposable d'une société lorsqu'il est fait en faveur d'un donataire reconnu." Les bénéficiaires sont : "[p]lus de 22 000 sociétés en 2020". (Gouvernement du Québec, 2024, p.C.251)

Exonération des organismes de bienfaisance enregistrés et des OSBL

L'objectif de l'exonération des organismes de bienfaisance enregistrés et des organismes sans but lucratif (OSBL) est de : "[p]rocurer un allègement fiscal aux organismes de bienfaisance enregistrés et aux organismes sans but lucratif en reconnaissance de leur rôle important dans la société." "Les organismes de bienfaisance enregistrés et les organismes sans but lucratif, constitués ou non en sociétés, sont exonérés de l'impôt sur le revenu. Il s'agit d'une mesure préférentielle qui s'explique par la nature des activités exercées par ces organismes." (Gouvernement du Québec, 2024, p.C.247)

Mesures relatives aux taxes à la consommation

Le Tableau 9 présente les mesures relatives aux taxes à la consommation au Québec. Le Québec classe pour la Taxe de vente du Québec (TVQ) sous les expressions 'Biens et services exonérés', 'Remboursement de taxe' et 'Mesures visant à faciliter l'administration de la TVQ' les mesures qui nous intéressent pour les taxes à la consommation. La mesure principale de ce groupe est le remboursement accordé aux organismes de bienfaisance et certains organismes sans but lucratif.

Tableau 9 - Dépenses fiscales au Québec – Taxes à la consommation

(en millions de dollars)	2018	2019	2020	2021	2022	2023	2024
	E	E	E	E	P	P	P
Fournitures par les organismes de bienfaisance et les organismes sans but lucratif	nd	nd	nd	nd	nd	nd	nd
Remboursement accordé aux organismes de bienfaisance et certains organismes sans but lucratif	132,6	139,7	129,9	145,0	181,4	188,2	197,6
Méthode simplifiée pour les organismes de bienfaisance	7,3	7,7	5,0	8,8	9,0	9,4	9,7
Grand total	139,9	147,4	134,9	153,8	190,4	197,6	207,3

Source: Gouvernement du Québec (2024, p.B.36-B.37)

Note: E = Estimation; P = Projection; nd = données non disponibles

Remboursement accordé aux organismes de bienfaisance et à certains OSBL

Le remboursement accordé aux organismes de bienfaisance et à certains organismes sans but lucratif (OSBL), “qui est accordé pour tenir compte du rôle important joué par ces organismes dans la société québécoise, vise à réduire sensiblement le supplément de taxe que la mise en place du régime de la TVQ aurait pu imposer aux activités de bienfaisance et aux activités sans but lucratif bénéficiant du soutien public.” “Les organismes de bienfaisance, ainsi que les organismes sans but lucratif financés à au moins 40 % par un gouvernement ou une municipalité, peuvent obtenir un remboursement de 50 % de la TVQ payée sur leurs achats.” Les bénéficiaires sont : “12 531 organismes en 2021”. (Gouvernement du Québec, 2024, p.C.388)

Fournitures par les organismes de bienfaisance et les OSBL

L'exemption des fournitures par les organismes de bienfaisance et les organismes sans but lucratif (OSBL) “est accordée pour tenir compte du caractère non commercial des activités de ces organismes, qui jouent généralement un rôle de service public dans la société québécoise.” “La plupart des fournitures effectuées par les organismes de bienfaisance ne sont pas assujetties à la TVQ. Il en va de même pour un certain nombre de fournitures effectuées par les organismes sans but lucratif, dont les fournitures faites sans contrepartie, les fournitures d'aliments, de boissons ou d'hébergement visant à alléger la pauvreté, la souffrance ou la détresse, les fournitures de services de popote roulante, les fournitures de services de loisirs à des personnes défavorisées ou handicapées et les fournitures de droits d'adhésion à une organisation ne conférant aucun avantage important à ses membres.” (Gouvernement du Québec, 2024, p.C.385)

Méthode simplifiée pour les organismes de bienfaisance

La méthode simplifiée pour les organismes de bienfaisance, “mise en place le 1er janvier 1997, a été prévue dans le but de simplifier l'administration de la TVQ pour les organismes de bienfaisance.” “La plupart des organismes de bienfaisance qui sont des inscrits pour l'application du régime de la TVQ doivent utiliser une méthode simplifiée pour rendre compte de cette taxe, méthode qui leur évite d'avoir à répartir leurs achats (intrants) en fonction de leur utilisation pour la réalisation de fournitures taxables ou exonérées. De façon générale, cette méthode leur permet de ne remettre que 60 % de la taxe perçue sur leurs ventes taxables, autres que leurs ventes d'immeubles et d'immobilisations. En contrepartie, ils ne peuvent généralement obtenir qu'un remboursement de 50 % de la taxe payée sur leurs achats (intrants), autres que leurs achats d'immeubles et d'immobilisations, et ce, sans égard au fait que l'utilisation de ces achats se rapporte à la réalisation de fournitures taxables ou exonérées.” Les bénéficiaires sont : “964 organismes de bienfaisance en 2021”. (Gouvernement du Québec, 2024, p.C.394)

Le Tableau 10 présente les mesures relatives aux taxes à la consommation au Québec qui sont plus particulièrement aux municipalités, universités, écoles et hôpitaux (connu en anglais sous le vocable MUSH). Quoique ce secteur particulier est parfois inclus dans les OSBL, cela ne se fait pas de manière uniforme. Il est présenté ici uniquement à titre indicatif.

Tableau 10 - Dépenses fiscales au Québec – Taxes à la consommation (“MUSH”)

(en millions de dollars)	2018	2019	2020	2021	2022	2023	2024
	E	E	E	E	P	P	P
– écoles, collèges et universités	258,1	270,3	265,5	311,3	378,5	392,8	412,4
– hôpitaux	245,2	257,2	424,8	385,7	426,8	442,9	465,0
– municipalités	635,2	569,2	571,2	611,8	667,7	692,9	727,5
Grand total	1 138,5	1 096,7	1 261,5	1 308,8	1 473,0	1 528,6	1 604,9

Source: Gouvernement du Québec (2024, p.C.389)

Note: E = Estimation; P = Projection

Remboursement accordé aux écoles, collèges, universités, hôpitaux et municipalités

L'objectif du remboursement accordé aux écoles, collèges, universités, hôpitaux et municipalités est le suivant : “De façon que les écoles, collèges et universités sans but lucratif ainsi que les hôpitaux et les municipalités ne voient pas leur fardeau fiscal s'alourdir en raison de la réforme de la TVQ, un remboursement partiel de la taxe payée par ces organismes sur leurs achats a été mis en place le 1er juillet 1992”. “Le remboursement partiel dont bénéficient les hôpitaux est par ailleurs accordé, depuis le 1er janvier 2005, aux organismes de bienfaisance, ainsi qu'aux organismes sans but lucratif financés à au moins 40 % par un gouvernement ou une municipalité, qui fournissent des services de soins de santé semblables à ceux habituellement fournis par les hôpitaux, mais seulement à l'égard de leurs achats relatifs à la réalisation de tels services. Le taux de remboursement des écoles, collèges et universités sans but lucratif est de 47 %, tandis que celui des hôpitaux est de 51,5 %. Quant au taux de remboursement des municipalités, il était de 43 % au moment de l'abolition de ce remboursement le 1er janvier 1997, de 62,8 % à compter de sa réintroduction le 1er janvier 2014 et de 50 % depuis le 1er janvier 2015.” Les bénéficiaires sont : “2 765 écoles, collèges, universités, hôpitaux et municipalités en 2021”. (Gouvernement du Québec, 2024, p.C.389)

Ontario Tax Expenditures

Information for each year in Ontario is in a separate document, and not showing multiple years in one single document like the federal. “Tax expenditure reporting is an important element of fiscal accountability. It increases fiscal transparency by providing a comprehensive picture of forgone revenue in the tax system. As required under the *Fiscal Sustainability, Transparency and Accountability Act, 2019*, the Minister of Finance is releasing information about the estimated cost of expenditures made through the tax system.” (Government of Ontario, 2023a)

The Ontario’s “report provides the most current estimates of tax expenditures under the following: Personal Income Tax; Corporate Income Tax; Sales and Commodity Taxes; Education Property Tax; Employer Health Tax; Mining Tax; Estate Administration Tax; and Gross Revenue Charge.” (Government of Ontario, 2023a)

Individual and corporate income tax

Table 11 presents the tax expenditures regarding individual and corporate income tax for Ontario. Few years are publicly available.

Table 11 - Ontario tax expenditures – Individual and corporate income tax

(millions of dollars)	Code	2019	2020	2021	2022	2023
Charitable Donations Credit	PIT	750	755	795	795	800
Community Food Program Donation Tax Credit for Farmers	PIT CIT	S	S	S	S	S
Deductibility of Charitable Donations	CIT	130	110	210	250	250
Deductibility of Gifts of Cultural Property and Ecologically Sensitive Land	CIT	2	2	S	2	S
Deductibility of Gifts to the Crown	CIT	S	S	S	S	S
Non-Taxation of Non-Profit Organizations	CIT	50	30	15	40	75
Charity Rebate	EPT	10	10	10	10	10
Grand total		942	907	1,030	1,097	1,135

Source: Government of Ontario (2019, 2020, 2021, 2022, 2023a)

Note: PIT = Personal income tax; CIT = Corporate income tax; EPT = Education Property Tax; S= Small amount

Charitable Donations Credit

“Tax filers may claim a credit of 5.05 per cent of the first \$200 of eligible charitable donations and gifts plus 11.16 per cent on the part of eligible charitable donations and gifts above \$200.” (Government of Ontario, 2023b)

Community Food Program Donation Tax Credit for Farmers

“Tax filers in the business of farming may claim a tax credit of up to 25 per cent of charitable donations of agricultural products that are made to eligible community food programs.” (Government of Ontario, 2023b)

Deductibility of Charitable Donations

“Donations to registered charities are deductible in computing taxable income within certain limits.” (Government of Ontario, 2023b)

Deductibility of Gifts of Cultural Property and Ecologically Sensitive Land

“Gifts of cultural property and ecologically sensitive land are deductible in computing taxable income within certain limits.” (Government of Ontario, 2023b)

Deductibility of Gifts to the Crown

“Gifts to Canada or a province are deductible in computing taxable income within certain limits.” (Government of Ontario, 2023b)

Non-Taxation of Non-Profit Organizations

“Non-profit corporations are generally exempt from income tax.” (Government of Ontario, 2023b)

Charity Rebate

“Municipalities must rebate a minimum of 40 per cent of the municipal and education property taxes paid by charities occupying property in the commercial and industrial property classes, and may rebate any amount of property taxes paid by charities in other property classes. Municipalities may also rebate any percentage of the municipal and education property taxes paid by organizations that are similar to eligible charities such as non-profit organizations.” (Government of Ontario, 2023b)

Harmonized Sales Tax (HST)

Table 12 presents the tax expenditures regarding Harmonized Sales Tax (HST) for Ontario. The major items under this group is the Exemption for Certain Supplies Made by Charities and Non-Profit Organizations.

Table 12 - Ontario tax expenditures – Harmonized Sales Tax (HST)

(millions of dollars)	Code	2019	2020	2021	2022	2023
Ontario Public Service Body Rebates						
- Qualifying Non-Profit Organizations	HST	60	50	60	80	90
- Registered Charities	HST	405	320	335	420	455
Exemption for Certain Supplies Made by Charities and Non-Profit Organizations	HST	925	935	975	1,125	1,215
Grand total		1,390	1,305	1,370	1,625	1,760

Source: Government of Ontario (2019, 2020, 2021, 2022, 2023a)

Note: HST = Harmonized Sales Tax

Qualifying Non-Profit Organizations

“Qualifying non-profit organizations are eligible for a rebate of 82 per cent of the provincial portion of the HST paid on purchases related to their supply of exempt services. To be eligible for this rebate, a non-profit organization must receive at least 40 per cent of its funding from governments, municipalities or Indian bands.” (Government of Ontario, 2023b)

Registered Charities

“Charities registered under the federal *Income Tax Act* are eligible for a rebate of 82 per cent of the provincial portion of the HST paid on purchases related to their supply of exempt services. Registered Canadian amateur athletic associations and non-profit organizations operating a facility or part thereof to provide nursing home care are also eligible for the rebate.” (Government of Ontario, 2023b)

Exemption for Certain Supplies Made by Charities and Non-Profit Organizations

“Most supplies made by charities are GST/HST exempt. Supplies that are exempt when made by non-profit organizations include supplies made for no consideration; supplies of food and lodging made for the relief of poverty or distress; subsidized home care services; Meals on Wheels; recreational programs established for children, individuals with a disability and disadvantaged individuals; memberships in organizations providing no significant benefit to individual members; and trade union and mandatory professional dues.” (Government of Ontario, 2023b)

Table 13 presents some tax expenditures regarding Harmonized Sales Tax (HST) regarding taxation of the MUSH sector (municipalities, universities, schools, and hospitals) for Ontario.

Table 13 - Ontario tax expenditures – Harmonized Sales Tax (HST) (MUSH)

(millions of dollars)	Code	2019	2020	2021	2022	2023
Ontario Public Service Body Rebates						
- Hospitals, Facility Operators and External Suppliers	HST	495	530	540	715	695
- Municipalities	HST	1,400	1,565	1,570	1,650	1,715
- Public Colleges	HST	90	120	100	85	95
- School Authorities	HST	415	460	440	415	455
- Universities	HST	225	235	205	190	225
Rebate for Poppies and Wreaths	HST	S	S	S	S	S

Source: Government of Ontario (2019, 2020, 2021, 2022, 2023a)

Note: HST = Harmonized Sales Tax; S = Small amount

New Brunswick Tax Expenditures

Like the federal government, the Government of New Brunswick (2024, p.3) “adopts a broad definition of tax expenditures”. The New Brunswick report provides the most current estimates of tax expenditures under the following: Individual; Business; and Other. Each yearly report provides only one year information at a time.

Individual, business and HST

There are no legislative requirements in New Brunswick to report tax expenditures. Table 14 presents the tax expenditures regarding income tax (individual, business) and HST.

Table 14 - New Brunswick tax expenditures – Individual, business and HST

(millions of dollars)	Code	2018	2019	2020	2021	2022
		E	E	E	E	E
Charitable Gifts Credit	PIT	23.2	28.2	27.1	21.5	30.1
Charitable Donations Deduction	CIT	n.a.	n.a.	n.a.	n.a.	n.a.
HST Rebate for Charitable Organizations	HST	11.3	10.5	7.2	9.1	10.3
HST Rebate for Qualifying Non-Profit Organizations	HST	1.9	2.2	2.1	2.3	2.8
Grand total		36.4	40.9	36.4	32.9	43.2

Source: Government of New Brunswick (2024, 2023, 2021, 2020, 2019)

Note: PIT = Personal income tax; CIT = Corporate income tax; HST = Harmonized Sales Tax; E = Estimated Cost; n.a. = No data available

Charitable Gifts Credit

“To encourage charitable gifts and donations.” (Government of New Brunswick, 2024, p.8)

HST Rebate for Charitable Organizations

“To provide sales tax relief for charitable organizations in recognition of benefits provided to the public.” (Government of New Brunswick, 2024, p.12)

HST Rebate for Qualifying Non-Profit Organizations

“To provide tax relief for, and mitigate the impact of, the HST on qualifying non-profit organizations in recognition of benefits provided to the public.” (Government of New Brunswick, 2024, p.12)

Other (property tax & HST)

Table 15 presents the tax expenditures regarding other measures, such as property tax and HST.



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Table 15 - New Brunswick tax expenditures – other (property tax & HST)

(millions of dollars)	Code	2018	2019	2020	2021	2022
		E	E	E	E	E
Assessment Reduction Program	PT	5.0	5.2	5.9	5.4	5.7
Real Property Tax Exemptions: Agricultural Societies or Agricultural Fair Associations	PT	0.3	0.3	0.4	0.4	0.4
Real Property Tax Exemptions: Arenas	PT	5.0	6.2	5.6	5.7	5.5
Real Property Tax Exemptions: Churches	PT	18.2	18.4	18.1	18.4	17.8
Real Property Tax Exemptions: Literary, Art, Science and Historical Societies	PT	1.2	1.2	1.2	1.1	1.1
Real Property Tax Exemptions: Not-For-Profit, Low Rental Housing Accommodations	PT	2.9	3.0	3.3	3.5	3.1
Real Property Tax Exemptions: Parks	PT	S	S	S	S	S
Real Property Tax Exemptions: Universities	PT	26.6	27.3	27.8	27.6	27.4
Real Property Tax Exemptions: Voluntary Fire Associations	PT	0.4	0.9	0.9	0.9	0.9
Real Property Tax Exemptions: Public Libraries	PT	1.0	1.0	1.0	1.0	1.0
HST Rebate for Municipalities	HST	36.5	31.6	39.4	28.4	33.3

Source: Government of New Brunswick (2024, 2023, 2021, 2020, 2019)

Note: PT = Property tax; HST = Harmonized Sales Tax; E = Estimated Cost; S = Small amount

Assessment Reduction Program

“To provide property tax relief to those qualifying charitable and non-profit organizations which provide significant social benefits to individuals and communities.” (Government of New Brunswick, 2024, p.11)

Real Property Tax Exemptions: Agricultural Societies or Agricultural Fair Associations

“To provide property tax relief to agricultural societies and fair associations which promote and serve the agriculture industry.” (Government of New Brunswick, 2024, p.11)

Real Property Tax Exemptions: Arenas

“To provide property tax relief to arenas, which provide social benefits to communities.” (Government of New Brunswick, 2024, p.11)

Real Property Tax Exemptions: Churches

“To provide property tax relief to churches and church property, which provide social benefits to the public.” (Government of New Brunswick, 2024, p.11)

Real Property Tax Exemptions: Literary, Art, Science and Historical Societies

“To provide property tax relief to literary, art, science and historical societies, institutions and associations, which provide tourism and educational benefits, as well as promote and preserve heritage and cultural diversity.” (Government of New Brunswick, 2024, p.11)

Real Property Tax Exemptions: Not-For-Profit, Low Rental Housing Accommodations

“To provide property tax relief to qualifying not-for-profit low rental housing organizations and to encourage the provision of more affordable housing by the non-profit sector.” (Government of New Brunswick, 2024, p.11)

Real Property Tax Exemptions: Parks

“To support the financial viability of parks, which provide social benefits to the public (e.g. recreation, preservation of natural landscape, etc.).” (Government of New Brunswick, 2024, p.11)

Real Property Tax Exemptions: Universities

“To provide property tax relief to the four publicly funded universities to help prevent the creation of additional barriers to quality post-secondary education and support the competitiveness of New Brunswick universities with similar institutions in other jurisdictions.” (Government of New Brunswick, 2024, p.12)

Real Property Tax Exemptions: Voluntary Fire Associations

“To provide property tax relief to voluntary fire associations that provide social and security benefits to the public.” (Government of New Brunswick, 2024, p.12)

Real Property Tax Exemptions: Public Libraries

“To provide property tax relief to public libraries in recognition of the important public service they perform.” (Government of New Brunswick, 2024, p.12)

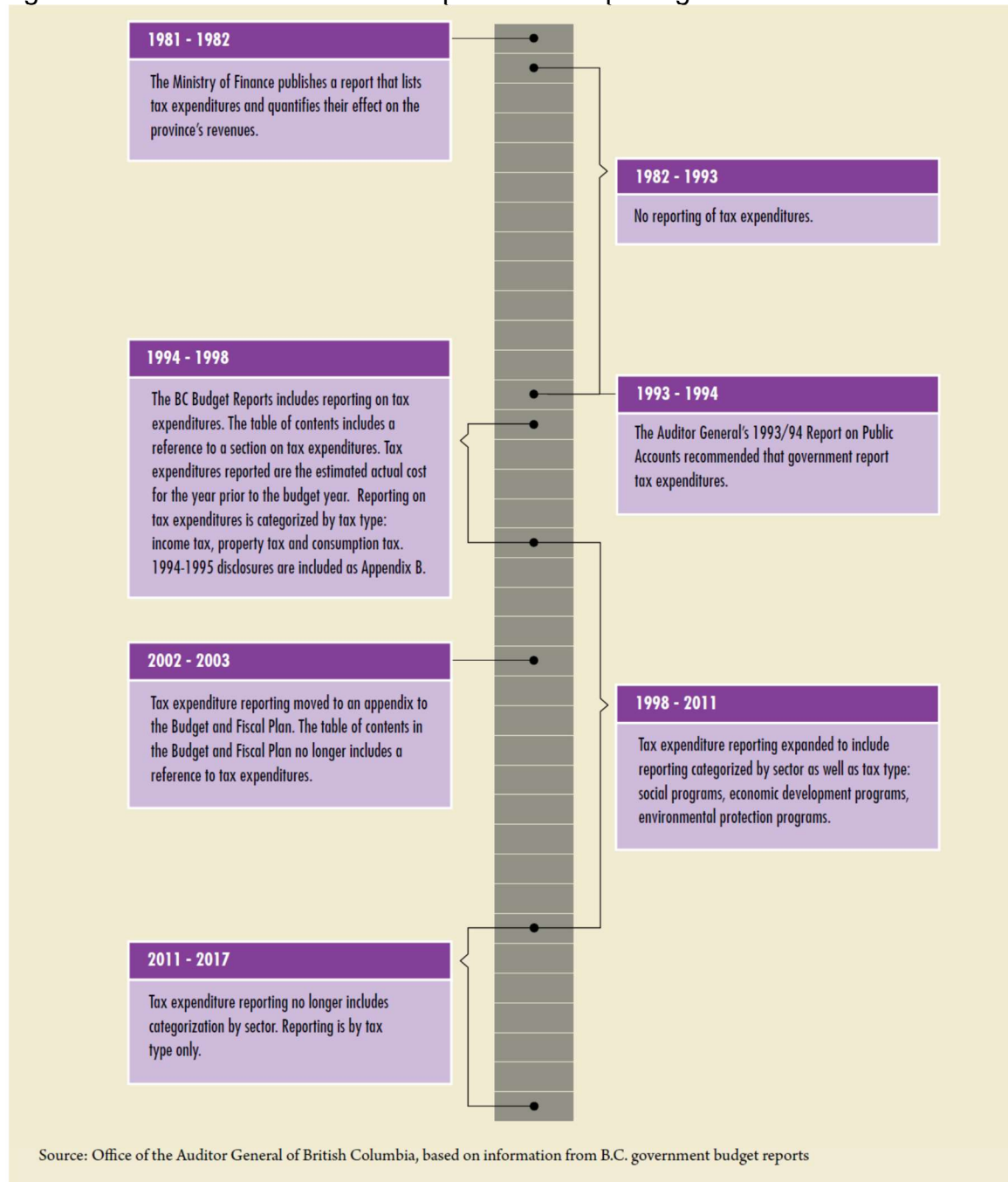
HST Rebate for Municipalities

“To mitigate some of the impact of the HST on municipalities.” (Government of New Brunswick, 2024, p.12)

British Columbia Tax Expenditures

British Columbia provides information on tax expenditures for many years (see Figure B) showing three years per report.

Figure B – British Columbia’s tax expenditures reporting 1981-2017



Source: Office of the Auditor General of British Columbia (2018, p.14 – Exhibit 4)

The British Columbia’s Budget and Fiscal Plan report provides the most current estimates of tax expenditures under the following: Personal Income Tax; Corporate Income Tax; Property Taxes; Consumption Taxes; Employer Health Tax; and Insurance Premium Tax (Government of British Columbia, 2024). “Tax expenditures that cost less than \$2 million annually are generally not included.” (Government of British Columbia, 2024, p.123).

The Office of the Auditor General of British Columbia (2018) issued a report for a better understanding of the tax expenditures and the specificities in British Columbia and suggest an improvement on disclosure such as more comprehensive reporting.

Individual and corporate income tax

Table 16 presents the tax expenditures regarding individual and corporate income tax for British Columbia. Two measures are listed. At the personal income tax level, the charitable donations tax credit “provides a tax credit to individuals who make charitable donations to registered charities and eligible donees.” At the corporate income tax level, the charitable donations deduction “permits corporations to deduct charitable donations made to registered charities [...] of the corporation’s taxable income”. No specific information on consumption taxes related to nonprofits or charities is presented.

Table 16 - British Columbia tax expenditures - Individual and corporate income tax

(millions of dollars)	Code	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
		A	A	A	A	E	P
Charitable donations tax credit	PIT	277	300	388	331	342	351
Charitable donations deduction	CIT	83	80	82	137	122	133
Grand total		360	380	470	468	464	484

Source: Government of British Columbia (2024, 2023, 2022, 2021)

Note: PIT = Personal income tax; CIT = Corporate income tax;

A = Actual cost; E = Estimated Cost; P = Planned Cost

Property tax and employer health tax

Table 17 presents the tax expenditures regarding property tax and employer health tax for British Columbia. Two measures are listed. Property transfers to registered charities is a “long-standing exemption for transfers of properties to a registered charity or a specified individual where the land will be used for a charitable purpose”. Another measure is the Relief for small businesses, charities and non-profit. “Charities and not-for-profit employers are exempt on their first \$1.5 million of B.C. remuneration at a qualifying location, and receive a lower effective rate on remuneration of up to \$4.5 million at a qualifying location.” (Government of British Columbia, 2022, p.154)

Table 17 - British Columbia tax expenditures - Property tax and employer health tax

(millions of dollars)	Code	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
		A	A	A	A	E	P
Property transfers to registered charities	PT	15	16	15	22	15	n.a.
Relief for small businesses, charities and non-profit	EHT	n.a.	464	488	330	342	449

Source: Government of British Columbia (2024, 2023, 2022, 2021)

Note: PT = Property Tax; EHT = Employer Health Tax;

A = Actual cost; E = Estimated Cost; P = Planned Cost; n.a. = No data available

Alberta Tax Expenditures

There are no legislative requirements in Alberta to report tax expenditures. Information for each year in Alberta is in the budget document and include only one year.

(Government of Alberta, 2024) The Alberta's report provides the estimates of tax expenditures under the following: Personal Income Tax; Corporate Income Tax; Fuel tax; Education Property Tax; Transfer through the tax system (Government of Alberta, 2024). Table 18 presents the tax expenditures regarding personal income tax and corporate income tax on donations and gifts.

Table 18 - Alberta tax expenditures – Individual and corporate income tax

(millions of dollars)	Code	2019	2020	2021	2022	2023	2024
		E	E	E	E	E	E
Donations and Gifts (Credit)	PIT	294.0	294.5	276.7	308.6	363.0	343.4
Donations and Gifts (Deduction)	CIT	35.0	31.0	10.0	23.0	25.5	25.0
Grand total		329.0	325.5	286.7	331.6	388.5	368.4

Source: Government of Alberta (2024, 2023, 2022, 2021, 2020, 2019)

Note: PIT = Personal income tax; CIT = Corporate income tax; E = Estimated Cost

Saskatchewan Tax Expenditures

There are no legislative requirements in Saskatchewan to report tax expenditures. Information for each year in Saskatchewan is in the budget document and include four years. The Saskatchewan's report provides the estimates of tax expenditures under the following: Personal Income Tax; Corporate Income Tax; Sales Tax; Fuel tax (Government of Saskatchewan, 2024). Table 19 presents the tax expenditures regarding personal income tax on donations and gifts.

Table 19 - Saskatchewan tax expenditures - Personal income tax

(millions of dollars)	Code	2018	2019	2020	2021	2022	2023	2024
		A	A	A	A	R	R	E
Donations and Gifts (Credit)	PIT	50.4	51.1	39.2	46.1	48.7	52.1	54.7
Donations and Gifts (Deduction)	CIT	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Grand total		50.4	51.1	39.2	46.1	48.7	52.1	54.7

Source: Government of Saskatchewan (2024, 2023, 2022, 2021)

Note: PIT = Personal income tax; CIT = Corporate income tax;

A = Actual; E = Estimated Cost; R = Revised; n.a. = No data available

Manitoba Tax Expenditures

The Manitoba's Budget report provides estimates of tax expenditures for the previous year under the following: Property Tax; Personal Measure; Business Measure; Fee Measure (Government of Manitoba, 2023). In the Fiscal Summary of Measures section by the Government of Manitoba (2023, 2022), no specific measures presented are related to donations, charities and nonprofit organizations.

Nova Scotia Tax Expenditures

The Nova Scotia's Budget report provides estimates of tax expenditures for three years under the following: Personal Income Tax; Corporate Income Tax; Harmonized Sales Tax (Government of Nova Scotia, 2024). In the Budget by the Government of Nova Scotia (2024, 2023), no specific measures presented are related to donations, charities, and nonprofit organizations.

Newfoundland and Labrador Tax Expenditures

The Newfoundland and Labrador's Budget report provides estimates of tax expenditures for two years under the following: Personal Income Tax; Corporate Income Tax; Sales Tax; Fuel Tax; Carbon Tax; Tobacco Tax (Government of Newfoundland and Labrador, 2024). In the Budget by the Government of Newfoundland and Labrador (2024, 2023), no specific measures presented are related to donations, charities, and nonprofit organizations.

Prince Edward Island Tax Expenditures

No tax expenditures information is publicly available from Prince Edward Island.

Challenges on Transparency and Review

Some challenges could be underlined regarding tax expenditures, such as transparency and review.

Transparency

Even if the concept emerges in the United States in 1969, adopting the tax expenditures concept and reporting on them was not initially accepted in Canada with low interest to implement it (Kesselman, 1977). “Tax expenditure reporting is considered an international best practice to foster government budgetary and fiscal transparency. The International Monetary Fund and the Organisation for Economic Co-operation and Development have both issued guidelines that provide for the annual reporting of the cost of tax expenditures.” (Canada - Department of Finance, 2024b, p.6)

The International Monetary Fund (IMF) (2007, #3.1.3) has the following best practice:
“Statements describing the nature and fiscal significance of central government tax expenditures, contingent liabilities, and quasi-fiscal activities should be part of the budget documentation, together with an assessment of all other major fiscal risks.”

The Organisation for Economic Co-operation and Development (OECD, 2002, #2.2, p.12) has the following best practice for budget transparency:
“The estimated cost of key tax expenditures should be disclosed as supplementary information in the budget. To the extent practicable, a discussion of tax expenditures for specific functional areas should be incorporated into the discussion of general expenditures for those areas in order to inform budgetary choices.”

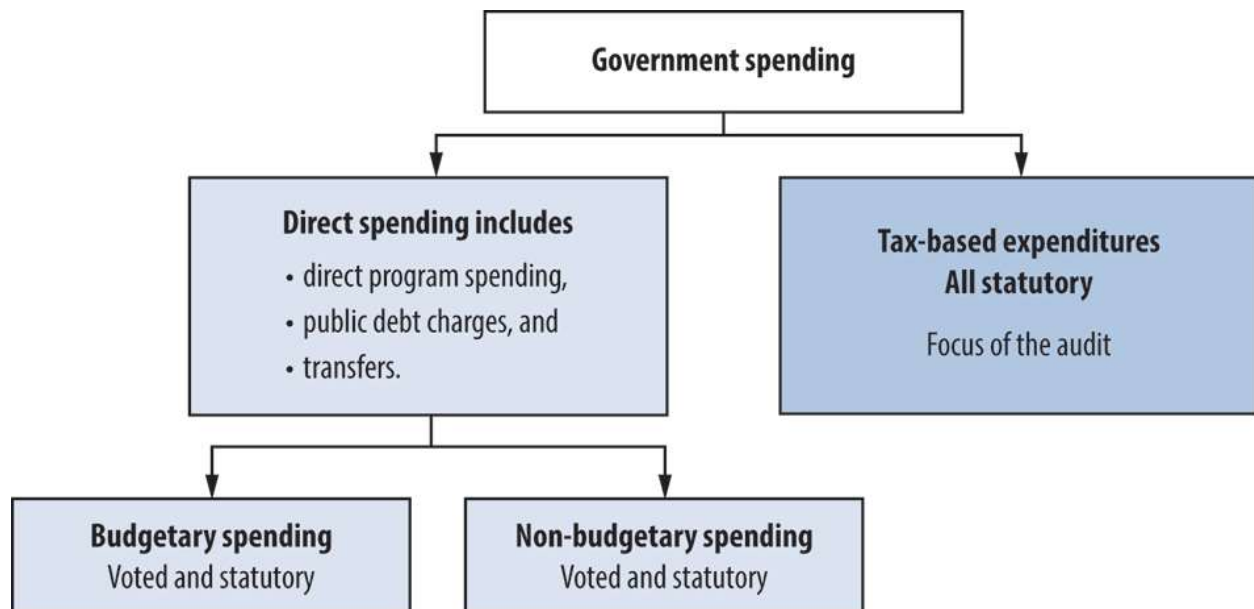
The opinion is similar in Canada. Per the Auditor General of New Brunswick (2019, p.81-82): “In our view, publicly reporting the nature and cost of tax expenditures improves the transparency of financial information which supports better decision making by the legislators. Publicly reporting tax expenditures provides a better understanding of total government spending to achieve program objectives.”
“Legislators need BETTER INFORMATION to evaluate the effectiveness of tax expenditures.” (Office of the Auditor General of British Columbia, 2018, p.5) To make better choices, identify priorities, it is important to have the information, which may be hidden in the case of tax expenditures without proper disclosure (National Council of Welfare, 1976).

Per the Global Tax Expenditures Transparency Index (GTETI) (2024), Canada is ranked 2nd (behind South Korea) with an overall score of 73.7% considering the five dimensions of tax expenditures (TEs) of public availability, institutional framework, methodology and scope, descriptive TEs data, TEs assessments (Redonda, Millan, von Haldenwang and Aliu, 2023).

Review

“When most people think of government spending, they are thinking of direct spending—for example, government funding of health authorities to pay for the delivery of health care. We can see how direct spending is accounted for, because all of government’s direct spending is shown as line items in annual budgets (plans) and in the summary financial statements (results). It’s possible to locate and understand direct spending, and compare results to plans. Tax revenues, net of any tax expenditures, are disclosed in both annual budgets and annual financial statements. However, there is no requirement for government to disclose the value of the tax expenditures (the value of foregone revenue) in annual budgets or summary financial statements.” (Office of the Auditor General of British Columbia, 2018, p.9) Figure C presents an illustration of the type of government spending (direct and tax-based expenditures).

Figure C – Government spending (direct and tax-based expenditures)



Source: Auditor General of Canada (2015, Exhibit 3.1)

“Tax expenditures are significant. They can exceed several billion in foregone revenue annually, in the case of provincial or state governments, and tens or hundreds of billion in the case of larger national governments. Tax expenditures, together with direct spending, represent total government spending in support of policy objectives. And, as there is no requirement to report tax expenditures along side revenue and expenditure forecasts, tax expenditures may not be subject to the same annual budgetary review and approval process that applies to direct spending.” (Office of the Auditor General of British Columbia, 2018, p.8)

Per the *Global Tax Expenditures Database*, estimation of 2022 revenue forgone in Canada is set at 186.73 billion of dollars, representing 6.7% of the GDP for 252 reported provisions, including 151 provisions with estimates (Redonda, von Haldenwang and Aliu, 2024).

Tax expenditures are considered the hidden side of government spending (von Haldenwang and Redonda, 2021). “Tax expenditures are debated and voted on only when the legislation for them is enacted or changed. This doesn’t happen very often.” (Office of the Auditor General of British Columbia, 2018, p.3) As no policy or documented review process exist, the Auditor General of New Brunswick (2019, p.83) “recommend the Department of Finance and Treasury Board develop a policy for reviewing tax expenditure programs. This policy will help to formalize the process for reviewing, approving and reporting tax expenditure programs for the Province.”

In a report on tax-based expenditures from the Auditor General of Canada (2015), several recommendations were identified:

- “The information provided by the Department of Finance Canada on tax-based expenditures does not adequately support parliamentary oversight.”
- “For most of the tax measures we examined, the Department of Finance Canada analyzed most key elements of its framework.”
- “The Department of Finance Canada does not systematically evaluate all existing tax-based expenditures.”
- “The Canada Revenue Agency monitors costs and shares information with the Department of Finance Canada.”

Existence of strategic review of programs exists, but not as much for tax measures (Lester, 2022). However, Canada is part of the best practices group in evaluating tax expenditures in an international comparison (Redonda, von Haldenwang and Berg, 2023). “Canada is one of the few countries with evaluations of individual TEs conducted on a regular basis. These evaluations (one or two per year) are included in the annually published TEs’ reports. The case of Canada is a nice illustration of how an incremental approach to evaluation can pay off and contribute to gradually building a sound evaluation framework.” (Redonda, von Haldenwang and Berg, 2023, p.25) For example, in the 2023 report, analysis of three tax expenditures were presented, namely gender-based analysis at persons with disabilities, Northern residents’ deductions, and tuition tax credit (Canada - Department of Finance, 2023).

Questioning and call for more scrutiny of tax expenditures is not limited to Canada, as some call is also coming from the United Kingdom (Corlett, 2015). Both program expenditures and tax expenditures should have a regular review to assess the government spending when compared to the public policy objectives pursued (Corlett, 2015). However, it may be politically difficult to cancel some tax expenditures (Burman, Todev, Berger and Rohaly, 2017).

Similarly to the lessons from the elimination of Ontario's tuition and education tax credits by Neill and Snoddon (2022), it may be interesting to examine and evaluate the tax expenditures related to charities, nonprofits, and donations.

CPA Canada (2021) believe that "all tax expenditures should be measured against at least three key criteria:

1. *Is it effective?* Is the tax expenditure reaching its intended goals
2. *Is it efficient?* Are these goals being met at a reasonable cost? Do the benefits outweigh costs? Can its delivery be easily automated?
3. *Does it add needless complexity to the tax system?* What is the impact on taxpayers, tax practitioners and tax administrators such as the CRA? Are there simpler ways of achieving these ends through other means (e.g., direct grants, other spending programs)?"

"Depending on the expenditure, other criteria may be important, such as fairness across different types of income and recipients. For example, targeted personal tax credits tend to favour one group of recipients over others, creating winners and losers while increasing the amount of tax paid by taxpayers overall (assuming that government revenue lost due to targeted tax measures must be made up by higher taxes generally). In addition, taxpayer windfalls should be minimized; that is, taxpayers should not gain a tax saving from taking an action they would have taken anyway for their own personal or business reasons." (CPA Canada, 2021)

Conclusion

This research note presents an estimation of the Canadian tax expenditures associated with registered charities, charitable donations, and nonprofit organizations. It examines the federal and provincial levels when data are available. The Canadian approach is to provide information to the reader, without being involved into a controversy as to whether an item is a tax expenditure. The federal level offers a comprehensive report on tax expenditures. Even if some provinces report detailed information, such as Québec and Ontario, some other provinces will benefit from improvements in their disclosure.

"The principal function of the tax system is to raise the revenues necessary to fund government expenditures. The tax system can also be used to achieve public policy objectives through the application of specific measures such as preferential tax rates, exemptions, deductions, deferrals and tax credits. These measures are often described as 'tax expenditures' because they are used to achieve a policy objective that deviates from the core function of the tax system, at the cost of lower tax revenues." (Canada - Department of Finance, 2024b, p.6). Charitable giving and tax policy effectiveness is complex with motivation, tax price of giving, elasticity and crowding out effects and should merit regular examination considering change in the environment (Brooks, 2007).

As part of tax policy evaluation, it may be appropriate to evaluate all government spending, including direct program expenditures and tax expenditures. Questions are also raised about the level of preferred treatments or other measures, for example Federal Business Subsidies (Lester, 2024).

Even if charities and nonprofits play an important role in society, the non-profit sector is not an exception in the evaluation and review. “They provide services that people might otherwise expect the government to provide. Canadians can volunteer for causes important to them, or make donations to those charities that they want to support.” (Auditor General of Canada, 2015, p.1) Analysis of charitable donations income tax treatment and questioning the exemptions regarding registered charities and nonprofit organizations should not be exempt. An example is questioning the exemption regarding registered charities for advancement of religion, such as churches (Radio-Canada, 2024).

Table 20 presents a summary of tax expenditures reported in Canada and shows that the grand total related to donations, registered charities, and nonprofit organizations exceeds 11 billion of dollars in Canada in 2022 and in 2023.

Table 20 - Summary of tax expenditures reported in Canada

(millions of dollars)	Table	Code	2021	2022	2023	2024
Canada (federal)						
- Individual income tax	2	PIT /TRU	3,800	3,769	3,783	3,869
- Corporate income tax	4	CIT/TRU	1,306	1,287	1,236	1,272
- GST	6	GST	1,920	2,100	2,220	2,315
total			7,026	7,156	7,239	7,456
Québec						
- Individual income tax	7	PIT	340	361	379	396
- Corporate income tax	8	CIT	76	76	71	73
- Harmonized sales tax	9	HST	154	190	198	207
total			570	627	648	676
Ontario						
- Individual & corporate tax	11	PIT/CIT/EPT	1,030	1,097	1,135	n.a.
- Harmonized sales tax	12	HST	1,370	1,625	1,760	n.a.
total			2,400	2,722	2,895	n.a.
New Brunswick						
- Individual, business & HST	14	PIT/CIT/HST	33	43	n.a.	n.a.
British Columbia						
- Individual & corporate tax	16	PIT/CIT	470	468	464	484
Alberta						
- Individual & corporate tax	18	PIT/CIT	287	332	389	368
Saskatchewan						
- Individual tax	19	PIT	46	49	52	55
Manitoba			No specific information			
Nova Scotia			No specific information			
Newfoundland and Labrador			No specific information			
Prince Edward Island			No information			
Grand total			10,832	11,397	11,687	9,039

Note: PIT = Personal income tax (excluding trusts); TRU = Personal income tax with respect to trusts; CIT = Corporate income tax; GST = Goods and Services Tax; HST = Harmonized Sales Tax; EPT = Education Property Tax; n.a. = No data available

Most jurisdictions are not providing totals (see Office of the Auditor General of British Columbia, 2018). Having totals may not be a perfect measure as each measure interacts with others and they may not be calculated in the same manner. However, it could be useful to have a broad idea of the costs associated with donations, nonprofits, and registered charities. The MUSH sector (municipalities, universities, schools, and hospitals) is not included in the total provided. As the federal and provincial reports are not 100% comparable, it may include or exclude some items depending on the source. Comparability may be a wish in the future disclosure.

Questions remained on what the comprehensive and fair income tax base should be to calculate the tax expenditures. The examination could be in a tax reform context, or on an ad-hoc basis (Burman, Todev, Berger and Rohaly, 2017; Kaplow, 2017). The examination of tax expenditures and the tax system may eventually lead to a simplified tax system.

The debate on social and economic policies is valuable, but all the information is necessary to be able to have an educated analysis (Brooks, 1979). Tax expenditures disclosure allows policy maker to access a more complete information tax policy evaluation. The forgone revenue could be used for the same or other priorities.

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Appendix A - Tax expenditure disclosures in Canadian jurisdictions

Jurisdiction	Legislated Requirement to Disclose?	Tax Expenditure Types Reported	Periods Reported	Where Reported?	How Categorized?
Canada	No	Income Consumption Excise	Six prior calendar years, plus current and one future	Standalone document	Sector Tax type
British Columbia	No	Income Consumption Property	Current fiscal year	Attached to budget and fiscal plan	Tax type
Alberta	No	Income Consumption Fuel Property Transfers	Current calendar year	Attached to budget	Tax type
Saskatchewan	No	Income Sales Fuel	Three prior calendar years, plus current	Attached to budget	Tax type
Manitoba	No	Income Sales	Current fiscal year	Attached to budget	Tax type
Ontario	Yes	Income Consumption Medicare Estate	Other Prior calendar year	Standalone document	Tax type
Quebec	No	Income Consumption Capital Medicare	Five prior calendar years, plus current	Standalone document	Tax type
New Brunswick	No	Income Consumption Property	Current fiscal year	Standalone document	Tax type
Nova Scotia	No	Income Consumption	Current and previous years	Attached to budget	Tax type
Prince Edward Island	No information				
Newfoundland and Labrador	No	Income Sales Fuel Carbon Tobacco	Current and previous years	Attached to budget	Tax type

Source: adapted and updated from Office of the Auditor General of British Columbia (2018, p.34 - Appendix D) and Auditor General of New Brunswick (2019, p.88)

Appendix B - Subject of tax expenditures

“Tax expenditures are classified based on their subject matter. This classification is provided solely for presentational purposes and is not intended to reflect underlying policy considerations. The following subjects have been identified:”

Subjects
Arts and culture
Business - farming and fishing
Business - natural resources
Business - research and development
Business - small businesses
Business - other
Donations, gifts, charities and non-profit organizations
Education
Employment
Environment
Families and households
Health
Housing
Income support
Intergovernmental tax arrangements
International
Retirement
Savings and investment
Social
Other

Source: Canada - Department of Finance (2023, p.53)

Appendix C - Objectives of the tax system

Groups	Objectives
Objectives that are internal to the tax system:	To reduce administration or compliance costs
	To provide relief for special circumstances
	To assess tax liability over a multi-year period
	To prevent double taxation
	To recognize non-discretionary expenses (ability to pay)
	To recognize expenses incurred to earn employment income
	To recognize education costs
	To promote the fairness of the tax system
	To ensure a neutral tax treatment across similar situations
	To implement intergovernmental tax arrangements
	To implement a judicial decision
	General revenue raising
Other objectives:	To extend or modify the unit of taxation
	To provide income support or tax relief
	To encourage savings
	To encourage or attract investment
	To encourage investment in education
	To encourage employment
	To support competitiveness
	To support business activity
	To achieve an economic objective - other
To achieve a social objective	

Source: Canada - Department of Finance (2023, p.52)

Appendix D - Types of measures in a tax system

Measures	Description
Exemption	The non-taxation of certain taxpayers, income or gains
Exemption and zero-rating under the GST	No GST is charged on exempt goods and services, while the GST applies on zero-rated goods and services, but at a zero GST rate. Vendors of zero-rated goods and services are entitled to claim input tax credits to recover the full amount of GST they paid on inputs used to produce or market zero-rated products; in contrast, vendors of exempt goods and services are not entitled to claim input tax credits to recover the GST they paid on their inputs. A number of GST expenditures are not exemptions or zero-rating provisions from a legal perspective, yet have the effect of not imposing the GST on certain goods and services (e.g., travellers' exemption, small suppliers' threshold). These measures are classified as "other".
Deduction	An amount subtracted from total income in determining net income, or from net income in determining taxable income.
Deemed remittance	A measure that deems a certain amount to be tax already remitted by the taxpayer.
Credit (refundable, non-refundable)	An amount subtracted from tax payable. A credit is refundable when any excess of the credit over the amount of tax payable is refunded to the taxpayer.
Rebate and refund	An amount of tax paid that is refunded to the taxpayer.
Preferential tax rate	A tax rate that is lower than the general benchmark rate.
Surtax	A tax that is imposed in addition to the basic tax payable.
Timing preference	A measure that permits the deferral of tax relative to the benchmark tax treatment, for instance by delaying the time income or gains are brought into income, or by accelerating the use of deductions.

Source: Canada - Department of Finance (2023, p.51; 2024, p.53)

Appendix E - AICPA's Ten Guiding Principles of Good Tax Policy

Source: AICPA (2001, p.8)

“The AICPA recommends that this ten-principle framework be used to analyze proposals to change a tax rule, as well as to change an entire tax system, such as by changing it from an income tax system to a consumption tax system, or to better address e-commerce transactions. Note that the ten guiding principles of good tax policy are equal in importance; the numbered order of the principles in this statement is for reference only and should not be taken as an indication of the order of importance of these principles.

1. *Equity and Fairness.*
Similarly situated taxpayers should be taxed similarly.
2. *Certainty.*
The tax rules should clearly specify when the tax is to be paid, how it is to be paid, and how the amount to be paid is to be determined.
3. *Convenience of Payment.*
A tax should be due at a time or in a manner that is most likely to be convenient for the taxpayer.
4. *Economy in Collection.*
The costs to collect a tax should be kept to a minimum for both the government and taxpayers.
5. *Simplicity.*
The tax law should be simple so that taxpayers understand the rules and can comply with them correctly and in a cost-efficient manner.
6. *Neutrality.*
The effect of the tax law on a taxpayer's decisions as to how to carry out a particular transaction or whether to engage in a transaction should be kept to a minimum.
7. *Economic Growth and Efficiency.*
The tax system should not impede or reduce the productive capacity of the economy.
8. *Transparency and Visibility.*
Taxpayers should know that a tax exists and how and when it is imposed upon them and others.
9. *Minimum Tax Gap.*
A tax should be structured to minimize noncompliance.
10. *Appropriate Government Revenues.*
The tax system should enable the government to determine how much tax revenue will likely be collected and when.”

Appendix F - Extracts of Notes on Tax Expenditures with Objectives and History

Source: Canada - Department of Finance (2010, p.19-20, 61-63)

Chapter 2

Description of Personal Income Tax Provisions

Charitable Donations and Political Contributions

Charitable Donations Tax Credit

Objective: This measure is designed to support the important work of the charitable sector in meeting the needs of Canadians. (Report of the Royal Commission on Taxation, Vol. 3, 1966; Tax Reform 1987)

A tax credit is available for charitable donations. The value of the credit is calculated by applying the lowest personal income tax rate (15 per cent in 2010) to the first \$200 of total donations in a year and the highest personal income tax rate (29 per cent in 2010) to donations in excess of \$200. In general, the credit may be claimed on donations totalling up to 75 per cent of net income. The percentage of income restriction does not apply to certain gifts of cultural property or ecologically sensitive land and in certain other circumstances, such as a gift made in the taxpayer's year of death. Donations in excess of the limit may be carried forward for up to five years.

Reduced Inclusion Rate for Capital Gains on Donations of Publicly Listed Securities to Registered Charities

Objective: This measure was introduced to facilitate the transfer of certain publicly listed securities to charities to help them respond to the needs of Canadians. (Budget 1997)

Budget 1997 introduced, on a temporary basis, a 50-per-cent reduction in the ordinary inclusion rate on capital gains arising from certain donations of eligible securities to charities (other than private foundations). Eligible securities qualifying for this treatment are those for which a current value can readily be obtained, generally securities that are traded publicly on a prescribed stock exchange. Budget 2000 provided parallel treatment of gifts of shares acquired through employee stock option plans. The half inclusion rate measure was made permanent in 2001. The inclusion rate was then reduced to zero in Budget 2006, and Budget 2007 extended these provisions to include donations of eligible securities to private foundations. Budget 2008 further extended these provisions to certain exchangeable securities, where the securities acquired on the exchange are themselves eligible for a capital gains exemption and are donated to a registered charity within 30 days of the exchange.

A parallel measure applies to corporations.

Reduced Inclusion Rate for Capital Gains on Donations of Ecologically Sensitive Land to Public Charities

Objective: This measure was introduced to enhance the incentives for the protection of Canada's ecologically sensitive land, including areas containing habitat for species at risk. (Budget 2000)

Since 2000, donations to approved conservation charities of ecologically sensitive land, or easements, covenants and servitudes on such land, have been eligible for special tax assistance. Under the Ecological Gifts Program, in addition to the Charitable Donations Tax Credit available to a donor of ecologically sensitive land to a conservation charity, there is a reduced inclusion rate for a capital gain that has accrued on the land in calculating the donor's income. The capital gains inclusion rate for 20 donations of ecologically sensitive land made on or after May 2, 2006, is zero. For donations made before May 2, 2006, the capital gain that accrued on the ecologically sensitive land was included in income at one-half the standard capital gains inclusion rate (i.e. 25 per cent).

A parallel measure applies to corporations.

Non-Taxation of Capital Gains on Donations of Cultural Property

Objective: This provision encourages the donation to designated institutions (such as museums and art galleries) of cultural property determined to be of outstanding significance to Canada's national heritage. (Budget 1998)

Certain objects certified by the Canadian Cultural Property Export Review Board as being of cultural importance to Canada are exempt from capital gains tax if donated to a designated museum or art gallery. Recipient organizations are required to hold the objects for a minimum of 10 years.

A parallel measure applies to corporations.

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Chapter 3

Description of Corporate Income Tax Provisions

Charities, Gifts and Political Contributions

Deductibility of Charitable Donations

Objective: This measure is designed to support the important work of the charitable sector in meeting the needs of Canadians. (Report of the Royal Commission on Taxation, Vol. 3, 1966)

Donations made by corporations to registered charities are deductible in computing taxable income within certain limits. In general, a deduction may be claimed on donations totalling up to 75 per cent of net income. The limit is increased by 25 per cent of the amount of taxable capital gains arising from the donations of appreciated capital property and 25 per cent of any capital cost allowance recapture arising from the donation of depreciable capital property. The percentage of income restriction does not apply to certain gifts of cultural property or ecologically sensitive lands, and in certain other circumstances donations in excess of the limit may be carried forward for up to five years.

Deductibility of Gifts of Cultural Property and Ecologically Sensitive Land

Objective: This measure encourages the donation of cultural property to designated institutions, such as museums and galleries, and encourages the conservation and protection of Canada's environmental heritage. (Budget 1995; Budget 1997; Budget 2000)

Gifts of cultural property to institutions designated under the Cultural Property Export and Import Act and gifts of ecologically sensitive land to Canada, a province, a Canadian municipality and certain registered charities are deductible to the extent of net income available in the year. Unused deductions may be carried forward for up to five years.

Reduced Inclusion Rate for Capital Gains on Donations of Publicly Listed Securities to Registered Charities

See description in Chapter 2.

Reduced Inclusion Rate for Capital Gains on Donations of Ecologically Sensitive Land to Public Charities

See description in Chapter 2.

Non-Taxation of Capital Gains on Donations of Cultural Property

See description in Chapter 2.

Deductibility of Gifts of Medicine

Objective: This measure provides an incentive for corporations to donate medicines for use in international programs by providing a special additional deduction. (Budget 2007; Budget 2008)

Businesses that donate medicines from their inventory to an eligible charity can claim an additional deduction equal to the lesser of:

- 50 per cent of the amount by which the fair market value of the donated medicine exceeds its cost; and
- The cost of the medicine. The unused deduction may be carried forward for up to five years.

Deductibility of Gifts to the Crown

Objective: Gifts made to Canada or to a province are deductible, within certain limits, to encourage such contributions.

Gifts made by corporations to Canada, or a province are deductible in computing taxable income, within certain limits. Unused deductions may be carried forward for up to five years. The maximum amount deductible for gifts to the Crown is harmonized with the restriction on the deductible amount for charitable donations (these limits are described under “Deductibility of Charitable Donations” above).

Non-Taxation of Registered Charities

Objective: This measure provides tax relief for registered charities in recognition of the important role they play in Canadian society. (Discussion Paper: The Tax Treatment of Charities, June 23, 1975)

Registered charities, both incorporated and unincorporated, are exempt from income tax. This is a tax preference to the extent that the charity has income that would otherwise be taxable, such as investment income or profits from certain commercial activities.

Non-Taxation of Other Non-Profit Organizations (Other Than Registered Charities)

Objective: This measure provides tax relief for non-profit organizations in recognition of the important role they play in Canadian society.

Non-profit organizations, both incorporated and unincorporated, are exempt from income tax. This is a tax preference to the extent that the non-profit organization has income that would otherwise be taxable, such as investment income or profits from certain commercial activities.