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2012 NATIONAL CHARITY LAW SYMPOSIUM TIMELY NEW TAX TOPICS TO CONSIDER

Reading the T3010 With a Critical Eye

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**2012 NATIONAL CHARITY LAW SYMPOSIUM
READING THE T3010 WITH A CRITICAL EYE**

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Introduction

Under the *Income Tax Act*¹, registered charities are required to file an annual information return². The information return includes both private information and public information. The purpose of the return has evolved over the years. In this paper, I discuss a number of issues that arise in connection with the return, the guidance issued by Canada Revenue Agency (“CRA”) with respect thereto³, some policy issues and other points, including changes that appear to be in the works as a result of recent federal budgets, subjecting charities to more strict compliance and requiring more detailed disclosure.

I will not be discussing how the T3010 should be completed. Others have written on that topic and it is beyond the scope of this paper to deal with all of the details. Rather, I hope to highlight some fairly basic issues from a policy perspective and a drafting perspective.⁴

The National Charities and Not-for-Profit Law Section of the Canadian Bar Association delivered a submission to CRA in June, 2006, which were reflected to some extent in the earlier revisions to the T3010. The CBA Section made further submissions to CRA in the spring of 2011, with a number of recommendations. The return was last revised in late 2010 to reflect changes in the disbursement quota (“DQ”), with a transitional

¹ R.S.C. 1985, c.1 (5th Suppl.), as amended, hereinafter referred to as the “Tax Act”. Unless otherwise noted, statutory references herein are to the Tax Act.

² Subsection 149.1(14) provides that every registered charity and RCAA shall within six months after the end of its taxation year file both an information return and a public information return for the year in prescribed form and containing prescribed information.

³ T4033-1.

⁴ CRA provides a good deal of information on its website at www.cra-arc.gc.ca/charities, including the T3010, sample returns, commentary on avoiding common mistakes, a list of information that is made available to the public and other details.

period for charities with taxation years that began before the date of the 2010 budget in March, 2010. The current version of T4033 was released in January, 2011. Although I refer to some points raised in the CBA Section's submission, the comments in this paper are exclusively mine and are not attributable to the CBA Section. I have attached copies of the current version of the T3010-1 and the current version of T4033-1 for ease of reference.

This paper deals with the current version of the T3010 and discusses changes that may be forthcoming to implement the 2011 budget changes and the 2012 budget proposals. These changes are as discussed briefly below. As a result of the 2010 budget, some information previously required in the T3010 is no longer necessary. When the T3010-1 was released in November, 2010, CRA stated that it should be filed by registered charities for fiscal periods ending on and after December 1, 2010. This was changed in a release issuing T4033-1 on January 18, 2011, stating that charities with fiscal periods ending from March 23, 2004 to December 31, 2008 should use T3010A(05) and guide T4033A, charities with fiscal periods ending from July 1, 2009 to March 3, 2010 inclusive should use T3010B and T4033B and T3010-1 and T4033-1 should be used for fiscal periods ending on or after March 4, 2010.

2011 Budget

The 2011 budget changes permit CRA to suspend receipting privileges or revoke registration of a qualified donee, including a registered charity, if its governing body including its board of directors or board of trustees, includes an "ineligible person". The objective is to ensure that "inappropriate" individuals are not closely involved in the governance of qualified donees. It is beyond the scope of this paper to deal with ramifications of this change, CRA will require disclosure of information about ineligible individuals. Although I understand CRA does not plan to revise the T3010 to require disclosure of information about ineligible individuals, it will be important for registered charities and RCAAAs to understand the scope of the definition. This raises questions similar to those about the requirement to determine whether a "foreign" donor is a non-resident of Canada, is carrying on business in Canada, has disposed of taxable

Canadian property in Canada, is a Canadian citizen, etc.⁵ This appears to be a situation in which CRA plans to exercise its discretion in cases that are not egregious.⁶

The 2011 changes require registered Canadian amateur athletic associations (RCAAs) to file information returns, for fiscal periods that begin on or after January 1, 2012. They also subject RCAAs to many of the compliance obligations imposed on registered charities. These include, for instance, a prohibition against carrying on a business that is not a related business, a prohibition against carrying on inappropriate political activities and not having as the exclusive purpose and exclusive function the promotion of amateur athletics in Canada on a nation-wide basis. Under the previous rules, the RCAA was required to have as its primary purpose and primary function the promotion of amateur athletics on a national basis and to meet the tests in paragraph 149(1)(l) for exemption as a non-profit organization⁷. RCAAs will also be subject to sanctions including penalties and/or revocation if they provide undue benefits, in the same way that these sanctions apply to registered charities.

I understand from discussions with CRA that no decision has been made yet about whether the T3010 will be amended or a new form will be developed for RCAAs, but in the meantime RCAAs will continue to file a T2052 return. The 2011 changes also introduced new rules dealing with the return of gifts to donors. Regulation 3501.1 which is deemed to have come into force on March 23, 2011, deals with disclosure of information relating to property that is returned by a qualified donee to a donor or other person. This is intended to pick up the information required under subsections 110.1(16) in the case of corporations and 118.1(27) in the case of individuals. I understand from discussions with CRA that the form to be filed under regulation 3501.1 has not been drafted, but it will be separate from the T3010.

⁵ This is discussed more fully below.

⁶ It is beyond the scope of this paper to deal with the rules relating to ineligible individuals, other than to state that they reflect a dramatic shift in the approach that the Department of Finance and CRA are taking to transparency and accountability.

⁷ It is beyond the scope of this paper to discuss the changes relating to RCAAs. For a summary of those changes, see James M. Parks, "New Rules for Registered Canadian Amateur Athletic Associations" in *Charitable Thoughts*, Volume 15, No. 2, March 2012, Ontario Bar Association Charity & Not-for-Profit Law Section.

2012 Budget

The 2012 budget will tighten up the rules dealing with reporting and political activity. New subsection 188.2(2.1) will provide that if a registered charity or RCAA fails to report information that is required to be included in its T3010, the Minister can by giving written notice suspend its ability to issue official receipts.⁸ The proposals will amend the definition of “charitable purposes” to include the disbursements of funds to a qualified donee, other than a gift the making of which is a political activity. For this purpose, “political activity” will be defined to include making a gift to a qualified donee if it can reasonably be considered that a purpose of the gift is to support the political activities of the qualified donee. The proposals will amend subsection 149.1(6), which deems a charitable organization to be devoting its resources to charitable activities by limiting this to situations in which the organization disburses income to qualified donees, other than income disbursed by way of gift, the making of which is a political activity, if the total amount of income of the charitable organization that is disbursed to qualified donees in the year does not exceed 50% of its income for the year or it disburses income to a registered charity that the Minister has designated in writing as a charity associated with it, other than income disbursed by way of gift the making of which is a political activity.

Subsection 149.1(10) will be amended to provide that an amount paid by a charitable organization to a qualified donee that is not paid out of its income is deemed to be a devotion of a resource of the charitable organization to a charitable activity carried on by it, unless the amount paid is a gift the making of which is a political activity. Subsection 188.2(2) will be amended by adding subparagraphs (e), (f) and (g) as grounds for suspension of the ability of a registered charity or a RCAA to issue official receipts. These new rules will apply to a charitable foundation if it devotes resources to political activities that are not considered under subsection 149.1(6.1) to be devoted to charitable purposes, to a charitable organization if it devotes resources to political activities that are not considered under subsection 149.1(6.2) to be devoted to charitable activities and to a RCAA if it devotes resources to political activities that are not considered under subsection 149.1(6.201) to be devoted to its exclusive purpose

⁸ New subsection 188.2(2.1).

and exclusive function. A charity that provides financial assistance to another charity will be subject to penalties, notwithstanding that it does not directly participate in political activity. For instance, if charity A makes a grant to charity B and it is reasonable to consider that charity B will engage in political activity, charity A may be subject to sanctions.⁹ This will require the granting charity to exercise caution and conduct appropriate due diligence.¹⁰

Navigating the T3010

In many cases the T3010 form is completed by non-professionals, who may be volunteers acting for the charity or by professionals who are not trained to deal with the intricacies of the Tax Act, particularly the disbursement quota and other detailed rules that apply to registered charities. As a result, many users and advisers feel the form should be as simple and straightforward as possible, the reasons for the disclosure should be clear and the policies behind the requirement for disclosure should be understandable. In addition to CRA and professionals or volunteers who are involved in the preparation of the T3010, other interested parties would include donors, creditors, employees, analysts, suppliers and others. The Auditor General of Canada dealt to some extent with the role of the T3010 in the 2010 fall report. In that report, the Auditor General dealt with the history of the T3010, CRA practices, including its practice of revoking registration and requiring re-registration and a \$500 penalty and other information. The Auditor General recommended that CRA should evaluate whether its

⁹ In a release issued after the 2012 budget, the Director General of the Charities Directorate stated that in recognition of the important contribution that registered charities make to the public policy development process, they are permitted to devote some of their resources to ancillary and incidental non-partisan political activities and this allowance was extended to RCAAAs in the 2011 budget. The release stated that while no changes are proposed, the 2012 budget proposes amendments to ensure that all funding intended for political activities is reported in a charity's annual information return and proposes to increase transparency by requiring more information about political activities, including the extent to which funding from foreign sources is used to carry on political activities. The Director General also stated that the budget changes will give CRA additional resources to allow it to enhance its education and compliance activities in the area of political activities. The release also stated that new intermediate sanctions will apply where the rules are not followed, as is currently the case for other types of non-compliance, and "some changes such as revisions to information returns will take some time to implement". The release included a document entitled "Transparency and Accountability", with a list of questions and answers dealing with the proposals. I understand from recent discussions with CRA that the T3010 is being revised, but I do not have any details about those revisions.

¹⁰ CRA has expressed its views on political activity in CPS-022, "Political Activities", September 2, 2003.

current process for dealing with annual information returns meets its objective of increasing compliance and receiving returns on time. According to the report, CRA agreed and an evaluation of its current process with late-filed returns was to be completed by September, 2011.

Legislative Basis for the T3010

(a) Dual Purpose

Subsection 149.1(14) provides for filing both an "information return" and a "public information return". This distinction is repeated in subsection 189(6.1), concerning the returns a charity must file after its registration is revoked. Each return must contain prescribed information in prescribed form.¹¹ Apparently for simplicity, the two concepts of the information return and the public information return have been combined into a single return, which is T3010-1 for fiscal years ending on or after March 4, 2010 and T3010B or T3010A(05) for previous fiscal years.¹² As pointed out earlier, the T3010 return seems to have a dual purpose, namely to provide information to the public and to ensure compliance. Through use of the combined return, the distinction between the two functions has been blurred and there is ambiguity in how information will be treated. If CRA uses the T3010 return to fulfill both purposes, it should identify clearly the portions that are part of the "public information return" and the portions that relate to the "information return," and explain the basis on which it is requesting the information. A review of how the two types of return are distinguished in the Tax Act is instructive. The first difference relates to public disclosure of information. Under subsection 149.1(15), notwithstanding section 241, information in a public information return shall be communicated or otherwise made available to the public by the Minister in such manner

¹¹Under subsection 248(1), "prescribed" means in the case of a form, the information to be given on a form or the manner of filing a form, authorized by the Minister. In some cases, although the Tax Act contemplates that a form will be prescribed, no form is in fact prescribed.

¹²It seems that for purposes of discussion form T3010 has been authorized pursuant to regulation as both the information return and the public information return for purposes of subsection 149.1(14). In T4033, CRA states that "an information return" includes form T3010, form TF725, form T1235, form T1236 and a copy of the financial statements. It appears that this all refers to the information return and not the public information return, but this is not clear.

as the Minister deems appropriate¹³. It seems that the intention is for at least some information collected on the T3010 return to be disclosed to the general public. Referring to the information in the return rather than listing it in the Tax Act itself provides some flexibility. This avoids any requirement to amend the Tax Act if the information in question changes. However, it also creates uncertainty.

In addition to the information in the public information return, under subsection 241(3.2), CRA can provide to members of the public, among other things:

- a copy of the charity's governing documents,
- any information provided in the prescribed application for registration,
- the names of the directors and when they held their respective positions,
- a copy of the notice of registration (including any conditions and warnings),
- a copy of all or part of any letter sent to a charity whose registration has been revoked or annulled, dealing with the grounds for revocation or annulment,
- a copy of all or part of any letter or notice sent to a charity or relating to suspension under section 188.2 or any assessment of tax or penalty, and
- an application by the charity, and information filed in support of it, with respect to a designation, determination or decision by the Minister under subsections 149.1(6.3), (7), (8) or (13).¹⁴

¹³ Subsection 149.1(15), amended as a result of the 2011 budget, provides that the information can be communicated or otherwise made available to the public in such manner as the Minister deems appropriate. In addition, the Minister can make available to the public in any manner that the Minister considers appropriate for a registered or previously registered charity or Canadian amateur athletic association or certain other qualified donees its name, address and date of registration, its registration number where applicable and the effective date of any revocation, annulment or termination of registration. Where a private foundation that is a registered charity holds more than an insignificant interest in a class of shares of a corporation, the Minister shall make available to the public in such manner as the Minister deems appropriate the name of the corporation and information concerning the shares held in that corporation. The Minister may also make available to the public in any manner a listing of registered charities in respect of which an opinion has been formed with respect to eligible medical gifts for purposes of subsections 110.1(8) and (9). CRA's website includes a list of information that is available to the public.

¹⁴This list would also include subsection 149.1(5) dealing with requests to treat amounts as deemed expenditures under draft legislative proposed by Finance Canada in 2005 and again on July 16, 2010, for documents sent by the Minister or filed or required to be filed, after May 13, 2005. See CG-008, "Confidentiality-Public Information", August 15, 2011.

Further, paragraph 241(3.2)(f) allows CRA to provide any financial statements required to be filed with an information return under subsection 149.1(14).

The definition of specified gift in section 149.1 prior to the DQ changes required the amount in question to be designated as a specified gift in the "information return" for the year. This was presumably the information return, and not the public information return, contemplated in subsection 149.1(14). The definition of capital gains pool prior to the DQ changes required the amount in question to be declared by the charity in "an information return under subsection (14)". It was not clear if this referred to the information return, the public information return or both. Both of these issues were resolved as a result of the changes in the 2010 budget, but there is still uncertainty in other respects.

The second difference relates to enforcement. Paragraph 168(l)(c) states that a registered charity may face revocation if it fails to file an information return as and when required under the Tax Act or a regulation. Some may argue that the reference to an information return includes a public information return. This does not seem to be (and in my view should not be) the case, given the distinctions mentioned above and the wording in the provisions imposing interim sanctions.

Subsection 188.1(6), imposes a penalty if the registered charity fails to file an "Information return" as required by subsection 149.1(14). As noted above, the 2012 budget authorizes a further sanction under subsection 188.2(2.1) for failure to report information that is required to be included in a return filed under subsection 149.1(14). While the Tax Act is not clear, it seems reasonable to conclude that this is intended to compel disclosure of the information CRA requires to perform its regulatory role. This information would not necessarily be disclosed to the public and the consequences of failing to file that return would be serious. Since the main purpose of a public information return is presumably to provide access to that information to the general public, it seems reasonable that the consequences of not filing that return should be less severe. However, CRA takes the position that failure to file either return can apparently result in a penalty. According to the words used in the Tax Act, an

"information return" is not the same as a "public information return"¹⁵ and failure to file the latter should not be grounds for revocation.

However, given the combination of the information return and the public information return in one T3010 form, it is unclear what would constitute a failure to file. If there is only one return (with a dual purpose), it seems that failure to file the physical return, whether it is the information return or the public information return or both, would constitute failure to file an "information return" or a "return".¹⁶ Failure to complete one part of the return while completing the other part creates uncertainty about whether a return has been filed at all. At a minimum, if the T3010 continues to serve a dual purpose and is considered to be both the information return and the public information return contemplated in subsection 149.1(14), the Tax Act (or CRA through its administrative policies) should make it clear whether failure to complete the public information portion of the return would be grounds for revocation or a penalty. This is discussed further below.

At one time the primary purpose of the information returns was to provide public information, and not to assist CRA in performing its regulatory role. It seems that over the years CRA has begun to use the returns (at least in part) to obtain information solely to monitor compliance under the Tax Act, and not to provide information to the public. However, the return does not clearly set out the purpose for which the information is required, and does not segregate the types of information. Charities are therefore uncertain about the consequences that flow from providing (or failing to provide) information in the T3010 return.

The Federal Court of Appeal upheld a penalty assessed against a non-resident business corporation for failure to file a T2 return, despite the fact that no tax was

¹⁵ Otherwise, the word "public" is superfluous.

¹⁶ In T4033-1, CRA states that every registered charity has to file "an information return" each year, without distinguishing between the information return and the public information return mentioned in subsection 149.1(14). It also states that a charity that does not file "its return" can lose its registered status.

payable.¹⁷ The Tax Court judge had rejected an argument that the T2 return performed a dual function, stating that if the government intended to treat the non-resident income tax return as an information return subject to penalties under subsection 162(7), more direct and unambiguous language could and should have been used. The Federal Court of Appeal held that the T2 return, when filed in circumstances where no tax is payable, is an information return, since it could have no other function. It went on to state that this did not alter its character as a tax return and therefore the requirement to file a return did not apply. Nevertheless, the Court held that the corporation was liable to pay a penalty under subsection 162(7), for failure to comply with an obligation imposed by the Tax Act or the regulations, without expressly finding that there had been a failure to file an information return. This type of uncertainty should be avoided as it relates to the dual role of the T3010 return.

The information return and the public information return were apparently combined into a single return for simplicity.¹⁸ If its dual nature is to be maintained, the return should identify and communicate to the sector and the public those sections required for compliance and those required for public information. If the focus of a particular section is compliance, the return and the relevant section of the guide should clearly identify the regulatory purpose for which the information is being sought (for instance. DQ calculation, political activities, related business activities, undue benefit, etc.) and there should be more information in the guide about both the purpose and the substance of these compliance issues and the reason for each question. It would be helpful if links could be provided to related information on the CRA website dealing with more complicated compliance issues.

The T4033B formerly stated, and the T4033-1 now states, that “most” of the return, and all of the financial statements filed with it, are available to the public and confidential data is marked as such and includes the information provided in Section F, Schedule 4,

¹⁷ *Exida.com Limited Liability Company v The Queen*, 2010 FCA 159.

¹⁸ There appears to be some precedent for a dual-purpose return. For instance, the T3 income tax return that must be filed by a trust under paragraph 150(l)(c) also serves as an information return for purposes of regulation 204. However, there is no element of public disclosure and the sole objective is to assist CRA in monitoring compliance.

part of Form T1235 and Form RC232-WS. T4033-1 also states that some confidential information is collected on Form T2081, dealing with excess corporate holdings, for private foundations.

(b) Due Dispatch

I think it would be helpful if a reasonable time limit were imposed, through amendments to the Tax Act or otherwise, on CRA to use information in the T3010 return for assessing or other compliance purposes. This would be consistent with other provisions in the Tax Act which limit the ability of CRA to issue reassessments (in the absence of misrepresentation or fraud or similar circumstances) after a reasonable amount of time has elapsed and to deal with returns with due dispatch in the first instance. Under subsection 189(8), certain provisions in Part I of the Tax Act apply to registered charities under Part V. These include the rules dealing with assessments, particularly section 152. Subsection 152(1) provides that the Minister shall, with all due dispatch, examine a return of income for a year and assess the tax, interest and penalties, if any, payable and make certain other determinations. However, these rules apply only for purposes of an amount assessed under Part V or a notice of suspension. There is no obligation on the Minister to do anything with the information return or public information return required under subsection 149.1(14). Thus, although there is a requirement to file the T3010 return under Part I, filing does not result in any assessment under Part I, although CRA does issue a notice (called a registered charity information return summary) acknowledging receipt of the T3010 and accepting or adjusting the financial information filed, including total assets, total liabilities, total revenue and total expenditures.

Where an assessment is issued under Part V for a penalty under subsection 188.1(6) for failure to file a return, the rules in Part I dealing with the timing of subsequent reassessments apply. However, this does not address the basic issue of timely review of information contained in the T3010 return. The proposals in the 2012 budget will now permit the Minister to suspend receipting privileges if the T3010 does not include the required information. This would appear to include the prospect of suspension for even

slight defaults in providing prescribed information. It is hoped that the Minister will exercise discretion before imposing penalties for failure to include information required under subsection 149.1(14) in the T3010. CRA has issued form T1240, a registered charity adjustment request, which can be used by a registered charity to make changes in the information included in its T3010 return as filed. These adjustments are submitted on a line-by-line basis.

CRA recently announced that in August, 2012 it will introduce Charity Quick View, an online resource that will build on the information currently available in the charities listings. According to CRA, this will make it easier for charities and donors to read and understand the information reported by a charity in its T3010 return. CRA has stated that it will pull information from the T3010 to highlight a charity's activities, amounts and sources of revenue and expenditures, including salaries and other benefits. According to CRA, while the information disclosed on the T3010 will remain the same on the CRA website, the way in which some of the information is displayed will change and Charity Quick View will use graphs and tables to show key information at a glance. This new display will begin with T3010 returns filed in 2010¹⁹.

In my view, charities should not be faced with the prospect of an unlimited time frame for CRA to review information they provide for compliance purposes, and potentially unlimited exposure to revocation, penalties, or other intermediate sanctions based on that information. If the information in the return is only for disclosure to the public, and the status of the charity under the Tax Act is not directly affected, the issue of when the information is reviewed is not of the same significance. However, this further illustrates the need to differentiate clearly between the "public" information and the "compliance" information in the return. This could perhaps be accomplished by dividing the return

¹⁹ The information available on the T3010 has been used by some readers to assess the relative efficiency of various registered charities. I understand that organizations such as Charity Intelligence Canada analyze this information with a view to assisting donors and others in assessing the effectiveness of a registered charity in raising funds, spending the funds on fundraising and other administrative costs and delivering charitable programs and carrying out other activities or making grants to qualified donees. To the extent that the information in the T3010 is inaccurate, is not complete or is disclosed in the wrong format or under the wrong headings, an analysis based solely on the financial disclosure in the T3010 could be inaccurate in some cases. In addition, since the T3010 cannot be filed directly on line, there is room for human error, since the information must be inserted manually.

into two separate components, each clearly identified, with the purpose of the information and any limitations with respect to the timeframe within which it can be reviewed by CRA, clearly identified. While there is some benefit in streamlining the return (or returns) to the extent possible, and lessening the compliance burden on charities, there is a concern that charities may not understand the purpose for which information is being sought, the nature of the sanctions that might be imposed on them (including revocation) and other highly technical requirements. The CBA Section made submissions to CRA and the Department of Finance about the complexity of the DQ rules and the difficulty many charities and their advisors face in trying to understand them and comply, particularly in the context of the disclosure required in the earlier version of the T3010 as it dealt with the DQ rules.²⁰ This was addressed in the 2010 budget which introduced a simpler approach to the DQ, as now set out in T3010-1 and in T4033-1.

(c) Additional Information to be Provided by CRA

It would be useful if CRA provided, either on its website or in the material sent to the charity with the return, the information it has on file about the charity's objects. If this were done, charities, CRA and the general public would all have the same information with respect to the intended (and approved) purposes of the charity. This is particularly important given the high turnover among volunteers and staff of some organizations, as well as changes in accountants or others who assist in the preparation of returns. In addition, CRA would have more confidence that the charity's responses are based on a correct understanding of the facts.

(d) Changes in Activities or Programs

CRA says charities must advise the Minister of any new activities or programs not expressly approved on initial registration. In some circumstances it may be prudent for an organization that is not able to afford advice from a professional to seek CRA's views about a proposed program, because it may not be viewed by CRA as charitable.

²⁰ The fact that the return currently consists of four pages and up to six schedules and the guide consists of 25 pages shows how complicated the reporting process has become.

However, the Tax Act does not expressly impose such an obligation on registered charities. If such questions remain, the return should include a warning about the potential prejudicial impact of answering such questions. Although I have not discussed the point with CRA, I expect it may require RCAAAs to advise the Minister of any new activities or programs that were not set out in its registration documents, particularly in light of the changes in the 2011 budget, which restrict the way RCAAAs can now operate.

(e) Specific Comments on T3010

The following are some of the issues that arise on reviewing the T3010:

1. the commentary at page 9 of T4033-1 under the heading “Program Areas” requires an allocation among various program areas. It is not clear how the charity is expected to determine “total time and resources” to be allocated among various activities and program areas. For instance, the time spent might be relatively small compared to the resources allocated and vice versa;
2. T4033-1 states in the opening words of Section C that at a certain point, if a charity remains inactive, CRA may take the view that it no longer meets the requirements for registration. The basis for this statement is not set out and it would be helpful if CRA would expand on this (the description of an “inactive charity” states that during the entire fiscal period, it must not have used any of its resources to carry out its charitable activities or to further the charitable purposes for which it is established) without regard to whether it earned any income, had any assets or issued any tax receipts, as set out in T4033B. The statement on page 12 of T4033-1 that a charity considering new programs should contact CRA is ambiguous. It implies that this is an obligation rather than a recommendation;
3. question C2 asks if the charity was active during the period and requires an explanation of why it was not active, if that is the case. It is not clear why CRA requires this information and what the implications are of being inactive or of providing (or not providing) an explanation. T4033-1 states with respect to

question A2 that if operations have been terminated, a request for revocation of registration should be submitted. The question presupposes that operations have been commenced and subsequently terminated, but does not address the situation where no operations have ever begun. This is addressed indirectly at question C1, which asks if the charity was active and requires an explanation about why it was inactive during the relevant period. T4033-1 seems to require a request to have registration revoked, regardless of the circumstances, because the charity is no longer “in operation”, but it is not clear what is meant by “in operation”. I think CRA should clarify its position on inactive charities, whether they have ever been active or not;

4. question C3 asks if the charity made gifts or “transferred funds” to qualified donees or other organizations. This is a broad question, since any payment would appear to constitute a transfer of funds, whether for consideration or not and the question appears to include all payments to all suppliers. It is not clear if this is intended or if it is properly targeted. The notes in T4033-1 refer only to gifts. They also refer to a situation in which the charity “transferred resources to other organizations”, again without regard to whether the transfer was for consideration or was in the nature of a gift or grant;
5. question 2 on Schedule 2 asks if any of the charity’s resources were “provided” for programs outside Canada under any kind of an “arrangement” including a contract, agency agreement, or joint venture to any other individual or entity. The terminology is inconsistent, since question C4 refers to individuals, intermediaries, entities or other means and T4033-1 refers to individuals, entities or intermediaries;
6. answering “yes” to question C3 requires completion of form T1236, which deals only with qualified donees, whereas the question itself asks about transfers that are not necessarily gifts. If this is intended to identify situations in which registration might be revoked for making a gift to a person other than a qualified donee, it is not properly framed;

7. question C4 asks if “any resources” were provided for activities outside Canada. It would be helpful (and I think logical) if this question were coordinated with the guidance on foreign activities. It is not clear why the question focuses on foreign activities rather than resources that involve a third party and an agency, partnership, joint venture or similar arrangement. When T4033-1 was released, CRA had not issued its guidance on using intermediaries in domestic situations;
21
8. questions dealing with fundraising expenditures should be coordinated with the guidance on fundraising. I understand from discussions with CRA that it plans to release a revised version of its fundraising guidance²² in the near future, but that revised guidance had not been released at the time this paper was written;
9. question C10 asks if the charity received any “donations or gifts”, which suggests there is distinction between the two terms. Question C11 refers to “gifts” and question D3 refers to “donations”. A single term should be used for consistency throughout the form, and the technical changes dealing with gifts in proposed subsection 248(30) should be considered;
10. it will be impossible in many situations for the charity to determine whether a donor is a Canadian citizen, is employed in Canada, is carrying on a business in Canada or has disposed of taxable Canadian property, as required by question C10. This requires an inordinately high level of due diligence on the part of the charity and could adversely affect fundraising efforts if it is perceived by donors to be intrusive. Many charities are unaware of whether a donor is or is not a resident of Canada. Presumably, “resident in Canada” has the technical meaning in the Tax Act and does not merely mean having a Canadian address.

²¹ GC-004, “Using an Intermediary to Carry out a Charity’s Activities within Canada”, June 20, 2011.

²² CPS-028, “Fundraising by Registered Charities”, June 11, 2009. I have reviewed a draft of the revised guidance which contains extensive references to the T3010. It discusses the calculation of the fundraising ratio by reference to information disclosed in specific lines on the T3010, refers to the reporting of gaming activities, discusses the pro-ration of expenditures between fundraising costs and other categories and notes that if a charity knowingly or negligently understates its fundraising expenses on line 5020 or elsewhere, CRA will take this into account in assessing whether the charity has acted reasonably, pointing out that inaccurate reporting constitutes grounds for compliance action.

The residence of a donor will be a question of fact and it is often unclear (there is considerable case law on point), and a charity will in many cases be unable to determine whether the donor is or is not a resident of Canada. Asking about Canadian citizenship does not deal with situations involving dual citizenship, in which Canadian citizenship of a person who holds other citizenship may be more “technical” than the other citizenship. Even if it obtains a statutory declaration or carries out other high level due diligence, it cannot be certain;

11. in T4033-1, in connection with Part 2 on Schedule 4, dealing with information about donors not resident in Canada, CRA states that information must be provided about the name of each donor not resident in Canada unless the donor has met certain legislated criteria, if the value of the donation is \$10,000 or more and whether the donor is an organization, a government or an individual. T4033-1 no longer states (as did T4033B) that the Tax Act offers certain protections with respect to the identity of donors making contributions to a charity where the donor is a Canadian citizen, a person employed in Canada, a person or business carrying on business in Canada, or a person or business that has disposed of taxable Canadian property. T4033-1 states that in order to satisfy this obligation, charities should “ensure that they obtain sufficient information to complete this section”. This cannot always be done, for the reasons mentioned. It seems very harsh to require a charity to refuse a donation or expose itself to sanctions for not being able to discover this information in every case. It seems that case law on due diligence defences should apply to a charity that makes a reasonable effort to obtain this information, even if the information turns out to be incorrect, in the absence of actual knowledge that it is incorrect or “wilful blindness”;²³
12. there is a concern that disclosure of information about donors (whether non-resident or not), could subject them to some risk. This is particularly true for foreign activities, where supporters of what may be perceived to be controversial goals can be identified through the T3010 return and become the target of

²³ See the discussion below under “Due Diligence”.

unwelcome or if not illegal and threatening or harmful contact from third parties. The disclosure of the name of an individual or organization that carries out foreign activities on behalf of the registered charity could also lead to concerns about security, as noted in connection with financial support received from non-residents of Canada. It would be prudent to permit a charity to seek an exemption from this requirement in appropriate circumstances;

13. it is not clear why question D2 requires information about whether the charity owns land and/or buildings;
14. it is not clear why question D4 focuses on total expenditures on travel and vehicles as opposed to other expenditures;
15. question D4 requires disclosure of the total amount of gifts made to all qualified donees, but does not include other transfers, as contemplated in question 3C. The first line asks for total expenditures on professional and consulting fees. The notes in T4033-1 dealing with the answer at line 4860 include fundraising as well as legal and accounting fees in the professional and consulting services. It is not clear if this results in duplication of the amounts disclosed as expenditures on fundraising at question C7, line 5460;²⁴
16. at line 4630, there is a requirement to disclose the total of non-tax receipted amounts from fundraising, which presumably include amounts raised through sponsorships and other casual collection methods. In schedule 6, line 5020 requires disclosure of total expenditures on fundraising and could be coordinated with the fundraising guidance;²⁵

²⁴ See the comments on that guidance in note 22, *supra*.

²⁵ *Ibid*.

17. disclosure of expenditures on fundraising involving regulated gaming activities such as lotteries, 50-50 draws, etc. requires further clarity. The revised fundraising guidance may address this;²⁶
18. in Schedule 6, line 4610 requires the disclosure of gross income received from renting land or buildings and line 4650 requires disclosure of other revenue not already included, which according to T4033-1, includes income from rental or leasing of equipment or other resources (other than land and/or buildings). It will not always be clear whether some types of equipment are part of a building or are equipment. It is not clear why there is a breakdown between income received from rental of land or buildings (including rental derived from property used in carrying out charitable activities as well as surplus land) and revenue from the rental of equipment (which also may be used in carrying out charitable activities);
19. the last question on Schedule 6, dealing with the value of property not used for charitable activities to calculate the 3.5% for DQ purposes is unclear. It refers to the value of property not used for charitable activities or administration “during” the 24 months before the beginning of the fiscal period and the 24 months before the end of the fiscal period. The word “during” has been interpreted as meaning at any time within a period. As a result, it is not clear if the “value” is intended to be an average, the highest amount, the lowest amount or some other amount. The notes in T4033-1 indicate that the average value is to be determined for property not used directly in charitable activities or administration during the 24 months. Presumably this means property that is not used at any time during the 24 months;
20. the notes to both line 5900 and 5910 are unclear as they relate to the number of periods chosen by the charity in calculating the average value of such property. While the examples address this by pointing out that the charity can choose the number of periods within each 24 month period, the guidelines do not address

²⁶ *Ibid.*

situations that involve periods that are less than a full fiscal period. For instance, in the second example on page 25 of T4033-1, the charity did not exist at December 31, 2008 and was incorporated at some point during 2009). The average value of its assets is \$50,000, being the total of \$100,000 at December 31, 2009 divided by two 12 month periods. The example seems to presuppose that the value on December 31, 2009 represents a full 12 month period, as opposed to the first fiscal period after incorporation, which could be less than 12 months. The same issue arises in determining the average value at December 31, 2010, since there may not necessarily have been a full 12 month period ending on December 31, 2009;²⁷

21. on page 28 of T4033B, CRA stated that the DQ is intended to ensure that most of the funds are used by the charity to further its charitable purposes and activities, to encourage registered charities not to accumulate excessive funds and to keep other expenses at a reasonable level. This has to be deleted from T4033-1, as a result of the changes in the 2010 budget. I understand CRA acknowledges that funds can be accumulated, subject to the DQ rules and other specific rules in the Tax Act (but subject to the anti-avoidance rules);
22. in Schedule 6 to T3010-1, there are still references to 10 year gifts at line 4180 and 4505. These appear to be unnecessary for fiscal years ending after March 4, 2010, for which the concept of 10 year gifts is no longer relevant. It is not clear if this disclosure is required to identify assets the income from which cannot be spent as a result of restrictions that may not have qualified as 10 year gifts under the previous definition. It would be helpful if CRA commented in T4033-1 on the ability to accumulate funds, subject to the requirements in the Tax Act, including compliance with the new DQ rules, following the repeal of the more complicated DQ rules and the former “80-20” concept;

²⁷ CRA has “disbursement quota calculation” on its website, which deals with the determination of the relevant periods and the calculation of the average value of property.

23. it would be helpful if the T3010 contained a specific question asking whether any specified gifts or enduring property (as defined prior to the amendments following the 2010 budget) had been received in fiscal years ending prior to March 4, 2010, if CRA expects this information to be disclosed;
24. schedule T1236, dealing with gifts to qualified donees, contains a blank space, in which I understand the charity is expected to provide details about designated gifts. As a result of the 2010 budget, the T3010-1 does not include any references to specified gifts, but on the other hand does not refer to designated gifts.²⁸ It would be helpful to have clear guidance (in an easily accessible, coordinated and complete document) on how designated gifts are to be disclosed and whether CRA will require disclosure of amounts that were previously treated as enduring property, specified gifts or otherwise treated differently under T3010B and T4033B for fiscal years ending prior to March 4, 2010.

Due Diligence

A due diligence defence can absolve a taxpayer from a penalty for what would otherwise be a strict liability offence. For instance, in *Home Depot*²⁹, dealing with late filing penalties for GST purposes, the Tax Court followed earlier jurisprudence stating there is no bar to the defence of due diligence against strict liability in situations involving administrative penalties. A person can avoid a penalty by presenting evidence that the person was not negligent. This requires a consideration of whether the person believed on reasonable grounds in a non-existent state of facts which, if it had existed, would have made the act or omission innocent or the person took all reasonable precautions to avoid the event leading to the penalty. Thus, due diligence excuses either a reasonable error of fact or the taking of reasonable precautions to comply with the legislation. The courts have distinguished between a defence of due diligence and one based on an argument involving good faith. The Tax Court recently relieved a

²⁸ CRA comments briefly on this disclosure on its website.

²⁹ *Home Depot of Canada Inc. v. The Queen*, 2009 GTC 970 (TCC).

taxpayer from a penalty for failure to report employment income³⁰ and another taxpayer for failure to file a T1135 return disclosing foreign assets with a cost in excess of \$100,000.³¹

Failure to complete the T3010 fully despite reasonable efforts may justify a due diligence defence. As far as I am aware, there is no authority on point.

Conclusion

Reading the T3010 might cause some readers to think that it is somewhat like a camel, in that different observers may describe it differently, depending on their point of view or perception. Subsection 149.1(14) authorizes the Minister to require an information return and a public return to be filed and CRA has chosen to combine the returns in a single document. The changes required to accommodate the new rules for RCAAAs will be interesting and it remains to be seen whether CRA will create a more complex T3010 or a new return restricted to RCAAAs.

It also remains to be seen whether CRA will require the disclosure of more detailed information about grants or other forms of financial assistance involving political activity, so that it can monitor and apply the new rules announced in the 2012 budget. Completing the T3010 return remains a daunting task in many situations, not only because of some of the issues discussed in this paper, but because of some fundamental issues, such as dealing with the difference between cash basis accounting and accrual accounting, the approach the CRA has taken with respect to the characterization of expenses as administrative costs, fundraising costs or costs of performing charitable activities, etc. One hopes that CRA will be sensitive to the requirements (and resources) of the charitable sector and that any new version of the T3010 or any new return for RCAAAs will be “user friendly”.

³⁰ *Franck v. The Queen*, 2011, DTC 1142 (TCC).

³¹ *Douglas v. The Queen*, 2012 TCC 73 (TCC). The court observed that the penalty in subsection 172(7) is strict and Parliament has not provided an express defence of due diligence, but nevertheless, held that strict penalties should not be applied if a taxpayer takes all reasonable measures to comply with the legislation.



Place bar code label here

REGISTERED CHARITY INFORMATION RETURN

Section A: Identification

- Guide T4033, *Completing the Registered Charity Information Return*, is available through our Forms and publications Web pages at www.cra.gc.ca/charities.
- The *Privacy Act* protects all personal information given on this form, which is kept in personal information bank CRA PPU 200. The Canada Revenue Agency (CRA) will make this form and all attachments available to the public on the Charities Directorate Web site, except for information or data identified as confidential. All of the information collected on this form may be shared as permitted by law (e.g., with certain other government departments and agencies).

Remember: Even if the charity goes through an inactive period, you must continue to file information returns to maintain its registered status.

If you did not receive a barcode label to affix to the return, please complete the following:

1. Charity name:

2. Return for fiscal period ending:

Year	Month	Day

3. BN/registration number:

 RR

4. Web address (if applicable):

A1 Was the charity in a subordinate position to a parent organization? **1510** Yes No

If yes, please provide the name and BN/registration number of the organization.

Name	BN (if applicable)

A2 Has the charity wound-up, dissolved, or terminated operations? **1570** Yes No

A3 All charities are designated as one of the following: a charitable organization, a public foundation, or a private foundation. Is your organization designated as a public foundation or private foundation? **1600** Yes No

(Refer to the Form TF725, *Registered Charity Basic Information Sheet* (BIS) to confirm. This form is included in the return package.)

If yes, you must complete and attach Schedule 1, *Foundations*, to your return.

Section B: Directors/trustees and like officials

B1 The charity is required to provide certain information for all members of its board of directors/trustees for the complete fiscal period. Only the **public information** section on the worksheet is available to the public. The **confidential data** section is for the CRA's use but may be shared as permitted by law (e.g., with certain other government departments and agencies). Use Form T1235, *Directors/Trustees and Like Officials Worksheet*, or include your own sheet with the **same** information. Charities subject to the Ontario *Corporations Act* may complete a blended worksheet.

Section C: Programs and general information

C1 Was the charity active during the fiscal period? If no, explain why in the "Ongoing programs" space provided at C2. **1800** Yes No

C2 In the space provided, describe all **ongoing** and **new** charitable programs the charity carried on to further its charitable purpose(s) (as defined in its governing documents) this fiscal period. "Programs" includes all of the charitable work the charity carries out on its own through employees or volunteers as well as through qualified donees and intermediaries. The charity may also use this space to describe the contributions of its volunteers in carrying out its programs (e.g., number of volunteers and/or hours). Grant-making charities should describe the types of organizations they support. Please note that "programs" **does not** include fundraising activities. **Do not attach additional sheets of paper or annual reports.**

Ongoing programs:
New programs:

Registered charities may make gifts to qualified donees. Qualified donees are other registered Canadian charities, as well as certain other organizations described in the *Income Tax Act*.

C3 Did the charity make gifts or transfer funds to qualified donees or other organizations? **2000** Yes No
If yes, you must complete and attach Form T1236, *Qualified Donees Worksheet/Amounts Provided to Other Organizations*, to your return.

C4 Did the charity carry on, fund, or provide any resources through employees, volunteers, agents, joint ventures, contractors, or any other individuals, intermediaries, entities, or means (other than qualified donees) for any activity/program/project outside Canada? **2100** Yes No
If yes, you must complete and attach Schedule 2, *Activities Outside Canada*, to your return.

A registered charity may pursue political activities to retain, oppose, or change the law, policy, or decision of any level of government inside or outside Canada provided the activities are non-partisan, related to its charitable purposes, and limited in extent.

C5 (a) Did the charity carry on any political activities during the fiscal period? **2400** Yes No
 (b) Enter the total amount spent by the charity on these activities **5030** \$ _____

C6 If the charity carried on fundraising activities or engaged third parties to carry on fundraising activities on its behalf, tick all fundraising methods that it used during the fiscal period.

- | | | |
|--|--|---|
| 2500 <input type="checkbox"/> Advertisements/print/radio/TV commercials | 2570 <input type="checkbox"/> Fundraising sales (e.g., cookies) | 2620 <input type="checkbox"/> Telephone/TV solicitations |
| 2510 <input type="checkbox"/> Auctions | 2575 <input type="checkbox"/> Internet | 2630 <input type="checkbox"/> Tournament/sporting events |
| 2530 <input type="checkbox"/> Collection plate/boxes | 2580 <input type="checkbox"/> Mail campaigns | 2640 <input type="checkbox"/> Cause-related marketing |
| 2540 <input type="checkbox"/> Door-to-door solicitation | 2590 <input type="checkbox"/> Planned-giving programs | 2650 <input type="checkbox"/> Other |
| 2550 <input type="checkbox"/> Draws/lotteries | 2600 <input type="checkbox"/> Targeted corporate donations/sponsorships | 2660 Specify: _____ |
| 2560 <input type="checkbox"/> Fundraising dinners/galas/concerts | 2610 <input type="checkbox"/> Targeted contacts | |

C7 Did the charity pay external fundraisers? **2700** Yes No
If yes, you must complete the following lines, and complete and attach Schedule 4, *Confidential Data*, 1. Information about Fundraisers.

(a) Enter the gross revenue collected by the fundraisers on behalf of the charity. **5450** \$ _____
 (b) Enter the amounts paid to and/or retained by the fundraisers. **5460** \$ _____

(c) Identify the method of payment to the fundraiser:

- | | | |
|--|---|--|
| 2730 <input type="checkbox"/> Commissions | 2750 <input type="checkbox"/> Finder's fees | 2770 <input type="checkbox"/> Honoraria |
| 2740 <input type="checkbox"/> Bonuses | 2760 <input type="checkbox"/> Set fee for services | 2780 <input type="checkbox"/> Other |
| | | 2790 Specify: _____ |

(d) Did the fundraiser issue tax receipts on behalf of the charity? **2800** Yes No

C8 Did the charity compensate any of its directors/trustees or like officials or persons not at arm's length from the charity for services provided during the fiscal period (other than reimbursement for out-of pocket expenses)? **3200** Yes No

C9 Did the charity incur any expenses for compensation of employees during the fiscal period? **3400** Yes No
If yes, you must complete and attach Schedule 3, *Compensation*, to your return.

C10 Did the charity receive any donations or gifts of any kind valued at \$10,000 or more from any donor that was **not** resident in Canada and was **not** any of the following: **3900** Yes No

- A Canadian citizen, nor
- Employed in Canada, nor
- Carrying on a business in Canada, nor
- A person having disposed of taxable Canadian property?

If yes, you must complete and attach Schedule 4, *Confidential Data*, 2. Information about Donors Not Resident in Canada, for each donation of \$10,000 or more.

C11 Did the charity receive any non-cash gifts (gifts-in-kind) for which it issued tax receipts? **4000** Yes No
If yes, you must complete and attach Schedule 5, *Non-Cash Gifts*, to your return.

C12 Did the charity acquire a non-qualifying security? **5800** Yes No

C13 Did the charity allow a donor to use any of the charity's property during the fiscal period? (except for permissible uses) **5810** Yes No

C14 Did the charity issue any of its tax receipts for donations on behalf of another organization? **5820** Yes No

Section D: Financial Information

If **any** of the following applies to your charity, proceed to Schedule 6, *Detailed Financial Information*, and **do not** complete Section D below. If **none** of the following applies, complete Section D.

- a) The charity's revenue exceeds \$100,000.
- b) The amount of all property (e.g., investments, rental properties) not used in charitable programs exceeds \$25,000.
- c) The charity currently has permission to accumulate funds during this fiscal period.

Please show all figures to the nearest single dollar.

D1 Was the financial information reported below prepared on an accrual or cash basis? **4020** Accrual Cash

D2 Summary of financial position:

Using the charity's own financial statements, provide the following:

Does the charity own land and/or buildings? **4050** Yes No

Total assets (including land and buildings) **4200** \$ _____

Total liabilities **4350** \$ _____

Did the charity borrow from, loan to, or invest assets with any non-arm's length parties? **4400** Yes No

D3 Revenue:

Did the charity issue tax receipts for donations? **4490** Yes No

If yes, what is the total eligible amount of all donations for which the charity issued tax receipts? **4500** \$ _____

Total amount of 10 year gifts received **4505** \$ _____

Total amount received from other registered charities **4510** \$ _____

What is the total amount for all other donations received for which a tax receipt was **not** issued by the charity? (excluding amounts at lines 4575 and 4630) **4530** \$ _____

Did the charity receive any revenue from any level of Canadian government? **4565** Yes No

If yes, total amount received **4570** \$ _____

Total non tax-receipted amounts from all sources outside Canada (government and non-government) **4575** \$ _____

Total non tax-receipted amounts from fundraising **4630** \$ _____

Total revenue from sale of goods and services (except to any level of Canadian government) **4640** \$ _____

Other amounts not already included in the amounts above **4650** \$ _____

Total revenue (Add lines 4500 to 4650, excluding line 4505) **4700** \$ _____

D4 Expenditures:

What was the charity's total expenditure on professional and consulting fees? **4860** \$ _____

What was the charity's total expenditure on travel and vehicles? **4810** \$ _____

All other expenditures not already included in the amounts above (excluding gifts to qualified donees) **4920** \$ _____

Total expenditures (excluding gifts to qualified donees) (Add lines 4860, 4810, and 4920) **4950** \$ _____

Of the total amount at line 4950:

a) How much did the charity spend on charitable programs? **5000** \$ _____

b) How much did the charity spend on management and administration? **5010** \$ _____

Total amount of gifts made to all qualified donees **5050** \$ _____

Total expenditures (Add lines 4950 and 5050) **5100** \$ _____

Section E: Certification

This return **must** be signed by a director/trustee or like official of the registered charity who has authority to sign on behalf of the charity. **It is a serious offence under the *Income Tax Act* to provide false or deceptive information.**

I certify that the information given on this form, the basic information sheet, and any attachment is, to the best of my knowledge, correct, complete, and current.

Name (please print):		Signature:
Position in charity:	Date:	Telephone No.:

Section F: Confidential Data

F1 Provide the physical address of the charity and the address in Canada for the charity's books and records. Post office box numbers and rural routes are not sufficient.

	Physical address of the charity	Address for the charity's books and records
Number, street, apt. no., or lot and concession no.		
City		
Province or territory and postal code		

F2 Name and address of individual who completed this return.

Name:	
Firm name (if applicable):	
Number, street, apt. no., R.R. no., or P.O. box no.:	
City, province or territory, and postal code:	
Telephone No.:	Is this the same individual who certified in Section E? <input type="checkbox"/> Yes <input type="checkbox"/> No

T3010, Registered Charity Information Return, checklist

- Have you confirmed that all charity information included in the Form TF725, **Registered Charity Basic Information Sheet** (BIS) is correct?
 - Some changes can be made **directly** on the BIS.
- Have you attached Form TF725, *Registered Charity Basic Information Sheet* (BIS)?
- Has the charity made any amendments to its governing documents during the fiscal period?
 - **If yes**, have you sent us an official copy of the amended governing documents in a separate envelope?
- Have you completed Schedule 1, *Foundations*, if required?
- Have you attached Form T1235, *Directors/Trustees and Like Officials Worksheet*?
- Have you attached Form T1236, *Qualified Donees Worksheet/Amounts Provided to Other Organizations*, if required?
- Have you completed Schedule 2, *Activities Outside Canada*, if required?
- Have you completed Schedule 3, *Compensation*, if required?
- Have you completed Schedule 4, *Confidential Data*, if required?
- Have you completed Schedule 5, *Non-Cash Gifts*, if required?
- Have you completed Schedule 6, *Detailed Financial Information*, if required?
- Have you attached a copy of the charity's financial statements?

Foundations

Schedule 1

- 1** Did the foundation acquire control of a corporation in the fiscal period? **100** Yes No
- 2** Did the foundation incur any debts at any time during the fiscal period other than for current operating expenses, purchasing or selling investments, or in administering charitable programs? **110** Yes No
- For private foundations only:**
- 3** At any time during the fiscal period, did the foundation hold any shares, rights to acquire shares, or debts owing to it that meet the definition of a non-qualified investment? **120** Yes No
- 4** Did the foundation own more than 2% of any class of shares of a corporation at any time during this fiscal period? **130** Yes No

If yes, you must complete and attach Form T2081, *Excess Corporate Holdings Worksheet*, to your return.
 (Note: Only private foundations will have this worksheet included in their return package.)

Activities Outside Canada

Schedule 2

For more information about carrying on programs outside Canada see the Charities Directorate website at www.cra.gc.ca/charities

- 1** What were total expenditures on activities/programs/projects carried on outside Canada during the fiscal period, excluding gifts to qualified donees? **200** \$ _____
- 2** Were any of the charity's resources provided for programs outside Canada under any kind of an arrangement including a contract, agency agreement, or joint venture to any other individual or entity (excluding gifts to qualified donees)? **210** Yes No

If yes, enter the amounts of the total reported on line 200 transferred to these individuals/organizations as required in the following table:

Name of individual/organization	Using the list on the reverse, identify country code where activities were carried on.	Amount (\$) Show amounts to the nearest single dollar.

- 3** Using the list on the reverse, identify the countries where the charity itself carried on programs or provided any of its resources. Enter the appropriate country codes in the following spaces.

- 4** Are any projects undertaken outside Canada funded by the Canadian International Development Agency (CIDA)? **220** Yes No
- If yes,** what was the total amount of funds expended under this arrangement? **230** \$ _____
- 5** Were any programs carried on outside Canada carried out by employees of the charity? **240** Yes No
- 6** Were any programs carried on outside Canada carried out by volunteers of the charity? **250** Yes No
- 7** Is the charity exporting goods as part of its charitable programs? **260** Yes No

If yes, list the items being exported, their value, their destination (city/region) and country code.

Item	Value	Destination (city/region)	Country code

COUNTRY CODES

Americas-Central and South

AR-Argentina
 BO-Bolivia
 BR-Brazil
 CL-Chile
 CO-Columbia
 CR-Costa Rica
 CU-Cuba
 DO-Dominican Republic
 EC-Ecuador
 SV-El Salvador
 GT-Guatemala
 GY-Guyana
 HT-Haiti
 HN-Honduras
 JM-Jamaica
 MX-Mexico
 NI-Nicaragua
 PA-Panama
 PE-Peru
 UY-Uruguay
 VE-Venezuela
 QM-Other

Americas-North

US-United States of America
 QN-Other

Middle East

IR-Iran
 IQ-Iraq

IL-Israel
 PS-Israeli Occupied Territories
 JO-Jordan
 KW-Kuwait
 LB-Lebanon
 OM-Oman
 QA-Qatar
 SA-Saudi Arabia
 SY-Syrian Arab Republic
 YE-Yemen
 QO-Other

Europe

AL- Albania
 AM-Armenia
 BA-Bosnia and Herzegovina
 BY-Belarus
 BG-Bulgaria
 DK-Denmark
 ES-Spain
 FR-France
 GE-Georgia
 DE-Germany
 GB-United Kingdom
 HR-Croatia
 IT-Italy
 CY-Cyprus
 MK-Macedonia
 ME-Montenegro
 NL-Netherlands
 PL-Poland
 RO-Romania

RU-Russia
 RS-Serbia
 TR-Turkey
 UA-Ukraine
 QP-Other

Asia and Oceania

AF- Afghanistan
 AZ-Azerbaijan
 BD-Bangladesh
 BT-Bhutan
 KH-Cambodia
 CN-China
 IN-India
 ID-Indonesia
 KZ-Kazakhstan
 KG-Kyrgyzstan
 LA-Laos
 LK-Sri Lanka
 MY-Malaysia
 MN-Mongolia
 MM-Myanmar (Burma)
 KP-North Korea
 KR-South Korea
 PK-Pakistan
 PH-Philippines
 SG-Singapore
 TH-Thailand
 TJ-Tajikistan
 TL-Timor-Leste
 UZ-Uzbekistan
 VN-Vietnam
 QR-Other

Africa

DZ-Algeria
 AO-Angola
 BW-Botswana
 CM-Cameroon
 CF-Central African Republic
 TD-Chad
 CG-Republic of Congo
 CD- Democratic Republic of Congo
 EG-Egypt
 ET-Ethiopia
 GA-Gabon
 GM-Gambia
 GH-Ghana
 NA-Namibia
 KE-Kenya
 LR-Liberia
 MG-Madagascar
 NE-Niger
 NG-Nigeria
 RW-Rwanda
 SL-Sierra Leone
 SO-Somalia
 SD-Sudan
 UG-Uganda
 ZM-Zambia
 ZW-Zimbabwe
 QS-Other

Compensation **Schedule 3**

1 (a) Enter the **number** of permanent, full-time, compensated positions in the fiscal period. This number should represent the number of positions the charity had including both managerial positions and others, and should not include independent contractors. **300**

(b) For the **ten (10)** highest compensated, permanent, full-time positions enter the **number** falling within each of the following annual compensation categories.

305 <input type="text"/> \$1 – \$39, 999	310 <input type="text"/> \$40,000 – \$79,999	315 <input type="text"/> \$80,000 – \$119,999
320 <input type="text"/> \$120,000 – \$159,999	325 <input type="text"/> \$160,000 – \$199,999	330 <input type="text"/> \$200,000 – \$249,999
335 <input type="text"/> \$250,000 – \$299,999	340 <input type="text"/> \$300,000 – \$349,999	345 <input type="text"/> \$350,000 and over

2 (a) Enter the **number** of part-time or part-year (for example, seasonal) employees the charity employed during the fiscal period **370**

(b) What was the total expenditure on compensation for part-time or part-year employees in the fiscal period?. **380** \$

3 What was the charity's total expenditure on all compensation in the fiscal period? **390** \$

The information in this confidential data schedule is for the CRA's use but may be shared as permitted by law (e.g., with certain other government departments and agencies).

1. Information about Fundraisers

Please provide the name(s) and arm's length status of external fundraiser(s).

Name	At arm's length? Yes/No

2. Information about Donors Not Resident in Canada

Complete this schedule to report any donation of \$10,000 or more received from any donor that was **not** resident in Canada and was **not** any of the following:

- A Canadian citizen, nor
- Employed in Canada, nor
- Carrying on business in Canada, nor
- A person having disposed of taxable Canadian property

Provide the name of the donor and the value of the donation in the chart below. You must also indicate whether the donor was an organization (for example a business, corporate entity, charity, non-profit organization), a government or an individual by placing a check mark in the appropriate box.

Name	Amount	Organization	Government	Individual
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Non-Cash Gifts

1 Identify all types of non-cash gifts (gifts-in-kind) received for which a tax receipt was issued:

- | | | |
|---|--|---|
| 500 <input type="checkbox"/> Artwork/wine/jewellery | 525 <input type="checkbox"/> Ecological properties | 550 <input type="checkbox"/> Publicly traded securities/mutual funds |
| 505 <input type="checkbox"/> Building materials | 530 <input type="checkbox"/> Life insurance policies | 555 <input type="checkbox"/> Books (literature, comics) |
| 510 <input type="checkbox"/> Clothing/furniture/food | 535 <input type="checkbox"/> Medical equipment/supplies | 560 <input type="checkbox"/> Other |
| 515 <input type="checkbox"/> Vehicles | 540 <input type="checkbox"/> Privately-held securities | 565 Specify: _____ |
| 520 <input type="checkbox"/> Cultural properties | 545 <input type="checkbox"/> Machinery/equipment (including computers and software) | |

2 Indicate the total eligible amount of tax-receipted non-cash gifts **580** \$ _____

Was the financial information reported below prepared on an accrual or cash basis? **4020** Accrual Cash

Statement of financial position

Show figures to the nearest single dollar.

Assets:		Liabilities:	
Cash, bank accounts, and short-term investments. . .	4100 \$	Accounts payable and accrued liabilities. . .	4300 \$
Amounts receivable from non-arm's length parties. . .	4110 \$	Deferred revenue.	4310 \$
Amounts receivable from all others	4120 \$	Amounts owing to non-arm's length parties. . .	4320 \$
Investments in non-arm's length parties.	4130 \$	Other liabilities	4330 \$
Long-term investments.	4140 \$	Total liabilities (add lines 4300 to 4330) . . .	4350 \$
Inventories	4150 \$		
Land and buildings in Canada	4155 \$		
Other capital assets in Canada.	4160 \$		
Capital assets outside Canada.	4165 \$		
Accumulated amortization of capital assets	4166 \$		
Other assets	4170 \$		
10 year gifts	4180 \$		
Total assets (add lines 4100 to 4170)	4200 \$	Amount included in lines 4150, 4155, 4160,	
		4165 and 4170 not used in charitable	
		programs.	4250 \$

Statement of operations

Revenue:	
Total eligible amount of all gifts for which the charity issued tax receipts	4500 \$
Total eligible amount of tax-receipted tuition fees	5610 \$
Total amount of 10 year gifts received	4505 \$
Total amount received from other registered charities	4510 \$
Total other gifts received for which a tax receipt was not issued by the charity	4530 \$
Total revenue received from federal government.	4540 \$
Total revenue received from provincial/territorial governments	4550 \$
Total revenue received from municipal/regional governments.	4560 \$
Total revenue received from all sources outside Canada	4575 \$
Total interest and investment income received or earned	4580 \$
Gross proceeds from disposition of assets	4590 \$
Net proceeds from disposition of assets (show a negative amount with brackets).	4600 \$
Gross income received from rental of land and/or buildings	4610 \$
Non tax-receipted revenues received for memberships, dues, and association fees	4620 \$
Total non tax-receipted revenue from fundraising	4630 \$
Total revenue from sale of goods and services (except to government)	4640 \$
Other revenue not already included in the amounts above	4650 \$
Specify type(s) of revenue included in the amount reported at 4650 (e.g., dividends) 4655	
Total revenue (add lines 4500, 4510 to 4580, and 4600 to 4650)	4700 \$

Expenditures:

Advertising and promotion	4800 \$
Travel and vehicle expenses	4810 \$
Interest and bank charges	4820 \$
Licences, memberships, and dues	4830 \$
Office supplies and expenses.	4840 \$
Occupancy costs	4850 \$
Professional and consulting fees	4860 \$
Education and training for staff and volunteers	4870 \$
Total expenditure on all compensation (enter the amount reported at line 390 in Schedule 3, if applicable)	4880 \$
Fair market value of all donated goods used in charitable programs	4890 \$
Total cost of all purchased supplies and assets.	4891 \$

Amortization of capitalized assets	4900	\$
Total expenditure for research grants and scholarships as part of charitable programs	4910	\$
Other expenditures not included in the amounts above (excluding gifts to qualified donees)	4920	\$
Specify type(s) of expenditures included in the amount reported at 4920 4930		
Total expenditures before gifts to qualified donees (add lines 4800 to 4920)	4950	\$

Lines 5000 to 5040 represent a breakdown of the expenditures on lines 4800 to 4920. The total of lines 5000 to 5040 should equal line 4950.

Total expenditures on charitable programs	5000	\$
Total expenditures on management and administration	5010	\$
Total expenditures on fundraising	5020	\$
Total expenditures on political activities, inside or outside Canada	5030	\$
Total other expenditures included in line 4950	5040	\$
Total amount of gifts made to all qualified donees	5050	\$
Total expenditures (add amounts from lines 4950 and 5050)	5100	\$

Other financial information

Permission to accumulate property:

Only registered charities that have written permission to accumulate should complete this section.

- Enter the amount accumulated for the fiscal period, including income earned on accumulated funds 5500 \$
- Enter the amount disbursed for the fiscal period for the specified purpose we have permitted. 5510 \$

Permission to reduce disbursement quota:

If the charity has received approval from the Charities Directorate to make a reduction to its disbursement quota, enter the amount for the fiscal period

5750 \$

Property not used in charitable activities:

Enter the value of property not used for charitable activities or administration during:

- The 24 months before the **beginning** of the fiscal period 5900 \$
- The 24 months before the **end** of the fiscal period. 5910 \$



Canada Revenue
Agency

Agence du revenu
du Canada

Completing the Registered Charity Information Return

If you have a visual impairment, you can get our publications in Braille, large print, etext (CD or diskette), or MP3, by going to www.cra.gc.ca/alternate or by calling 1-800-959-2221.

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Checklist:

Before mailing the return, make sure you have attached all of the following:

- Form T3010-1, *Registered Charity Information Return*;
- Form TF725, *Registered Charity Basic Information Sheet*;
- a copy of the charity's financial statements;
- Form T1235, *Directors/Trustees and Like Officials Worksheet*, with all the required information, including details such as the dates of birth of all directors (unless you have included Form RC232-WS);
- Form RC232-WS, *Director/Officer Worksheet and Ontario Corporations Information Act Annual Return*, or Form RC232, *Ontario Corporations Information Act Annual Return* (if applicable);
- Form T1236, *Qualified Donees Worksheet/Amounts Provided to Other Organizations*, with all the required information (if applicable);
- Schedule 1, *Foundations* (if applicable);
- Schedule 2, *Activities Outside Canada* (if applicable);
- Schedule 3, *Compensation* (if applicable);
- Schedule 4, *Confidential Data* (if applicable);
- Schedule 5, *Non-Cash Gifts* (if applicable);
- Schedule 6, *Detailed Financial Information* (if applicable); and
- Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations* (if applicable).

To help us process the charity's return properly, attach the peel-off labels from the TF725, *Registered Charity Basic Information Sheet*, to the return, and to any attachments that require a label.

Mail the return to:

**Charities Directorate
Canada Revenue Agency
Ottawa ON K1A 0L5**

Important reminder:

Do not attach correspondence or copies of governing documents to the charity's annual return. These should be mailed separately to the above address.

Some sections of the new Form T3010-1, *Registered Charity Information Return*, contain tables that are to be completed if they are applicable to the charity. If there is not enough room in these tables for the information requested, attach a separate sheet with this information. Ensure the attached sheet includes the charity's identification information, and that labels from Form TF725, *Registered Charity Basic Information Sheet*, are attached where applicable.

La version française de cette publication s'intitule *Comment remplir la déclaration de renseignements des organismes de bienfaisance enregistrés*.

What's new

Use this guide to complete Form T3010-1, *Registered Charity Information Return*. The changes described below are currently being administered by the Canada Revenue Agency, but were not law when this guide was being published. If the changes become law as proposed, they will be effective as of March 4, 2010.

Legislative changes

On March 4, 2010, the Minister of Finance presented the 2010 federal budget, which proposed a number of measures affecting registered charities. The measures included significant changes to the **disbursement quota** calculation, as well as changes to several connected concepts, such as **specified gifts** and **enduring property**. This guide incorporates changes regarding the disbursement quota and connected concepts for fiscal periods that end on or after March 4, 2010.

Revisions to Form T1242

We have revised Form T1242, *Registered Charity Information Return Summary*, which we send after receiving a completed return.

Revisions to Form T1259

Form T1259, *Capital Gains and Disbursement Quota Worksheet*, is no longer applicable. For more information, see **Budget 2010 – Changes for charities** on our Web site at www.cra.gc.ca/charities.

Form T3010-1, *Registered Charity Information Return*

Form T3010-1, and Form T1235 (09), *Directors/Trustees and Like Officials Worksheet*, and Form T1236 (10), *Qualified Donees Worksheet/Amounts Provided to Other Organizations*, are to be used for **fiscal periods ending on or after March 4, 2010**.

You can get these forms in the **Forms and publications** section on our Web site, at www.cra.gc.ca/charities, or by calling 1-800-267-2384.

Charities Directorate On-line Glossary

We refer to many key terms in this guide. For definitions of these terms, see our on-line **Glossary** available on our Web site at www.cra.gc.ca/charities.

Note

Terms included in our on-line **Glossary** are intended to provide an overview and, as such, are not comprehensive, nor do they replace the law, either enacted or proposed. More information describing these terms can be found on our Web pages.

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Canada Revenue Agency's Service Pledge

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

Charities Directorate

Our Mission

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

Our Vision

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

Need More Information?

Internet access

You can find the list of registered charities, newsletters, policies, and other pertinent information regarding charities on our Web site at www.cra.gc.ca/charities. You may want to bookmark this address for easy access later.

The Web site also has various searchable Charities listings such as registered, revoked, and annulled charities, as well as charities that have been assessed with a penalty and/or a suspension.

Forms and publications

Throughout the guide, we refer to many forms and publications. You can get these documents in the **Forms and publications** section on our Web site at www.cra.gc.ca/charities, or by calling 1-800-267-2384.

You can also access the policies referred to in this guide in the **Policies and guidance** section on our Web site.

Electronic mailing lists

When you subscribe to one of the CRA's electronic mailing lists, we'll notify you by **email** whenever we add important new information on a subject of interest to you. We offer mailing lists for various tax matters (for example, **Charities and Giving - What's new**).

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

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

- 1-800-267-2384, or
- 1-800-665-0354 for TTY service for persons with a hearing or speech impairment.

You can also fax us at 613-954-8037.

Your Opinion Counts!

We review our publications every year. If you have any comments or suggestions that would help us improve this guide, we would like to hear from you.

You can email your comments or suggestions to charities-bienfaisance@cra.gc.ca.

You can also send your comments to:

Charities Directorate
Canada Revenue Agency
Ottawa ON K1A 0L5

Before You Start

When does a registered charity have to file its information return?

Under the *Income Tax Act*, every registered charity must file an information return each year. Form T3010 and related documents must be filed no later than six months after the end of the charity's fiscal period. For example, if the charity's fiscal period end is March 31st, its annual information return and related documents are due by September 30th.

A charity that does not file its return can lose its registered status. If a charity's registration is revoked, it:

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

The purpose of the revocation tax is to make sure that charitable property continues to be applied to charitable uses. The tax is 100% of the value of all remaining assets after all debts and liabilities have been paid. However, a revoked charity may reduce the amount of tax owing by using its remaining assets on its charitable programs or by transferring them to an eligible donee during the one year period following the date of the *Notice of Intention to Revoke A Charity's Registration*.

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

- that is not subject to a suspension of tax-receipting privileges;
- that is not subject to a security certificate under the *Charities Registration (Security Information) Act*;
- that has no unpaid liabilities under the *Income Tax Act* or *Excise Tax Act*;
- that has filed all of its T3010 annual information returns; and
- of which more than 50% of the members of the board of directors or trustees deal at arm's length with each member of the board of directors or trustees of the revoked charity.

If a charity's registration is revoked, it can apply for re-registration by submitting a completed Form T2050, *Application to Register a Charity under the Income Tax Act*, together with all the documents and information requested on the form.

For more information on re-registering a charity, see Guide T4063, *Registering a Charity for Income Tax Purposes*, available in the **Forms and publications** section on our Web site

Note

If the charity is a corporation, it is **not** required to file a T2 *Corporation Income Tax Return* during the period it has charitable status. Should the charity lose its charitable status, it will be required to resume filing the T2 return. For more information regarding T2 filing requirements call Business Enquiries at 1-800-959-5525.

Reminder

Registered charities can also be subject to other federal or provincial/territorial legislation that is associated with their operations. If a charity is federally, provincially, or territorially incorporated, it must meet certain requirements under the incorporating statute or other statutes that govern its operations. This might include other filing requirements. For more information, contact the provincial, federal, or territorial authority that issued the charity's certificate of incorporation, letters patent, memorandum of association, or other incorporating document. Contact information is available in the **Provincial and territorial government contacts** section on our Web site.

Note

Registered charities in the Province of Québec are required to file a provincial annual return (TP-985.22-V). For further information, contact Revenue Québec at 1-800-567-4692.

What is an information return?

An information return includes:

- Form T3010-1, *Registered Charity Information Return*, including Schedules 1-6, as required;
- Form TF725, *Registered Charity Basic Information Sheet*;

- Form T1235, *Directors/Trustees and Like Officials Worksheet*, with all the required information (unless you have included Form RC232-WS);
- Form T1236, *Qualified Donees Worksheet/Amounts Provided to Other Organizations*, with all the required information (if applicable);
- Form RC232-WS, *Director/Officer Worksheet and Ontario Corporations Information Act Annual Return*, or Form RC232, *Ontario Corporations Information Act Annual Return* (if applicable);
- Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations* (if applicable); and
- a copy of the charity's own financial statements.

Note for Registered National Arts Service Organizations (RNASOs)

Under the *Income Tax Act*, RNASOs have the same privileges as registered charities and the same filing requirements.

- All references to a "charity" on the information return form, the Basic Information Sheet, and in this guide extend to RNASOs;
- RNASOs should interpret the term "charitable programs" as the work they carry on to fulfill their purposes; and
- RNASOs are treated as if they were charitable organizations.

For more information on RNASOs, refer to our Summary Policy CSP – R14 available in the **Policies and guidance** section on our Web site.

What information on the return is available to the public?

Most sections of this return, and all of the financial statements filed with it, are available to the public. The public portions of the return are available on our Web site at www.cra.gc.ca/charitylists.

Confidential data is marked as such and includes the information provided in Section F, Schedule 4, part of Form T1235, *Directors/Trustees and Like Officials Worksheet*, and Form RC232-WS, *Director/Officer Worksheet and Ontario Corporations Information Act Annual Return*. Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations*, also collects some confidential data, which is discussed in Guide T2082, *Excess Corporate Holdings Regime for Private Foundations*, available in the **Forms and publications** section on our Web site.

The confidential data is only available to authorized representatives of the charity or in specific circumstances as follows:

Under the *Income Tax Act*, the Canada Revenue Agency (CRA) can share some confidential information with other government departments and agencies. The CRA may also be required to release confidential information in connection with certain legal proceedings.

Circumstances where the law would require or permit the disclosure of such information include a court order, warrant, or subpoena issued with respect to criminal proceedings initiated under any Act of Parliament, or any legal proceedings relating to the administration or enforcement of the *Income Tax Act*, the *Charities Registration (Security Information) Act*, the *Canada Pension Plan*, the *Unemployment Insurance Act* or the *Employment Insurance Act*, or “any other Act of Parliament or law of a province that provides for the imposition or collection of a tax or duty.” Other circumstances where we are required or permitted by law to disclose certain records would include requests made under the authority of the *Auditor General Act*, warrants issued under the *Canadian Security Intelligence Service Act*, and inquiries from the Department of Finance for information “solely for the purposes of the formulation or evaluation of fiscal policy.”

Form T1242, Registered Charity Information Return Summary

We will send you a Form T1242, *Registered Charity Information Return Summary*, to acknowledge that we have received and processed the charity’s return. The Summary will also provide the charity with certain reported and recalculated financial totals. This information is calculated based on the amounts the charity has provided on Form T3010-1, *Registered Charity Information Return*.

General notes on completing the return

Check **all** the information on Form TF725, *Registered Charity Basic Information Sheet*, and make corrections if necessary. See pages 8-11 for detailed instructions on how to complete it.

Answer every question in the return **that applies to the charity**. Except for yes/no questions, if a question does not apply to the charity, leave it blank.

Except for the list of directors/trustees or like officials and the list of qualified donees/amounts provided to other organizations, all requested information must be entered on the return, including the schedules. If there is not enough room, attach a separate sheet. Ensure the attached sheet includes the charity’s identification information and that labels from Form TF725, *Registered Charity Basic Information Sheet*, are attached where applicable.

Report all dollar amounts in Canadian funds in the spaces provided. Do not enter more than one amount in a space. Round all amounts to the nearest **single dollar**; do **not** show cents (for example, report \$125,754, **not** \$125,753.53).

A director/trustee or like official, must sign and date the certification area in Section E.

The person who signs Form T3010-1, *Registered Charity Information Return*, is also certifying the accuracy of Form TF725, *Registered Charity Basic Information Sheet*, and all other schedules and attachments.

Mail the return to us with all the required attachments. Keep a copy for the charity’s records.

Certain religious organizations may meet the criteria for exemption from completing some questions on the return. The religious organization must have existed on December 31, 1977; have never issued any receipts for tax purposes; and have never, directly or indirectly, received gifts from another registered charity that issues official donation receipts.

Note

Religious organizations requesting this exemption should contact the Charities Directorate, as written confirmation is required from the Directorate for organizations to qualify for this exemption/status.

If, on Form TF725, *Registered Charity Basic Information Sheet*, there is a message about the charity meeting the criteria for exemption, you do not have to provide the following information on the return:

- Section C, requests 5(b), 7(a), and 7(b);
- Schedule 2, line 200, amounts in the table, and line 230;
- Schedule 3, request 1(b), and questions 2(b) and 3;
- Schedule 4, amounts in the table in Section 2;
- Section D (except lines 4050, 4400, 4490, and 4565) or Schedule 6; and
- the amounts of gifts to qualified donees, on Form T1236, *Qualified Donees Worksheet/Amounts Provided to Other Organizations*.

How to Amend the Return

If you need to make a change to the charity’s return **after** you have mailed it, complete and send us Form T1240, *Registered Charity Adjustment Request*. This form is available in the **Forms and publications** section on our Web site. If you do not have access to the Internet, or are unable to print this form, contact us at **1-800-267-2384**.

Send the completed T1240 to the address provided on the form, or fax it to us at **613-957-8925**.

Keep a copy of the form for your records.

Completing Form TF725, Registered Charity Basic Information Sheet (BIS)

Form TF725, *Registered Charity Basic Information Sheet* (BIS) is an integral part of the information return. Attach the BIS to the return when you file it.

Verify the information about the charity, as it reflects what we have in our records. The person who signs Form T3010-1, *Registered Charity Information Return*, is also certifying that the information on the BIS is correct, complete, and current.

You can change some information directly on the BIS in the boxes provided. The information that can be changed includes:

- the mailing address of the charity;
- the charity's telephone number, fax number, email address, and Web site address;
- the name of the public contact person at the charity;
- the names the charity is known by other than its registered name; and
- the charity's primary areas of activity.

Note

We recommend contacting the Charities Directorate if the charity plans to engage in new activities that were not identified in its application for registration, to ensure they are charitable.

Telephone number, fax number, email address, and Web site address

Telephone and fax numbers, as well as email and Web site addresses, will help us to contact the charity if needed.

This information is also important to the public, who may want to inquire about the charity. If any of this information is incomplete or incorrect, include the correct information in the space provided.

Public contact name or position

The public contact name or position is the person the public can contact for information about the charity (for example, "Frances Jones" or "Treasurer").

Make sure the public contact name or the position is current; if not, use the space provided to make any changes.

Names the charity is known by other than its registered name

Some registered charities use and are widely known by names other than their registered name. For example, people will associate a major fundraising campaign with a charity. If the charity has become well-known by another name or other names, use the space provided to add the name(s). This does not change the charity's registered name.

Program areas

This section lists the primary fields in which the charity carries on activities. It is based on the information the charity provided when it was registered, or on previous returns.

If the charity's program areas have changed, or if the percentage of emphasis has changed, provide the most current and correct information in the space provided. To do this, use Table 1 – Field Codes and Program Activities, below. Look under all categories to find an area that adequately describes the charity's activities. If the charity is funding qualified donees, use the "Other" category and write "funding qualified donees." If you

cannot find a suitable area, use the "Other" category and describe the program.

After selecting the area that best reflects the charity's activities during the fiscal period, enter the field code and the description (for example, F2 – Nursing Homes, H6 – Libraries) in the box provided. A charity active in four or more areas should select its three most significant areas according to the amount of time and resources it devoted to them.

Enter approximate percentages to show how much emphasis the charity gave to each area. We do **not** expect exact figures. Estimate as best you can the charity's involvement in the various areas. For example, a charity dividing its attention roughly equally between two areas would enter 50% on both lines. The percentages given should reflect the total time and resources used in a program area, including human **and** financial resources.

Note

The percentage of emphasis that the charity devotes to gifting to qualified donees should only be identified under I1 "Other" as such.

Some information cannot be changed directly on the BIS. This information includes:

- the name of the charity;
- the charity's designation, registration date, and Business Number (BN)/registration number; and
- the date the charity's fiscal period ends.

In these cases, you can only change the information by sending us a letter, signed by an authorized representative, with supporting documentation. Send the letter and supporting documentation separate from the return.

If you have already requested changes that do not appear on your BIS, contact us.

Name of registered charity

The name on the BIS is the name we have in our records for the charity. If the charity has made any changes to this name, it must send us an official copy of the amendment that reflects the changes to its governing documents. Although the charity's name may have been legally amended, we cannot amend our records until we receive the appropriate supporting documentation.

Charity's Designation

We designate all registered charities as:

- a charitable organization;
- a public foundation; or
- a private foundation.

If the designation that appears on the BIS is incorrect and should be changed, complete and send us Form T2095, *Registered Charities: Application for Re-Designation*, available in the **Forms and publications** section on our Web site.

Registration date

The registration date is the effective date of the charity's registration. This date should be the same as on the notice we sent you when the charity was registered. However, if the charity's registration was revoked and the charity was later granted re-registration, the registration date on the BIS will be the effective date of re-registration and not the original date of registration.

Business Number (BN)/Registration number

The charity's BN is the number on file with the Charities Directorate and includes the "RR" charity account identifier. See the **Glossary**, available on our Web site, for an explanation of "BN/registration number."

Fiscal period end

A fiscal period is the 12 months (or, for incorporated charities, a period of up to 53 weeks) covered by the charity's financial statements. Many registered charities have a fiscal period that is the same as the calendar year (that is, their fiscal period is from January 1 to December 31); others have a different fiscal period (for example, ending August 31 or March 31).

The fiscal period **end** is always stated as month and day only (for example, March 31). The year is not included because, unless formally changed, the fiscal period stays the same year after year. The phrase "fiscal period **ending**" does include the year because it identifies one specific fiscal period that ends in that year.

Under the *Income Tax Act*, a registered charity must obtain our permission before changing its fiscal period, since such changes affect the charity's obligations under the *Income Tax Act*. To request a fiscal period change, send us a letter stating the new fiscal period, the reason for the fiscal period change, the effective date of the change, and have the letter signed by an authorized representative of the charity.

When a registered charity changes its fiscal year end, it will have a transition period that is not a full 12 months. Therefore, it must file a separate information return for the months of transition. For example, if the fiscal period end was December 31 and the charity is changing it to March 31, one return is required for the transition period from January 1 to March 31, and a separate return is required for the fiscal period from April 1 to March 31.

Note

We cannot process a return for the transition period until the change in fiscal period has been updated in our system. Since a registered charity must receive our approval for the fiscal period change before it can file a return for the transition period, a request should be sent to us as soon as the charity decides to make the change.

The charity may also need to amend its governing documents if a certain fiscal period end is stated (for example, bylaws state the fiscal period end is December 31, and the charity is changing the fiscal period end to March 31). We will still process this change; however, the charity must amend the date in

its governing documents and submit a certified copy to us.

We have recently revised Form T3010, *Registered Charity Information Return*. Make sure that you file the correct version of this form for the charity's fiscal period end.

- Form T3010A (05) should be completed by charities with fiscal periods ending from March 23, 2004, to December 31, 2008, inclusive.
- Form T3010B (09) should be completed by charities with fiscal periods ending from January 1, 2009, to March 3, 2010, inclusive.
- Form T3010-1 should be completed by charities with fiscal periods ending **on or after March 4, 2010**.

Table 1 – Field Codes and Program Activities

Social services in Canada

A1	housing (seniors, low-income people, and those with disabilities)
A2	food or clothing banks, soup kitchens, hostels
A3	employment preparation and training
A4	legal assistance and services
A5	other services for low-income people
A6	seniors' services
A7	services for the physically or mentally challenged
A8	children and youth services/housing
A9	services for aboriginal people
A10	emergency shelter
A11	family and crisis counselling, financial counselling
A12	immigrant aid
A13	rehabilitation of offenders
A14	disaster relief

International aid and development

B1	social services (any listed under A1-A13 above)
B2	infrastructure development
B3	agriculture programs
B4	medical services
B5	literacy/education/training programs
B6	disaster/war relief

Education and research

C1	scholarships, bursaries, awards
C2	support of schools and education (for example, parent-teacher groups)
C3	universities and colleges
C4	public schools and boards
C5	independent schools and boards
C6	nursery programs/schools
C7	vocational and technical training (not delivered by universities/colleges/schools)
C8	literacy programs
C9	cultural programs, including heritage languages
C10	public education, other study programs
C11	research (scientific, social science, medical, environmental, etc.)
C12	learned societies (for example, Royal Astronomical Society of Canada)
C13	youth groups (for example, Girl Guides, cadets, 4-H clubs, etc.)

Culture, arts

- D1 museums, galleries, concert halls, etc.
- D2 festivals, performing groups, musical ensembles
- D3 arts schools, grants and awards for artists
- D4 cultural centres and associations
- D5 historical sites, heritage societies

Religion

- E1 places of worship, congregations, parishes, dioceses, fabriques, etc.
- E2 missionary organizations, evangelism
- E3 religious publishing and broadcasting
- E4 seminaries and other religious colleges
- E5 social outreach, religious fellowship, and auxiliary organizations

Health

- F1 hospitals
- F2 nursing homes
- F3 clinics
- F4 services for the sick
- F5 mental-health services and support groups
- F6 addiction services and support groups
- F7 other mutual-support groups (for example, cancer patients)
- F8 promotion and protection of health, including first-aid and information services
- F9 specialized health organizations, focusing on specific diseases/conditions

Environment

- G1 nature, habitat conservation groups
- G2 preservation of species, wildlife protection
- G3 general environmental protection, recycling services

Other community benefits

- H1 agricultural and horticultural societies
- H2 welfare of domestic animals
- H3 parks, botanical gardens, zoos, aquariums, etc.
- H4 community recreation facilities, trails, etc.
- H5 community halls
- H6 libraries
- H7 cemeteries
- H8 summer camps
- H9 day care/after-school care
- H10 crime prevention, public safety, preservation of law and order
- H11 ambulance, fire, rescue, and other emergency services
- H12 human rights
- H13 mediation services
- H14 consumer protection
- H15 support and services for charitable sector

Other

- I1 write a description if this category applies.

Completing Form T3010-1, Registered Charity Information Return

Section A – Identification

A1 – Line 1510 – Tick **yes** if the charity is an internal division, that is, an internal branch, section, or other division of another registered charity. Internal divisions do not have their own governing documents to establish them as separate entities; they abide by the governing documents of the charity that is their head body.

Also tick **yes** if the charity has its own governing documents and its activities are determined by another organization.

Provide the name and the Business Number/ registration number of the other organization in the boxes provided.

A2 – Line 1570 – Tick **yes** if the charity is no longer in operation. Attach a letter asking us to revoke the charity's registration. If you have already submitted this request, contact us to make sure that the charity's registration has been revoked. If so, the charity will have to file a final Form T3010-1, *Registered Charity Information Return*, as well as Form T2046, *Tax Return Where Registration of a Charity is Revoked*, available in the **Forms and publications** section on our Web site. See Guide RC4424, *Completing the Tax Return Where Registration of a Charity is Revoked*, also available in the **Forms and publications** section on our Web site, for more information.

Also tick **yes** if the charity is no longer operational due to a merger, amalgamation, or consolidation with another organization. In these situations, call us for advice as to what documentation you must submit at **1-800-267-2384**.

A3 – Line 1600 – Tick **yes** if the charity is designated as either a public foundation or a private foundation. This information is located on Form TF725, *Registered Charity Basic Information Sheet*, and on the notice we sent you when the charity was registered or as later changed by us. **If yes, you must complete and submit Schedule 1, Foundations.**

Section B – Directors/Trustees and Like Officials

It is mandatory for directors/trustees and like officials to provide information such as their dates of birth and home addresses to facilitate the administration and enforcement of the *Income Tax Act*. The dates of birth information allows for identification of directors/trustees and like officials who are fiscally accountable for the management of the charity. The director's name, position in the charity, and arm's length status to other directors/trustees and like officials are public information. Other information including the address and date of birth will remain confidential and will not be made available to the public.

B1 – You **must** attach Form T1235, *Directors/Trustees and Like Officials Worksheet*, (or a list that includes the same information, or Form RC232-WS, *Director/Officer Worksheet and Ontario Corporations Information Act Annual Return*, if applicable) with the last name, first name, and initial of each director/trustee and like official, home address (including street number, street name, city, province or territory, and postal code), telephone number, position in the charity, the start and/or end date of the term of office, arm’s length status from all other members of the governing board, and date of birth.

Directors/trustees and like officials are persons who have managing authority within the charity. This usually means persons who hold positions identified in the charity’s governing documents, such as chair, vice-chair, treasurer, secretary, or past president. The charity may have other officials that have governing powers similar to a director or trustee. For example, religious leaders often have some governing authority and would be considered as like officials.

Registered charities that are represented by an institutional trustee, such as a bank or financial institution, should fill in this information under the “Last name” field on the form.

To enter this information, complete the worksheet provided with the charity’s return (or use another sheet, giving the same information and using the same format), and attach it to the return. Only the “Public Information” is available to the public. The “Confidential Data” is for the CRA’s use only and remains confidential, but can be disclosed under certain circumstances.

Section C – Programs and General Information

Sometimes a charity goes through an inactive period. However, the charity may want to keep its registered charity status. To keep this status, **it must continue to file information returns and explain the circumstances to us.**

At a certain point, however, if a charity remains inactive the CRA may take the view that it no longer meets the requirements for registration.

An inactive charity is one that, during the entire fiscal period, did not use any of its resources to carry out its charitable activities, or to further the charitable purposes for which it is established.

C1 – Line 1800 – Tick **yes** if the charity was active during the fiscal period. **If the charity was not active, explain why in the “Ongoing programs” space provided at C2.**

C2 – In the space provided, describe the ongoing and any new programs the charity carried on.

The term “program” covers all the charitable activities the charity carries out on its own through employees or volunteers, and through intermediaries, as well as gifts it makes to qualified donees.

The charity may use this space to provide details concerning the contributions of its volunteers in carrying out its programs, including the number of volunteers and their hours. Grant-making registered charities should describe the types of organizations they support.

Do not send documents such as annual reports in place of describing the charity’s programs in the space provided in question C2. Do not report information on fundraising activities here.

If the charity is considering new programs that we have not yet approved, contact us to discuss before implementation.

Use **active** verbs such as “do,” “offer,” “provide,” “operate,” “conduct,” “perform,” “educate,” “feed,” “give,” or “house” to describe how the charity carried out its charitable activities during the fiscal period.

For example, the charity:

- operates a recycling service;
- houses and counsels young street persons;
- provides free meals for the homeless on a weekly basis; and
- conducts research aimed at developing less harmful industrial processes.

Provide enough detail for a reader to clearly understand what the charity actually does. For example, simply saying “we advance religion,” or “we relieve poverty” is not sufficient. See Table 2 below for an example involving a fictitious religious charity.

Table 2

Ongoing programs
We hold worship services weekly.
We provide ministries for women, men, youth, and children, weekly, or monthly.
We provide pastoral care.
We operate a summer camp for recreation and religious programs.
We operate a food bank, clothing give-away program, and a daycare centre.
We donate funds to denomination headquarters for overseas missionary activities.
New programs
We provide a senior care program two times a week.
We provide a Sunday school bus service for children.

C3 – Line 2000 – Tick **yes** if the charity made gifts to qualified donees or other organizations. If so, you **must** complete and attach Form T1236, *Qualified Donees Worksheet/Amounts Provided to Other Organizations*. Using this worksheet, provide information concerning the charity’s resources transferred as gifts to another organization.

Where a gift has been made to a qualified donee, provide the name of each qualified donee, whether or not the qualified donee is an associated charity, its BN/registration number, the city and province or territory in which the qualified donee is located (or its exact location outside Canada, if it is a qualified donee outside Canada), and the total amount of gifts made to the qualified donee, including gifts-in-kind. For more information on qualifying gifts, consult our pamphlet P113, *Gifts and Income Tax*, available in the **Forms and publications** section on our Web site.

If the charity transferred resources to other organizations, enter the name and address of the recipient organizations on Form T1236, and indicate the value of the resources transferred.

Activities carried on abroad must be reported on Schedule 2, *Activities Outside Canada*.

If you prefer, you can submit a separate sheet of paper with the same information using the same format and attach it to the return instead of using Form T1236.

C4 – Line 2100 – Tick **yes** if the charity carried out activities outside Canada directly, or by providing funding or other resources to individuals, entities, or intermediaries. These intermediaries include employees, volunteers, agents, joint ventures, and contractors, but not qualified donees.

If yes, you must complete and attach Schedule 2, *Activities Outside Canada*.

Registered charities can conduct charitable activities outside Canada. To carry on their activities abroad, registered charities can use employees or volunteers posted in other countries, or they can carry on activities through an agent, contractor, or other intermediary, provided that the registered charities exercise direction and control over the activities. They can also make gifts to other qualified donees that conduct their charitable activities outside Canada. These gifts should be recorded at line 5050.

For more information about carrying on activities outside Canada, see *Canadian Registered Charities Carrying Out Activities Outside Canada*, available in the **Policies and guidance** section on our Web site.

C5 – (a) – Line 2400 – Tick **yes** if the charity carried out any political activities during the fiscal period.

We consider an activity to be political if a charity:

- (a) explicitly makes a call for **political action** (for example, encourages the public to contact an elected representative or public official and urges them to retain, oppose, or change the law, policy, or decision of any level of government in Canada or a foreign country);
- (b) explicitly communicates to the public that the law, policy, or decision of any level of government in Canada or a foreign country should be retained (if the retention of the law, policy, or decision is being reconsidered by a government), opposed, or changed; or

- (c) explicitly states in its materials (whether internal or external) that the intention of the activity is to urge, or organize to put pressure on, an elected representative or public official to retain, oppose, or change the law, policy, or decision of any level of government in Canada or a foreign country.

Both the common law and the *Income Tax Act* allow registered charities to conduct limited political activities. The law recognizes the historical and continuing role of registered charities in contributing to the development of public affairs and policy. However, registered charities are not political bodies. Therefore, they face limits on the type and extent of political activities they can pursue.

There are three important restrictions:

- Political activities must be entirely non-partisan in nature. Registered charities must not support or oppose political parties or candidates for public office. For example, a registered charity cannot purchase tickets to a fundraising event held by a political party;
- Disbursements on political activities are allowed only as additional expenditures, provided registered charities have satisfied the requirement that they devote substantially all their resources to charitable activities. Registered charities may devote generally no more than 10% of their disbursements to political activities; and
- Political activities must relate directly to the registered charities' purposes. Registered charities are not permitted to commit their resources to campaigning on issues, policies, and laws that are unrelated to their formal purposes. For example, a registered charity established to protect the environment may press a government on its environmental policies but not on an unrelated issue, such as prison reform.

We accept that a charity is not necessarily engaging in a political activity when it addresses a government body or the public at large on legislative and policy matters. Instead, the activity can sometimes form a regular part of its charitable or administrative activities. Examples include:

- conducting day-to-day business with government agencies (for example, the costs to a hospital of preparing reports for, or meeting with, officials of a ministry of health);
- providing governments or the public with specialized information at the charity's disposal; and
- expressing the charity's views to a governmental body on an issue affecting its ability to carry out its charitable mandate.

For more information, see Policy Statement CPS-022, *Political Activities*, available on our Web site. Go to **Policies and guidance** and select **Operating a registered charity**.

C5 – (b) – Line 5030 – Enter the total amount of resources, such as employees, volunteers, directors, equipment, and premises, devoted by the charity on political activities during the fiscal period.

C6 – Lines 2500 – 2660 – Tick **all** applicable fundraising methods used by the charity during the fiscal period. For more information on fundraising, see Guidance CPS-028, *Fundraising by Registered Charities*, available on our Web site. Go to **Policies and guidance** and select **Operating a registered charity**.

C7 – Line 2700 – Tick **yes** if any external fundraisers were paid during the fiscal period. An external fundraiser is a company or individual not employed by the charity that solicits funds on the charity's behalf. **If yes, you must complete lines 5450, 5460, 2730 to 2790, and Section 1 – Information about Fundraisers, on Schedule 4, Confidential Data.**

Line 5450 – Enter the amount of gross revenue that the fundraiser(s) collected on behalf of the charity.

Line 5460 – Enter the amount paid directly to external fundraisers plus any amounts that the fundraisers retained before giving the balance of the funds to the charity.

Lines 2730 – 2790 – Identify the method of payment to the fundraisers. Tick all boxes that apply.

Line 2800 – Tick **yes** if the fundraiser issued tax receipts on behalf of the charity.

C8 – Line 3200 – Tick **yes** if the charity made any payments to its directors/trustees or like officials or persons not at arm's length, that were not reimbursements or allowances for amounts spent to carry on their duties (for example, an out-of-town director's accommodation and travel expenses while attending a board meeting). The term "not at arm's length" means persons acting jointly without separate interests, or who are related. For more details on arm's length, refer to our on-line **Glossary**.

Generally, a registered charity cannot pay its directors/trustees and like officials simply for occupying their positions. However, a registered charity can pay its directors/trustees or like officials a reasonable amount when they provide services to the charity. **Note that provincial/territorial laws may differ in this regard.**

Provincial and territorial government contact information is available in the **Provincial and territorial government contacts** section on our Web site.

C9 – Line 3400 – Tick **yes** if the charity incurred expenses for compensation of employees during the fiscal period. **If yes, you must complete and submit Schedule 3, Compensation.**

C10 – Line 3900 – Tick **yes** if the charity received any donations or gifts of any kind valued at \$10,000 or more from any donor, individual or otherwise, that was not resident in Canada and was not a Canadian citizen, employed in Canada, a person carrying on business in Canada, or a person that has disposed of taxable Canadian property.

If you ticked yes, you must complete and submit Section 2 – Information about Donors Not Resident in Canada, on Schedule 4, Confidential Data, for each donation of \$10,000 or more.

C11 – Line 4000 – Tick **yes** if the charity received non-cash gifts for which it issued tax receipts. **If yes, you must complete and attach Schedule 5, Non-Cash Gifts.**

C12 – Line 5800 – Tick **yes** if the charity acquired a non-qualifying security during the fiscal period.

The special provisions governing non-qualifying securities affect the conditions under which a tax receipt may be issued for a particular class of gifts. We recognize that these are complex provisions, and, if necessary, we recommend that registered charities seek advice from legal or accounting experts.

For more information on "non-qualifying securities," visit our on-line **Glossary**.

C13 – Line 5810 – Tick **yes** if the charity allowed a donor to use any of its property (loanbacks) during the fiscal period. We recognize that these are complex provisions, and, if necessary, we recommend that registered charities seek advice from legal or accounting experts

For more information on "loanbacks", visit our on-line **Glossary**.

C14 – Line 5820 – Tick **yes** if the charity issued tax receipts for donations on behalf of another organization. For more information, see the **Issuing receipts** pages available on our Web site by selecting **Operating a registered charity**.

Section D – Financial Information

If any of the following applies to the charity, do not complete Section D. You must fill out Schedule 6, Detailed Financial Information.

- The charity's gross revenue exceeds \$100,000.
- The amount of all assets (for example, investments or rental properties) not used in charitable activities or administration exceeds \$25,000 over a 24-month period.
- The charity currently has permission to accumulate property during this fiscal period.

Note

When you complete either Section D or Schedule 6, make sure that you round all amounts to the nearest **single dollar**.

D1:

Line 4020 – Tick the box that applies to the charity's financial information; whether it is reported on an accrual or cash basis. The accrual basis records revenue in the fiscal period in which the charity earned it, even if the charity receives the revenue after the end of the fiscal period. Similarly, the charity records an expenditure in the fiscal period that the charity incurred it, even if the charity pays this bill in the following period.

Financial information prepared on a cash basis records only revenue or expenditures the charity actually received or paid during the fiscal period.

D2 – Summary of financial position:

Line 4050 – Tick **yes** if the charity owns land and/or buildings.

Line 4200 – Enter the total amount of all of the charity's assets (including land and buildings) at their cost to the charity, or, if an asset was donated, at fair market value at the time the gift was made.

Line 4350 – Enter the total amount of the charity's liabilities.

Note

Line 4200 does not have to balance with line 4350.

A charity's accounting system will usually have a balancing account such as "net assets" or "surplus."

Line 4400 – Tick **yes** if the charity borrowed from, loaned to, or invested with any non-arm's length parties in the fiscal period.

D3 – Revenue:

Line 4490 – Tick **yes** if the charity issued tax receipts for donations in the fiscal period.

Line 4500 – Enter the total eligible amount of gifts received by the charity during the fiscal period for which tax receipts were issued. Do not include gifts received from other registered charities.

Report amounts received from other registered charities on line 4510.

Line 4505 – Enter the value of all 10 year gifts received. This amount could also be included on lines 4500, 4510 to 4630, and 4650. For a definition of "10 year gifts," visit our on-line **Glossary**.

Line 4510 – Enter the total amount of funds and/or value of property received from other registered charities.

Note

Receipts for income tax purposes should **not** be issued for amounts received from other registered charities.

Line 4530 – Enter the total amount of all other gifts for which an official donation receipt was **not** issued, excluding amounts at lines 4575 and 4630. Do not include revenue from governments or from fundraising on this line. Include gifts for which the charity did **not** issue tax receipts because it could not identify the donor, such as anonymous gifts, collection boxes, or loose collections.

Line 4565 – Tick **yes** if the charity received any revenue from any level of Canadian government in the fiscal period, including revenue received from government grants, contributions, and contracts for goods and services provided directly to government.

If yes, you must complete line 4570.

Line 4570 – Enter the charity's total revenue from all levels of government in Canada (municipal, provincial, territorial, and federal).

Line 4575 – Enter the charity's total non tax-receipted amounts from all sources outside Canada (both government and non-government).

Line 4630 – Enter the total gross amount of non tax-receipted amounts (revenue) from fundraising activities. Do not include revenue for which tax receipts were issued. These amounts should be reported as gifts on line 4500. Include the gross amounts the charity received from activities carried on by the charity as well as gross amounts received directly by contracted fundraisers.

Line 4640 – Enter the gross revenue received from the sale of all goods and services provided to individuals or organizations (except amounts reported on lines 4570 and 4630). This includes revenue received from provision of goods and services as part of the charity's activities. Revenue from goods and services provided to governments should be reported on line 4570. Revenue from the sale of goods and services for fundraising purposes should be reported on line 4630.

Line 4650 – Enter the total of all other revenue received by the charity that is not already included in the amounts above. You should include any GST/HST and/or PST rebates, if applicable, as well as income from the rental or leasing of any equipment or other resources on this line.

Note

Government rebates such as goods and services tax/harmonized sales tax (GST/HST) and provincial sales tax (PST) rebates should not be included if the amount to be rebated has not been included as an expense.

Line 4700 – Enter the total of lines 4500, 4510, 4530, 4570, 4575, 4630, 4640, and 4650.

D4 – Expenditures:

Line 4860 – Enter the total amount paid or incurred for professional and consulting services, such as legal, accounting, or fundraising.

Line 4810 – Enter the total amount paid or incurred for travel and vehicle expenses. Include travel and accommodation costs, vehicle costs such as gas, repairs, upkeep, and lease payments.

Line 4920 – Enter the total expenditures not included on lines 4860 and 4810. This line can include expenditures on charitable activities, grants that must be returned (accrual basis), amounts spent further to a compliance agreement with the Charities Directorate to make up prior year shortfalls, and expenditures made to earn rental income if these can be segregated by the charity.

Line 4950 – Enter the total of lines 4860, 4810, and 4920.

Line 5000 – Enter the part of the amount of line 4950 (total expenditures) that represents expenditures on charitable activities. This includes all expenditures essential for the charity to carry out its charitable activities. For example, a hospital would include the salaries not only of the medical and nursing staff who treat the patients, but also of those providing support services that enable the patient to stay in the hospital, such as kitchen and housekeeping staff. This also includes salaries of those who provide the assistance that the doctors and nurses need to perform their healing role, such as laboratory technicians. Also include any

disbursements for supplies and equipment that the nurses, kitchen workers, and technicians use.

Do not include any expenditures spent on management, administration, fundraising, or political activities on this line.

Line 5010 – Enter the part of the amount of line 4950 that represents management and administrative expenditures. This includes all expenditures related to the overall management and administration of the charity. Other examples of expenditures you should include here are the cost of:

- holding meetings of the board of directors;
- accounting, auditing, personnel, and other administrative services;
- purchasing supplies and equipment, and paying occupancy costs for administrative offices; and
- applying for grants or other types of government funding, and/or for gifts from other qualified donees (usually foundations).

Some expenditures can be considered partly charitable and partly management and administration, such as salaries and occupancy costs. In these cases, it will be necessary to divide the amounts accordingly between lines 5000 and 5010. How you account for these expenditures should be reported throughout the charity's return on a reasonable and consistent basis.

Line 5050 – Enter the total expenditures for all gifts to qualified donees.

Line 5100 – Enter the total of lines 4950 and 5050.

Section E – Certification

The return must be signed by a director/trustee or like official of the charity who is authorized to sign on behalf of the charity. The individual signing this return should check all the information to make sure it is correct, complete, and current.

By signing the return, the individual certifies “to the best of [his or her] knowledge,” that the charity's return is correct, complete, and current. This means he or she is responsible for obtaining the most accurate information possible to be reported on the return.

Certification applies to all components of the charity's information return:

- the completed Form T3010, *Registered Charity Information Return*, including all schedules;
- the verified Form TF725, *Registered Charity Basic Information Sheet*;
- the completed Form RC232-WS, *Director/Officer Worksheet and Ontario Corporations Information Act Annual Return*, or Form RC232, *Ontario Corporations Information Act Annual Return* (if applicable);
- the completed Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations* (if applicable);

- the charity's own attached financial statements (**the charity's treasurer should sign any financial statements that have not been professionally prepared**);
- the completed Form T1235, *Directors/Trustees and Like Officials Worksheet*, (unless you have included Form RC232-WS) or a list of directors/trustees or like officials, with all required information;
- the completed Form T1236, *Qualified Donees Worksheet/Amounts Provided to Other Organizations*, or a list of qualified donees and amounts provided to other organizations, with all required information (if applicable); and
- all other attachments containing required information.

Note

If you already submitted a request to change information shown on the TF725, *Registered Charity Basic Information Sheet*, we consider the certification to be based on those requested changes.

Section F – Confidential Data

The information you provide in this section is confidential and will not be available to the public.

F1 – In the first column, enter the physical address of the charity. This means the address where the charity is actually located, including the street number; street name; apartment, suite, or lot and concession number; city; province or territory; and postal code. A post office box or a rural route number alone is not sufficient.

In the second column, enter the address in Canada where the charity's books and records are kept. This address must be complete and include the street number; street name; apartment, suite, or lot and concession number; city; province or territory; and postal code. You can include general delivery, post office box, rural route, site, or compartment number as part of the address, but we will not accept this information by itself as a complete address. If the area does not have street names or numbers, provide a description that will easily allow a person to locate the office (for example, the first green house eastbound on Highway 4 from Oldtown).

Note

No matter where the charity carries out its activities, it must have books and records available at an address in Canada that would enable an auditor to verify:

- the official donation receipts it issued;
- the revenue it received and the expenditures it made;
- that the charity meets all the requirements for continued registration set out in the *Income Tax Act* (the necessary information will vary from charity to charity but could include other financial records, copies of minutes of meetings, correspondence, publicity brochures, and any other documents that provide details about the charity's activities including agreements for activities outside Canada); and
- source deductions and taxes payable.

You can find general information on retaining and destroying records in Income Tax Information Circular 78-10, *Books and Records Retention/Destruction*, available in the **Forms and publications** section on our Web site.

For further information on books and records, see Guide RC4409, *Keeping Records*, also available in the **Forms and publications** section on our Web site.

F2 – In the space provided, enter the requested information about the individual who prepared the charity's return.

Schedule 1, Foundations

1 – Line 100 – Tick **yes** if the foundation acquired control of a corporation in the fiscal period.

Under the *Income Tax Act*, foundations are generally not allowed to acquire control of any corporation and may be subject to a monetary penalty where they do so. Control usually means that the foundation owns, or the foundation plus persons not dealing with it at arm's length own, more than 50% of a corporation's issued share capital with full voting rights. However, the foundation will not be considered to have acquired control, provided that it has not purchased or otherwise acquired for consideration more than 5% of any class (voting or otherwise) of shares of the corporation.

A foundation that receives a gift of shares in the year that results in the foundation having control of the corporation will only be considered to have acquired control if the foundation, in the current, or any previous year, bought or otherwise acquired shares for consideration, the cumulative total of which is more than 5% of the issued shares of any class of the capital stock of the corporation.

If, in the future, the same foundation were to buy or otherwise acquire shares of the same corporation for consideration which, when added to any shares previously bought or otherwise acquired for consideration, exceeds 5% of the issued shares of any class of the capital stock of the corporation, the foundation will be considered to have acquired control of the corporation.

A public or private foundation that has acquired control of a corporation runs the risk of revocation.

A private foundation that has a divestment obligation percentage at the end of the year in respect of a class of shares of the capital stock of a corporation also runs the risk of revocation. For more information, see Guide T2082, *Excess Corporate Holdings Regime for Private Foundations*, available in the **Forms and publications** section on our Web site.

For more information about control of a corporation, see Income Tax Interpretation Bulletin IT-64R4, *Corporations: Association and Control*, available in the **Forms and publications** section on our Web site.

2 – Line 110 – Tick **yes** if the foundation incurred debts other than for current operating expenses, in connection with the purchase and sale of investments, or in the

course of administering charitable activities at any time during the fiscal period.

Public and private foundations are not allowed to incur debts other than in the situations described above.

Debts incurred for **current operating expenses** are usually short-term debts. This allows a foundation to have accounts payable, such as salaries payable, rent payable, or an amount due on account with their office supplies supplier.

Debts incurred in connection with the **purchase and sale of investments** includes miscellaneous types of debts such as brokerage fees or other incidental amounts that relate to the purchase or the sale of investments. Debts to acquire investments such as shares or other securities are also acceptable.

Generally, debts incurred in the course of **administering charitable activities** must have a direct link to the charitable activities of the foundation. They can include short-term debts, as for current operating expenses, and debts of larger amounts and longer terms incurred in the purchase of an asset used directly in charitable activities.

An example would be a loan to purchase a vehicle used to deliver meals to shut-ins as part of the charity's activities.

Note

Questions 3 and 4 apply to private foundations only.

3 – Line 120 – Tick **yes** if the private foundation held any shares, rights to acquire shares, or debts owing to it that could be defined as a non-qualified investment at any time during the fiscal period.

Non-qualified investments (debts, shares, or rights to a share) may result in a tax payable by the debtor or corporation if the private foundation receives interest or dividends on these investments, falling short of an amount based on the prescribed rate (section 4301 of the *Income Tax Regulations*). For more information about this tax and to receive Form T2140, *Part V Tax Return – Tax on Non-Qualified Investments of a Registered Charity*, contact the Charities Directorate or any tax service office.

4 – Line 130 – Tick **yes** if the foundation owned more than 2% of any class of shares of a corporation at any time during the fiscal period. **If yes, you must complete and attach Form T2081, Excess Corporate Holdings Worksheet for Private Foundations. Only private foundations will have this form included in their return package.**

For more information, see Guide T2082, *Excess Corporate Holdings Regime for Private Foundations*, available in the **Forms and publications** section on our Web site.

Schedule 2, Activities Outside Canada

1 – Line 200 – Enter the total expenditures for activities carried on outside Canada during the fiscal period. Include expenditures made directly by the charity to carry on these activities and payments made to other individuals or organizations to carry on these activities.

Do not include gifts made to qualified donees in the amount reported at line 200.

2 – Line 210 – Tick **yes** if any of the charity's resources were provided for activities outside Canada under any kind of an arrangement, including a contract, agency agreement, or joint venture to any other individual or entity (excluding gifts to qualified donees or amounts provided to other organizations reported on Form T1236, *Qualified Donees Worksheet/Amounts Provided to Other Organizations*). If **yes**, in the table, enter the amount of the total reported on line 200 that was transferred to individuals and/or organizations, and the countries in which the activities were carried out, using the country codes listed in the schedule.

3 – Identify the countries where the charity itself carried on activities or provided any of its resources, using the country codes listed in the schedule.

4 – Line 220 and Line 230 – Tick **yes** if any of the charity's projects undertaken outside Canada are funded by the Canadian International Development Agency (CIDA). If **yes**, indicate the total amount of funds spent under this arrangement.

5 – Line 240 – Tick **yes** if the charity's activities outside Canada were carried out by its own employees. A charity's employees are those in positions, and who perform duties, under an employment contract directly funded by the charity itself.

6 – Line 250 – Tick **yes** if the charity's activities outside Canada were carried out by its own volunteers. The volunteers of a charity are those under the direct supervision of the charity.

7 – Line 260 – Tick **yes** if the charity's activities include exporting goods outside Canada. If **yes**, you must report the items being exported, their value, their destination (specify the city/region), and the country in the table provided, using the country codes listed in the schedule.

For more information on activities outside of Canada, see *Canadian Registered Charities Carrying Out Activities Outside Canada*, available on our Web site. Go to **Policies and guidance** and select **Operating a registered charity**.

Schedule 3, Compensation

Compensation includes all forms of **salaries, wages, commissions, bonuses, fees, honoraria**, etc., plus the **value of taxable and non-taxable benefits**. In general terms, it includes all amounts that form part of an employee's gross income from employment plus the charity's contributions to the employee's pension, medical or insurance plan, employer CPP and EI contributions, and workers' compensation premiums.

Do not include reimbursements for expenses incurred while working on the charity's behalf, such as travel claims.

1(a) – Line 300 – Enter the number of permanent, full-time, compensated positions the charity had in the fiscal period. The number should represent the usual

number of positions the charity had during the fiscal period, including managerial positions.

1(b) – Lines 305 – 345 – For the ten highest compensated positions during the fiscal period, enter the number of positions falling within each salary range, regardless of the type of work they perform.

2(a) – Line 370 – Enter the number of part-time or part-year employees (for example, seasonal) the charity employed during the fiscal period.

2(b) – Line 380 – Enter the total expenditure on compensation for part-time and/or part-year employees in the fiscal period.

3 – Line 390 – Enter the charity's total expenditure for all compensation in the fiscal period.

Schedule 4, Confidential Data

The information reported in Schedule 4 is for the CRA's use but may be shared as permitted by law (for example, with certain other government departments and agencies).

Part 1 – Information about Fundraisers

Provide the name(s) and arm's length status of external fundraiser(s) in the table.

For more information on determining arm's length status, see Income Tax Interpretation Bulletin IT-419R2, *Meaning of Arm's Length*, available in the **Forms and publications** section on our Web site.

For more information on contracting with external fundraisers, see Guidance CPS-028, *Fundraising by Registered Charities*, available on our Web site. Go to **Policies and guidance** and select **Operating a registered charity**.

Part 2 – Information about Donors Not Resident in Canada

Gifts received from residents of Canada do not have to be reported on this form. For each gift of \$10,000 or more that a charity receives from a donor who is not resident in Canada, the charity must report on Schedule 4 the identity of the donor, the amount of the gift, and whether the donor is an individual, organization, or government body, **unless** the donor is either:

- a Canadian citizen;
- employed in Canada;
- carrying on business in Canada; or
- a person that has disposed of taxable Canadian property.

Donations from non-resident donors who meet any of these criteria should **not** be reported on Schedule 4.

To satisfy this reporting obligation, charities should ensure that they obtain sufficient information to complete this section.

Schedule 5, Non-Cash Gifts

1 – **Lines 500 – 565** – If the charity received non-cash gifts (gifts-in-kind) for which it issued tax receipts, check **all** the **types** of non-cash gifts the charity received during the fiscal period. Two uncommon terms are explained here.

Cultural properties (Line 520) are objects that the Canadian Cultural Property Export Review Board certifies as being of outstanding significance and national importance to Canada.

Note

Under the *Income Tax Act*, if a registered charity disposes of a gift of cultural property, within ten years of the certification date, through its destruction or transferring to a party other than an institution or public authority designated under the *Cultural Property Export and Import Act*, it will be liable to a tax equal to 30% of the object's fair market value on the day of disposition. A charity subject to this tax must complete Form T913, *Part XI.2 Tax Return – Tax for the Disposition of Certain Properties*, available in the **Forms and Publications** section on our Web site, and pay the tax within 90 days of the end of its fiscal period.

For more information, see Pamphlet P113, *Gifts and Income Tax*, and Income Tax Interpretation Bulletin IT-407R4-CONSOLID, *Dispositions of Cultural Property to Designated Canadian Institutions*, available in the **Forms and Publications** section on our Web site.

Ecological properties (Line 525) are ecologically sensitive land (including covenants, easements, or in the case of land in Quebec, real servitudes), that the Minister of the Environment, or a person designated by that Minister, has certified as ecologically sensitive and whose conservation and protection is, in the Minister's opinion, important to the preservation of Canada's environmental heritage.

Note

Under the *Income Tax Act*, if qualified recipients of ecological property dispose of it or change its use without authorization from the Minister of the Environment, they are subject to a tax equal to 50% of the ecological property's fair market value on the day they disposed of it or changed its use. A charity subject to this tax must complete Form T913, *Part XI.2 Tax Return – Tax for the Disposition of Certain Properties*, available in the **Forms and Publications** section on our Web site, and pay the tax within 90 days of the end of its fiscal period.

2 – **Line 580** – Indicate the total eligible amount of tax-receipted non-cash gifts.

Schedule 6, Detailed Financial Information

Complete this schedule if **any** of the following applies to the charity:

- The charity's gross revenue exceeds \$100,000.
- The amount of all assets (for example, investments or rental properties) not used in charitable programs or

administration exceeds \$25,000 over a 24-month period.

- The charity has permission to accumulate property during this fiscal period.

Line 4020 – Tick the box that applies to the charity's financial information; whether it is reported on an accrual or cash basis. The accrual basis records revenue in the fiscal period in which the charity earned it, even if the charity receives the revenue after the end of the fiscal period. Similarly, the charity records an expenditure in the same fiscal period that the charity incurred it, even if the charity pays this bill in the following period.

Financial information prepared on a cash basis records only revenue or expenditures the charity actually received or paid during the fiscal period.

Assets

Note

A negative amount should be reported under liabilities and **not** under assets.

Line 4100 – Enter the total amount of cash the charity had readily available at the end of the fiscal period. Include amounts on hand and in bank accounts. Include the value of all short-term investments with an original term to maturity not greater than one year, such as guaranteed term investment certificates, treasury bills, bonds, notes, and all other current investments. Also include the value of long-term investments that will mature within one year; such as a five-year bond that is currently in its last year of being held. Do **not** include investments in non-arm's length parties on this line.

Line 4110 – Enter the value of amounts owed to the charity by its founders, directors/trustees and like officials, employees, or members, or by any person or organization **not at arm's length** to these individuals or to the charity. This includes loans, mortgages, or advances and interest receivable on these amounts. It also includes amounts receivable for goods and services purchased or rented by parties that are not at arm's length.

For more information, see Income Tax Interpretation Bulletins IT-419R2, *Meaning of Arm's Length*, and IT-64R4-CONSOLID, *Corporations: Association and Control*, available in the **Forms and Publications** section on our Web site.

Line 4120 – Enter the value of amounts receivable from individuals or other organizations. Amounts receivable include funds owing from the provision of goods or services, and the current portion (the amount due during the fiscal period) of long-term investments such as loans and mortgages. Long-term investments are investments issued for a term of greater than one year. Do not include any amounts already reported on line 4100 or amounts receivable from non-arm's length individuals or organizations.

Line 4130 – Enter the total amounts that the charity has invested with founders, directors/trustees and like officials, non-arm's length employees or members, or any person or organization not at arm's length to these

individuals or to the charity. These amounts could include limited partnership investments, shares, and investments in Canadian or foreign related corporations. Do not include any amounts already reported on line 4110.

Line 4140 – Enter the value of all long-term investments. Include the value of all investments that will mature in more than one year, such as the cash-surrender value of life insurance policies, stocks, bonds, notes, shares, debt, loans, mortgages, reserves of gold, diamonds and other precious metals and stones, and all other long-term investments.

Do not include amounts receivable from non-arm's length individuals or organizations or any amounts reported on lines 4120, 4130 or 4170. Also, note that restricted funds must be reported on line 4170.

Line 4150 – Enter the value of inventories. These cover the value of supplies and goods on hand at the end of the fiscal period and available for use in the charity's activities or held for sale (for example, articles that workers in a sheltered workshop manufacture, religious books or artifacts for sale, educational materials such as books in print or electronic form, or medication in a hospital dispensary). Include the fair market value of any donated items held as inventory. Do not include amounts reported on lines 4120 or 4170.

Note

For lines 4155, 4160, and 4165, a charity must report its capital assets at their cost to the charity, or, if the asset was donated, at fair market value **at the time the gift was made**. A charity must also report its capital assets outside Canada at their cost to the charity, or, if an asset was donated, at fair market value at the time the gift was made. Include the cost of major improvements in order for the charity to use the asset for its intended purpose.

Line 4155 – Enter the cost or fair market value (see note above) of all land and buildings in Canada.

Line 4160 – Enter the cost or fair market value (see note above) of all other capital assets in Canada. These can include equipment, vehicles, computers, and furniture and fixtures.

Line 4165 – Enter the cost or fair market value (see note above) of all capital assets outside Canada. These can include land and buildings, equipment, vehicles, computers, furniture and fixtures.

Line 4166 – Enter the accumulated amortization of capital assets. Accumulated amortization is the amount of amortization expense that has been claimed since the acquisition of the asset. The value should be negative and shown with brackets.

Line 4170 – Enter the value of any assets the charity has that do not fall under any of the previous categories. Include works of art and other valuables not considered inventory. Prepaid expenses would also be included on this line (accrual basis only). Include the charity's restricted funds on this line.

Line 4180 – Enter the value of all 10 year gifts included on lines 4100 to 4170. For a definition of "10 year gifts", visit our on-line **Glossary**.

Line 4200 – Enter the total of lines 4100 to 4170.

Line 4250 – Enter the total of any portion of the amounts on lines 4150, 4155, 4160, 4165, and 4170 that the charity did **not** use in its charitable programs.

Liabilities

Line 4300 – Enter the value of amounts owing, including salaries owing, the current (short-term) portion of long-term debt obligations such as loans, mortgages, notes, and payments due for goods and services received. Also include any contributions, gifts, and grants payable for charitable activities. Do **not** include any amounts payable to non-arm's length parties.

Line 4310 – Enter the total of amounts received by the charity to pay for goods or services not yet provided (accrual basis only).

Line 4320 – Enter the total of amounts owing to non-arm's length parties, including advances, loans, notes, or mortgages owing to founders, directors/trustees and like officials, non-arm's length employees or members, or to any person or organization not at arm's length to these individuals. These also include amounts owing to such persons for goods and/or services received, any rent due for the use of property, and salaries payable.

Line 4330 – Enter the total amount of all other liabilities not included above, such as an unused part of a government grant that the charity must return, and long-term debt obligations such as loans, mortgages, and promissory notes.

Line 4350 – Enter the total of lines 4300 to 4330.

Note

Line 4200 does not have to balance with line 4350. A charity's financial statements will often have a balancing account such as net assets or surplus.

Statement of Operations

Government rebates such as goods and services tax/harmonized sales tax (GST/HST) and provincial sales tax (PST) rebates should not be included in income if the related taxes have not been included as an expense.

If the expenditures reported at lines 4800 through 4920 do include GST/HST and/or PST, a charity must report any rebates received on line 4650.

Revenue

Except for line 4600, enter gross amounts the charity received. Do **not** deduct any expenditures involved in earning the revenue.

Note

Pledges are considered revenue only in the fiscal period in which they are honoured.

Line 4500 – Enter the total eligible amount of gifts received by the charity during the fiscal period for which

tax receipts were issued. Do not include gifts received from other registered charities. Report these amounts on line 4510.

Line 5610 – Enter the total eligible amount of tax-receipted tuition fees included in line 4500. This amount represents tuition fees (or part of tuition fees) that the charity can acknowledge with an official donation receipt. For more information, see Income Tax Information Circular 75-23, *Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools*, available in the **Forms and publications** section on our Web site.

Line 4505 – Enter the value of all 10 year gifts included on lines 4500, 4510 to 4575, 4630, and 4650. For a definition of “10 year gifts,” visit our on-line **Glossary**.

Line 4510 – Enter the total amount received from other registered charities.

Note

Receipts for income tax purposes should not be issued for amounts received from other registered charities.

Line 4530 – Enter the total amount of all other gifts for which an official donation receipt was **not** issued (excluding amounts at lines 4575 and 4630). Do not include revenue from governments or from fundraising on this line. Also include gifts for which the charity did not issue tax receipts because it could not identify the donor, such as anonymous gifts, collection boxes, or loose collections.

Line 4540 – Enter the total revenue received or earned from the federal government. This amount should include all revenue received from federal government grants, contributions, and contracts for goods and services provided directly to the federal government or on its behalf.

Line 4550 – Enter the total revenue received or earned from provincial/territorial governments. This amount should include all revenue received from provincial or territorial government grants, contributions, and contracts for goods and services provided directly to these governments or on their behalf.

Line 4560 – Enter the total revenue received or earned from municipal/regional governments. This amount should include all revenue received from municipal or regional government grants, contributions, and contracts for goods and services provided directly to these governments or on their behalf.

Line 4575 – Enter the charity’s total non tax-receipted amounts from all sources outside Canada (both government and non-government).

Line 4580 – Enter the total interest and other investment income the charity received or earned during the fiscal period (for example, interest from bank accounts, mortgages, bonds, and loans; and dividends from shares). Include all investment income, whether or not the charity received an information slip for the amount, and whether or not the charity received the income from a non-arm’s length individual or organization. Do **not** include capital gains.

Note

An investment or capital loss should **not** be reported under income.

Report all foreign investment income in Canadian dollars. Convert the amount at the exchange rate in effect on the day the charity received the income **or** the rate of exchange in effect at the end of the fiscal period (accrual basis only). Call your local tax service office or your local financial institution for the applicable exchange rates.

Exchange rates can also be found on the Bank of Canada Web site at www.bankofcanada.ca.

Line 4590 – Enter the gross amount received on disposition of assets.

Line 4600 – Enter the net gain or loss on disposition of assets, after removing any costs associated with the sale. Show a negative amount with brackets.

Line 4610 – Enter the gross income received or earned by the charity from renting its land and buildings. Add all such rents, including those derived from property the charity used in carrying on its charitable activities. For example, include:

- rents from a seniors’ home the charity operated; and
- any rent derived from leasing out surplus space, such as a church parking lot during the week, or a university residence during the summer.

When a charity earns rental income on property it does not use for charitable activities, it should provide details on this property in the notes to its financial statements.

Report any income the charity earned from leasing out equipment or other resources on line 4650, “Other revenue.”

Line 4620 – Enter the total revenue received from memberships, dues, and association fees for which the charity did **not** issue a tax receipt.

Line 4630 – Enter the total gross amount of non tax-receipted revenue from fundraising activities. Do not include revenue for which tax receipts were issued. These amounts should be reported as gifts on line 4500. Include the **gross** amounts the charity received from activities carried on by the charity, as well as gross amounts received directly by contracted fundraisers.

Line 4640 – Enter the gross revenue received from the sale of all goods and services provided to individuals or organizations (except amounts reported on lines 4540, 4550, 4560, or 4630). This includes revenue received from provision of goods and services as part of the charity’s activities. Revenue from goods and services provided to governments should be reported on lines 4540, 4550, or 4560. Revenue from the sale of goods and services for fundraising purposes should be reported on line 4630.

Line 4650 – Enter the total of all other revenue received by the charity not already included in the amounts above. Also include income from the rental or leasing of any equipment or other resources on this line.

Line 4655 – Specify the type(s) of revenue included in the amount reported at 4650 (for example, dividends).

Line 4700 – Enter the total of lines 4500, 4510 to 4580, and 4600 to 4650.

Expenditures

A charity must keep track of its expenditures during the fiscal period in such a way that it is able to give amounts that are reasonably accurate. A charity cannot arbitrarily allocate its expenditures at the end of the fiscal period. It must be able to justify its amounts.

While the categories on the return may not correspond exactly to the categories used by a charity to record its expenditures, we need to know how much the charity spent on these categories to determine if it meets all of its requirements under the *Income Tax Act*.

The account categories on lines 4800 to 4920 represent common expenditure categories used in accounting systems to record various types of expenditures. The total on line 4950 should represent all expenditures recorded by the charity except gifts to qualified donees.

Line 4800 – Enter the total amount paid or incurred for advertising and promotion. Include on this line all amounts spent to draw attention to the charity and its activities, including advertising and promotion costs related to fundraising activities. Specific examples include meals and entertainment, seminars, presentation booths, publications, and postage related to promotion or advertising of the charity. Report professional and consulting fees on line 4860.

Line 4810 – Enter the total amount paid or incurred for travel and vehicle expenses. Include travel and accommodation costs, vehicle costs such as gas, repairs, upkeep, and lease payments.

Line 4820 – Enter the total amount paid or incurred in interest and bank charges, such as the interest portion of mortgage payments.

Line 4830 – Enter the total amount paid or incurred for licences, memberships, and dues.

Line 4840 – Enter the total amount paid or incurred for office supplies and expenses. This includes, for example, postage, minor equipment purchases, meeting expenses (not including accommodation), and the cost of preparing and distributing annual reports. Do not include any amounts reported on line 4800.

Line 4850 – Enter the total amount paid or incurred for occupancy costs. This includes rent, mortgage payments (excluding the interest portion, which is reported on line 4820), maintenance and repairs, utilities, taxes, and all other costs related to maintaining premises used by the charity. Expenditures related to investment assets should be reported on line 4920.

Note

If you are claiming mortgage payments on this line, do not claim amortization for the same building on line 4900.

Line 4860 – Enter the total amount paid or incurred for professional and consulting services (for example, legal, accounting, or fundraising).

Line 4870 – Enter the total amount paid or incurred for education and training for staff and volunteers. This would include the cost of courses, seminars, and conferences.

Line 4880 – Enter the total amount paid or incurred for all compensation. Enter the amount reported at line 390 in Schedule 3, if applicable.

Line 4890 – Enter the fair market value of all donated goods used in charitable programs.

If the donated asset is being used for charitable programs, the fair market value of that asset should be reported as an expenditure on this line and also on line 5000. Do not include assets that have been capitalized and for which you intend to report amortization on line 4900.

Line 4891 – Enter the total cost of all supplies and assets purchased in the fiscal period. Do not include assets that have been capitalized.

Line 4900 – Enter the total amortization expense for the fiscal period for capitalized assets. Amortization is often referred to as depreciation. A charity that is amortizing assets used in charitable activities should also report this amount on line 5000. If the asset was donated and included on line 4890 at full value, do not include annual amortization on line 4900. Amortization on donated assets reported on line 4890 should not be included because the full value of the donated asset has already been included.

Line 4910 – Enter the total amount paid for research grants and scholarships that were part of the charity's programs.

Line 4920 – Enter the total expenditures **not** included on lines 4800 to 4910 (excluding gifts to qualified donees). This line can include:

- the costs of producing and selling goods and services the charity does not use, produce, or sell in the context of its charitable work (depending on the reason the goods and/or services are produced, report this amount on line 5010 (administration), 5020 (fundraising), or 5030 (political activities));
- the premiums the charity paid to maintain life-insurance policies that donors have given to the charity – also report this amount on line 5020;
- grants that must be returned (accrual basis) – also report this amount on line 5040;
- amounts spent further to a compliance agreement with the Charities Directorate – also report this amount on line 5000;
- the costs of rental property the charity does not use to operate its charitable programs or administration – also report this amount on line 5020.

Line 4930 – Specify the type(s) of expenditures included in the amount reported at line 4920, such as charitable expenditures not included above.

Line 4950 – Enter the total of lines 4800 to 4920.

Note

Lines 5000 to 5040 represent a breakdown of the expenditures on lines 4800 to 4920. The total of lines 5000 to 5040 should normally equal line 4950.

Line 5000 – Enter the part of the amount of line 4950 that represents expenditures for charitable programs. This includes all expenditures essential for the charity to carry out its charitable activities. For example, a hospital would include the salaries not only of the medical and nursing staff treating the patients, but also of those providing support services that enable the patient to stay in the hospital, such as kitchen and housekeeping staff.

This also includes salaries of those providing assistance that the doctors and nurses need to perform their healing role, such as laboratory technicians. Also include any disbursements for supplies and equipment that these nurses, kitchen workers, and technicians use.

Line 5010 – Enter the part of the amount of line 4950 that represents management and administrative expenditures. This includes all expenditures related to the overall management and administration of the charity. Other examples of expenditures you should include here are the cost of:

- holding meetings of the board of directors;
- accounting, auditing, personnel, and other administrative services;
- purchasing supplies and equipment, and paying occupancy costs for administrative offices; and
- applying for grants or other types of government funding, and/or for gifts from other qualified donees (usually foundations).

Some expenditures can be considered partly charitable and partly management and administration, such as salaries and occupancy costs. In these cases, it will be necessary to divide the amounts accordingly between lines 5000 and 5010. Also, some expenditures may be considered partly charitable, and partly fundraising and/or political. In this case, it will be necessary to divide the amounts accordingly between lines 5000, 5020 and 5030. How you account for these expenditures should be reported throughout the charity's return on a reasonable and consistent basis.

Line 5020 – Enter the part of the amount on line 4950 that represents fundraising expenditures. Enter the total expenses the charity paid out for fundraising activities, whether carried out by the charity or by contracted fundraisers. Examples of fundraising expenditures are:

- expenditures for conducting fundraising activities, including salaries and overhead costs, promotional materials, campaign supplies, electronic data processing, and year-round office expenses directly related to fundraising;
- expenditures for promoting the charity and its activities to the community primarily for fundraising purposes;

- fees the charity paid to outside fundraising consultants or agencies (or amounts retained by them); and
- postage costs for direct mail canvassing.

Any expenditures made in applying for grants or other types of government funding, and/or for gifts from other qualified donees (usually foundations) should be reported on line 5010. For additional information on acceptable fundraising expenditures, refer to our guidance CPS-028, *Fundraising by Registered Charities*, on our Web site. Go to **Policies and guidance** and select **Operating a registered charity**.

Line 5030 – Enter the part of the amount on line 4950 that represents expenditures for political activities, inside or outside Canada. For additional information on acceptable political activities, refer to the policy statement CPS-022, *Political Activities*, on our Web site. Go to **Policies and guidance** and select **Operating a registered charity**.

Line 5040 – Enter the part of the amount on line 4950 that represents expenditures for other activities. A charity will rarely report an amount on this line (for example, a grant that must be returned to another registered charity or level of government). Most expenditures should be entered on lines 5000 through 5030.

If you are unsure which line to use to enter an expenditure, call the Charities Directorate at **1-800-267-2384**.

Line 5050 – Enter the total expenditures for all gifts to qualified donees.

Line 5100 – Enter the total of lines 4950 and 5050.

Other financial information

Permission to accumulate property:

Only registered charities that have received written permission to accumulate property from the CRA should complete lines 5500 and 5510.

A registered charity can request permission to accumulate property for a particular purpose. Upon written approval from the Minister and subject to terms and conditions, the charity will be exempt from its disbursement quota obligation on the amount accumulated, plus any income earned on this amount. For more information about permission to accumulate property, visit our Web site and select **Operating a registered charity**, then **Making requests that require approval**, then **Asking for permission to accumulate property (funds)**.

If the charity has written permission to accumulate property, enter the appropriate amounts on the following lines:

Line 5500 – Enter the amount accumulated this fiscal period, including income earned on accumulated funds.

Line 5510 – Enter the amount spent this fiscal period for the specific purpose for which we have given permission to accumulate property.

Permission to reduce disbursement quota:

Line 5750 – Enter the amount for which the charity has received our prior approval to make a reduction to its

disbursement quota and treat as an expenditure for this fiscal period.

A charity can apply for approval to have us treat a specified amount as if it was money that the charity had spent on its charitable activities. This provision is available to a charity that is unable to meet its disbursement quota due to circumstances beyond its control. However, we will only consider giving approval in extraordinary circumstances (for example, where a charity's facilities were burned down and the charity was unable to conduct its activities).

Note

A charity must use its disbursement excesses from prior years and any excesses from the subsequent year before we consider granting relief.

To apply for a reduction to the charity's disbursement quota, complete and submit Form T2094, *Registered Charities: Application to Reduce Disbursement Quota*, available in the **Forms and publications** section on our Web site.

In the case of pre-approved micro-lending organizations and certain other entities, we may have pre-approved certain amounts as a reduction to a charity's disbursement quota.

In the case of micro-lending organizations, we will consider an amount placed on line 5750 as fulfilling the requirement of subsection 149.1(5) of the *Income Tax Act* for an "application made to the Minister on prescribed form," provided "micro-enterprise loans" is written beside the entry on line 5750.

For more information, see Guide RC4143, *Registered Charities: Community Economic Development Programs*, available in the **Forms and publications** section on our Web site.

Calculating the Disbursement Quota

A registered charity must spend a specific amount each year on charitable activities, or as gifts to qualified donees. This amount is called the "disbursement quota."

For fiscal periods ending **on or after March 4, 2010**, registered charities can calculate their disbursement quota as follows:

3.5% multiplied by the average value of property owned by the charity at the end of the 24 months before the beginning of the fiscal period, and that was not used directly on charitable activities or administration (line 5900), if this value exceeds \$100,000 for charitable organizations and \$25,000 for public and private foundations.

Note

If the charity has permission to accumulate property, it must subtract the amount accumulated to date plus any income earned on this amount from the amount at line 5900, before multiplying by 3.5%. The amount accumulated during a fiscal period and the income earned on this amount is entered on line 5500. The charity should include the amounts entered at line

5500 for all the years to date covered by the permission to accumulate property request.

For information on how to calculate the disbursement quota for fiscal years ending before March 4, 2010, see Guide T4033B(09), available in the **Forms and publications** section on our Web site.

Property not used in charitable activities or administration:

Property, for purposes of calculating the disbursement quota, includes any real estate or personal property, or part of such property that was not used directly in charitable activities or administration. This may include, for example, cash on hand and in bank accounts, stocks, bonds, GICs, mutual funds, and land and buildings not used directly in charitable activities or administration.

The value of property is an average value based on a specified number of periods over a 24-month period. Divide the 24-month period into 2 to 8 equal, consecutive periods.

The number of periods the charity chooses will depend on the accounting method in place and the type of property it holds. Usually, these periods are chosen when the charity files its first annual information return. The number of periods chosen may have a significant impact on the disbursement quota. Once chosen, the charity must get our written permission to change the number of periods.

For example, if a charity calculates the value of its property only once a year, it will rely on two 12-month periods to establish an average value. If it values its property every six months, then it will rely on four six-month periods to establish an average value. To establish the average value, first determine the value of the charity's property that is not used directly in charitable activities or administration at the end of each period within a 24-month period. Then add together all of the values from the 24-month period, and divide the total by the number of periods.

Example 1

Foundation ABC has two assets: a building not used directly in charitable activities or administration, and shares in a publicly traded company. The value of the building is the fair market value of the property, while the value of the shares is set by the closing price (or the average of the bid and asking prices) on the stock exchange for the day on which the valuation period ended. See **section 3702** of the *Income Tax Regulations* for details on how to establish the value of assets.

ABC calculates the value of its property not used directly in charitable activities or administration twice a year. Therefore, it uses four six-month periods to establish the value of its assets.

For the return for the fiscal period ending December 31, 2010, it should calculate the average value as follows:

	Value of building	Value of shares	Combined value
Value as of June 30, 2008	\$500,000	\$90,000	\$590,000
Value as of Dec. 31, 2008	\$500,000	\$100,000	\$600,000
Value as of June 30, 2009	\$510,000	\$110,000	\$620,000
Value as of Dec. 31, 2009	\$510,000	\$120,000	\$630,000
Value as of June 30, 2010	\$520,000	\$130,000	\$650,000
Value as of Dec. 31, 2010	\$520,000	\$140,000	\$660,000

The average value of property for the 24 months before the **beginning** of the fiscal period is \$610,000 (the first four combined values on the chart above, \$590,000 + \$600,000 + \$620,000 + \$630,000 = \$2,440,000, divided by four valuation periods).

The average value of property for the 24 months before the **end** of the fiscal period is \$640,000 (the last four combined values on the chart above, \$620,000 + \$630,000 + \$650,000 + \$660,000 = \$2,560,000 divided by four valuation periods).

The building's value as an investment asset will be less if ABC used part of it in charitable activities or administration. In the above example, if the foundation used 25% of the building in charitable activities or administration during each valuation period, then it should reduce the value of the building by about 25%.

Example 2

XYZ was established in 2009 but registered as a charity effective January 1, 2010. In 2008, it did not exist as an entity and had no assets. In 2009 it was incorporated and received a gift of securities. XYZ calculated the value of its property not used directly in charitable activities or administration at the end of each fiscal period, that is, every 12 months.

	Value of shares
Value as of Dec. 31, 2008	\$0
Value as of Dec. 31, 2009	\$100,000
Value as of Dec. 31, 2010	\$125,000

The average value of property for the 24 months before the **beginning** of the fiscal period was \$50,000 ($\$0 + \$100,000 = \$100,000$ divided by two valuation periods).

The average value of property for the 24 months before the **end** of the fiscal period was \$112,500 ($\$100,000 + \$125,000 = \$225,000$ divided by two valuation periods).

Line 5900 – Enter the average value of property not used directly in charitable activities or administration during the 24 months before the **beginning** of the fiscal period, basing the value on the number of periods chosen by the charity (see Examples 1 and 2, above). Any amount reported on line 5500 should be subtracted from this line.

Line 5910 – Enter the average value of property not used directly in charitable activities or administration during the 24 months before the **end** of the fiscal period, basing the value on the number of periods chosen by the charity. (see Examples 1 and 2, above).

Keeping track of disbursement excesses

A disbursement excess is created when a charity spends more than its calculated disbursement quota for that year. An excess can be carried back one year to offset a shortfall in that period.

A charity's disbursement excess is available for five years. A charity may draw on an existing excess to help it meet its disbursement quota for up to five of its following fiscal periods.