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SUBJECT Payments to Syrian refugees by a church

SECTION 56(1)(u), 110(1)(f)

Please note that the following document, although believed to be correct at the time of issue, may not represent the current position of the CRA.

Prenez note que ce document, bien qu'exact au moment émis, peut ne pas représenter la position actuelle de l'ARC.

PRINCIPAL ISSUES: What is the income tax treatment of payments made by a church to a Syrian refugee family?

POSITION: Depends on whether the payment is social assistance and is made on the basis of a means, needs or income test and whether any of the reporting requirement exceptions in regulation 233(2) are met.

REASONS: 56(1)(u) and Regulations 233(1) and 233(2).

XXXXXXXXXXXX 2016-065166

S. D'Angelo

March 3, 2017

Dear XXXXXXXXXXXX:

Re: Payments by Church to Refugees

We are writing in response to your letter sent to the Commissioner of the Canada Revenue Agency concerning payments made by a church to refugees.

You have indicated that XXXXXXXXXXXX (the "Church") is a private sponsor that has established a Syrian Refugee Fund (the "Fund") to sponsor a Syrian refugee family (the "Family"). The Church has provided financial support for the Family through the Fund since their arrival to Canada. It is our understanding that the Family has been receiving money from the Government of Canada through the Resettlement Assistance Program and also money from the Fund since XXXXXXXXXXXX. XXXXXXXXXXXX, it would appear that these amounts are primarily intended to assist the Family with living expenses.

Specifically, you have asked whether these monetary amounts received by the Family are required to be included in income and whether there are any special income tax treatment rules for refugees.

Our Comments

This technical interpretation provides general comments about the provisions of the Income Tax Act ("Act") and related legislation (where referenced). It does not confirm the income tax treatment of a particular situation involving a specific taxpayer but is intended to assist you in making that determination. The income tax treatment of particular transactions proposed by a specific taxpayer will only be confirmed by this Directorate in the context of an advance income tax ruling request submitted in the manner set out in Information Circular IC 70-6R7, Advance Income Tax Rulings and Technical Interpretations.

Paragraph 56(1)(u) of the Act requires that social assistance payments received in the year and made on the basis of a means, needs, or income test are to be included in a taxpayer's income unless such amounts are required to be included in the

taxpayer's income or the income of the taxpayer's spouse or common-law partner under a different provision of the Act. Amounts included in a taxpayer's income under paragraph 56(1)(u) are offset by a matching deduction under paragraph 110(1)(f) of the Act, so that there are no income tax implications related to this income inclusion other than it may affect certain income-tested benefits.

Since the term "social assistance" is not defined in the Act, we look to the meaning of the term as it is ordinarily defined and understood in order to determine whether paragraph 56(1)(u) of the Act applies in a particular situation. Social assistance generally means aid provided by a government or government agency, although it can be provided by other organizations (such as a church), on the basis of need.

To be included in income under paragraph 56(1)(u) of the Act, the payment must be made on the basis of a means, needs or income test. We consider each one of these tests to be a financial test and they are described as:

1. An "income" test, which is a test based solely on the income of the applicant.
2. A "means" test, which is similar to an income test, but also takes into account the assets of the applicant.
3. A "needs" test, which takes into account the income, assets and financial needs of the applicant.

Therefore, if the payments made by the Church are assistance made on the basis of a "means, needs or income test," they are likely social assistance payments for purposes of paragraph 56(1)(u) of the Act.

When an organization concludes that it has made social assistance payments to an individual, subsection 233(1) of the Income Tax Regulations (the "Regulations") requires the organization that provided the social assistance to report the payment on Form T5007, Statement of Benefits ("T5007") unless the payment is specifically excluded from this reporting requirement.

Subsection 233(2) of the Regulations excludes from the reporting requirement payments in respect of medical expenses, child care expenses, legal fees, job training and funeral expenses. Additionally, payments that are not a part of a series of payments, or that are paid in a year as part of a series of payments but total less than \$500 in the year, do not need to be reported on a T5007. The Canada Revenue Agency has indicated that amounts excluded from the reporting requirements do not have to be included in income of the recipient (i.e., they do not have to be reported on the recipient's tax return).

More information about the T5007, including information on social assistance payments and the reporting requirements, can be found in the T5007 Guide - Return of Benefits (T4115) on the Canada Revenue Agency's (CRA) website at www.cra-arc.gc.ca.

Additional information on the Canadian tax system and various tax credits that are available to a new resident of Canada can be found on the CRA website in pamphlet T4055 Newcomers to Canada and under "Newcomers to Canada" at <http://www.cra-arc.gc.ca/newcomers/>.

We trust our comments will be of assistance.

Yours truly,

Lita Krantz, CPA, CA

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