Document Released Under the Access to Information Act / Document divulgué en vertu de la Loi sur l'accès à l'information.

s.19(1)

Government of Canada / Gouvernement du Canada
Privy Council Office / Bureau du Conseil privé

2017-LSMP-00038

To : / Pour : Michael Wernick

Date : MAR 28 2017

Subject : / Objet :

Memorandum for the Prime Minister

REGISTERED CHARITIES: POLITICAL ACTIVITIES AUDITS

From : / De : Katharine F[redacted]

Via : Chanta[redacted]ahéu

[X] Your Signature / Votre Signature

[ ] Information

[ ] For Comments / Observations

[X] Material for the P.M. / Documents pour le P.M. [redacted]

CONSULTATION:

OTHER PCO/ AUTRE BCP

- ☐ SD
- ☐ ERDP
- ☐ P&P
- ☐ LSMP
- ☐ COMMS
- ☐ FPTR
- ☐ MOG
- ☐ Leg. Couns.
- ☐ Dem. Ref
- ☐ F & DP
- ☐ S&I
- ☐ IAS
- ☐ SP/PSR

Other/Autre

March 28/17

SECRET

2017 MAR 28 PM 3:31

Remarks:
Remarques:

DISTRIBUTION

- ☐ Ian McCowan
- ☐ Catrina Tapley
- ☐ Daniel Jean
- ☐ Matthew Mendelsohn
- ☐ John Hannaford

Drafting Officer : Tiwary/Masse/lt
Rédacteur :

InfoXpress # 1827070

Canada

PCO/BCP 029 (2008-07)

Document Released Under the Access to Information Act / Document divulgué en vertu de la Loi sur l'accès à l'information.

2017-LSMP-00038

Clerk of the Privy Council and Secretary to the Cabinet

Greffier du Conseil privé et Secrétaire du Cabinet

Ottawa, Canada
K1A 0A3

s.19(1)
s.21(1)(a)
s.21(1)(b)

Returned from the PM
AVR APR 20 2017
Retourné du PM

SECRET

MAR 30 2017

MEMORANDUM FOR THE PRIME MINISTER

REGISTERED CHARITIES: POLITICAL ACTIVITIES AUDITS

(Decision sought)

SUMMARY

Background

Political Activities Audit Program

- In January 2016, the Minister of National Revenue committed to completing the audits that were already underway under the political activities audit program. She noted that no new audits would be initiated under this program.

Canada

Document Released Under the Access to Information Act / Document divulgué en vertu de la Loi sur l'accès à l'information.
s.21(1)(a)
s.21(1)(b)

- [redacted]

- To ensure fairness, before a revocation decision is made after an audit, the CRA first outlines to the charity all of its concerns and gives the charity the opportunity to explain why it disagrees with the CRA's position. The CRA only makes the final decision with respect to an audit after having considered the charity's representations.

- If the CRA concludes it is appropriate to revoke the charity's registration, it will notify the charity through a Notice of intention to revoke. The charity will have 90 days to file a Notice of objection with the CRA's Appeals Branch.[1] Further recourse on revocation decisions will lie with the courts.

- Under the current framework, all proposed revocations are held in abeyance until the objection and appeal rights have been exhausted.

  - Charities maintain their registered status and all the associated privileges (such as tax-exempt status and the ability to issue donation receipts) during the resolution of their objections and appeals.

  - The Notice of intention to revoke only becomes public if the charity's objection and appeals are unsuccessful and the CRA proceeds with publication of the Notice of revocation in the *Canada Gazette*. As a result, there can be no public disclosure by the CRA of which charities have received a Notice of intention to revoke during the objections and appeals processes.

---

[1] In extreme cases of aggravated non-compliance (such as concerns about money laundering or tax shelters), the CRA will proceed with revocation after 30 days unless the charity files a stay with the Federal Court of Appeal. This scenario is not relevant for the political activities audit program.

Document Released Under the Access to Information Act / Document divulgué en vertu de la Loi sur l'accès à l'information.

s.21(1)(a)
s.21(1)(b)

- Any proposed revocation would not be effective, or even disclosed publicly, for many months (and possibly years), should affected charities pursue the objections and appeals processes.

Delegation of Authorities

Consultation on Political Activities

- Consistent with her mandate letter commitment, in September 2016, the Minister of National Revenue announced public consultations on the rules regarding political activities conducted by registered charities.
- An independent consultation panel is preparing a report based on the consultation and is expected to provide its report to the Minister's office on March 30.

Issue

Pages 112 to / à 114

are withheld pursuant to sections

sont retenues en vertu des articles

21(1)(a), 21(1)(b)

of the Access to Information Act

de la Accès à l'information

Document Released Under the Access to Information Act / Document divulgué en vertu de la Loi sur l'accès à l'information.

s.19(1)

s.21(1)(a)
s.21(1)(b)

PCO Recommendation

[redacted]

[redacted]

Michael Wernick

Attachments
Tiwary/Masse/Rechico/lt

s.21(1)(a)
s.21(1)(b)

Page 116

is withheld pursuant to sections

est retenue en vertu des articles

21(1)(a), 21(1)(b)

of the Access to Information Act

de la Accès à l'information

Document Released Under the Access to Information Act / Document divulgué en vertu de la Loi sur l'accès à l'information.

ANNEX 2: CONSULTATION PANEL REPORT RECOMMENDATIONS

1. Revise the CRA's administrative position and policy (including its policy guidance, CPS-022 *Political Activities)* to enable charities to fully engage in public policy dialogue and development.

2. Implement changes to the CRA's administration of the *Income Tax Act* in the following areas: compliance and appeals, audits, and communication and collaboration to enhance clarity and consistency.

3. Amend the *Income Tax Act* by deleting any reference to non-partisan "political activities" to explicitly allow charities to fully engage, without limitation, in non-partisan public policy dialogue and development, provided that it is subordinate to and furthers their charitable purposes.

4. Modernize the legislative framework governing the charitable sector (*Income Tax Act)* to ensure a focus on charitable purposes rather than activities, and adopt an inclusive list of acceptable charitable purposes to reflect current social and environmental issues and approaches.

Document Released Under the Access to Information Act / Document divulgué en vertu de la Loi sur l'accès à l'information

We had a conference call yesterday with the CRA and Finance to get an update on their work plans regarding the consultation panel report on the political activities of charities. Both departments will be seeking ministerial decisions over the next few days on the communications approach. The officials have also initiated policy analysis of the report's recommendations and will be seeking ministerial direction over the coming weeks as described below.

CRA

-
-
-

Finance

-
-

Next Steps

- We will continue to work closely with the CRA and Finance and ensure that timely progress is made. We will keep you posted.

Document Released Under the Access to Information Act / Document divulgué en vertu de la Loi sur l'accès à l'information.

Consultation Panel Report Recommendations

1. Revise the CRA's administrative position and policy (including its policy guidance, CPS-022 *Political Activities)* to enable charities to fully engage in public policy dialogue and development.

2. Implement changes to the CRA's administration of the *Income Tax Act* in the following areas: compliance and appeals, audits, and communication and collaboration to enhance clarity and consistency.

3. Amend the *Income Tax Act* by deleting any reference to non-partisan "political activities" to explicitly allow charities to fully engage, without limitation, in non-partisan public policy dialogue and development, provided that it is subordinate to and furthers their charitable purposes.

4. Modernize the legislative framework governing the charitable sector (*Income Tax Act)* to ensure a focus on charitable purposes rather than activities, and adopt an inclusive list of acceptable charitable purposes to reflect current social and environmental issues and approaches.