



## **CRA's Private Foundation List of Areas of Non-compliance with Income Tax Act Provisions**

By Mark Blumberg (January 28, 2018)

We requested from CRA under the Access to Information and Privacy system copies of standard letters and scripts that the CRA uses in the Charities Directorate. One of the documents provided contains is a List of Areas of Non-Compliance with Income Tax Provisions for Private Foundations.

There are currently 86,428 Canadian registered charities on the CRA Charities Listing.

These registered charities are classified as either "charitable organizations" [of which there are 75,625], public foundations [of which there are 5,067] or private foundations [of which there are 5,736]. There are some differences as to the rules that relate to each type of registered charity.

This CRA "List of Areas of Non-Compliance with Income Tax Provisions for Private Foundations" provides a list of non-compliance for a "private foundation" under either the Income Tax Act or its regulations as well as a reference as to which section applies.

All Canadian private foundations should beware of these rules to avoid compliance issues with the Charities Directorate. You might also find helpful this directory of [top resources for Canadian charities](#) on our website.

The full document is reproduced on the next page.

*Mark Blumberg is a lawyer at Blumberg Segal LLP in Toronto, Ontario. He can be contacted at [mark@blumbergs.ca](mailto:mark@blumbergs.ca) or at 416-361-1982. To find out more about legal services that Blumbergs provides to Canadian charities and non-profits please visit [www.canadiancharitylaw.ca](http://www.canadiancharitylaw.ca), [www.globalphilanthropy.ca](http://www.globalphilanthropy.ca), [www.smartgiving.ca](http://www.smartgiving.ca), or [www.charitydata.ca](http://www.charitydata.ca)*

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**List of Areas of Non-Compliance with the provisions of the *Income Tax Act* and/or its *Regulations* for Private Foundations**

<b>Issue</b>	<b><i>Income Tax Act</i> Reference</b>
Lack of direction and control over the use of the Organization's resources	149.1(4), 168(1)(b)
Failure to maintain adequate books and records	149.1(4), 230(2), 168(1)(b), 168(1)(e), 188.2(2)(a)
Issuing receipts not in accordance with the Act	149.1(4), 168(1)(d), 188.1(7) <u>or</u> 188.1(9) S.3500 or 3501 of ITA Regs
Providing a personal benefit to a proprietor, member, shareholder, trustee or settlor of the Organization	149.1(4), 168(1)(b),
Providing an undue benefit to a person	149.1(4), 168(1)(b), 188.1(4), 188.1(5)
Failure to devote resources to a charitable purpose	149.1(4), 168(1)(b)
Failure to meet its disbursement quota	149.1(4)(b), 168(1)(b)
Failure to file an information return as and when required by the Act and/or its Regulations	149.1(4), 149.1(14) 168(1)(c), 188.1(6)
Failure to prepare proper documentation for payments to an employee/director	149.1(4), 168(1)(b)
Failure to comply with the requirements of the Act as they apply to the Organization's designation	149.1(4), 168(1)(b)
Pursuing non-partisan political activities that are not ancillary and incidental to its charitable purposes	149.1(4), 168(1)(b), 188.2(2)(e)
Issued a receipt for a gift of shares that are non-qualifying securities	149.1(4), 168(1)(d)
Carries on a business	149.1(4)(a), 168(1)(b), 188.1(1)(a)
Outstanding divestment obligation percentage at year-end	149.1(4)(c), 168(1)(b), 188.1(3.1)
Incurred debts other than for acceptable purposes	149.1(4)(d), 168(1)(b)
Made a disbursement by way of a gift, other than a gift made in the course of charitable activities carried on by it	149.1(4)(b.1)(i), 168(1)(b)
Made a disbursement by way of a gift, other than a gift made to a donee that is a qualified donee at the time of the gift	149.1(4)(b.1)(ii), 168(1)(b)

Entering into a transaction with the intention to avoid or delay expenditures on charitable activities	149.1(4.1)(a), 168(1)(b)
Entering into a transaction with another registered charity with the intention of assisting that charity avoid or delay expenditures on charitable activities	149.1(4.1)(b), 168(1)(b), 188.2(2)(b)
Making a false statement for the purpose of obtaining registration	149.1(4.1)(c), 163.2(1), 168(1)(b)
Having an ineligible individual that controls or manages the charity	149.1(4.1)(e), 168(1)(b), 188.2(2)(d)
Having an ineligible individual that is a director, trustee, or officer of the charity	149.1(4.1)(e), 168(1)(b), 188.2(2)(d)
Accepting a gift from a foreign state (that is defined in section 2 of the <i>State Immunity Act</i> and set out on the list in subsection 6.1(2) of that <i>Act</i> )	149.1(4.1)(f), 168(1)(b)

**Legislation of the *Income Tax Act* that could apply**

- 230(1)
- Regulation 3501(2) to 3501(6) depending on the facts
- Additional or subsequent sanction legislation

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