



**Tax**

# CRA within mandate to audit charities' political activities

By AdvocateDaily.com Staff



Regardless of political stripe, there are clear restraints on the types of activities registered charities can engage in – and the Canada Revenue Agency (CRA) is squarely within its mandate to conduct a review of these organizations, says Toronto tax litigator [Adrienne Woodyard](#).

“A charity’s political activities must be non-partisan. Any activity that involves providing direct or indirect support (or opposition) to any particular political party or candidate is not permitted,” says Woodyard, a lawyer with Davis LLP.

“There are also restrictions on the percentage of a charity’s resources that can be devoted to political activity, relative to its charitable activity. And a charity that engages in a public awareness campaign must be careful to ensure that its information is true, accurate and not misleading. These rules are obviously open to interpretation. But they apply to all charities, both on the left and the right,” she says.

However, as the [CBC reports](#), a think-tank recently called for an independent probe of the CRA, saying that a series of political activity audits first launched in 2012 “are targeting critics of the Harper government while letting right-leaning groups off the hook.”

But, says Woodyard, criticism that charities ought not to be “picked on” by having their activities examined is off the mark.

“Some charities may find it uncomfortable to undergo the scrutiny of an agency of a government whose policies they strongly oppose, but that doesn’t suggest that the Charities



Directorate of the CRA has any particular political agenda. And because the CRA is obliged to keep confidential all taxpayer information, there's no reliable way to know which organizations, whether on the left or the right, are being audited at any given time. We typically only find out when the charities themselves announce it.”

When it comes to registering as a charity, every applicant must satisfy the CRA that its purposes and activities are truly charitable in nature, says Woodyard. The CRA also reviews all such applications carefully to ensure they provide a clear description of an applicant's charitable purposes and how it intends to deliver charitable benefits. The CRA also monitors how charities operate once they are registered, to ensure that their activities are consistent with what they stated in their applications.

“This scrutiny is justified; once registered, charities are granted the right to issue official donation receipts which donors use to claim tax credits. This right is not extended to most other organizations; there are many types of not-for-profits whose activities also benefit the public, but not to the extent required to qualify for charitable status,” she says.

With this right, says Woodyard, comes a heightened degree of responsibility, and charities must ensure they are not acting outside the scope of their stated charitable purposes.

“Some charities are shocked when, after many years of operation, the Charities Directorate of the CRA questions or challenges some of their activities, but it's less shocking when you consider the possibility that over time their activities may have evolved far beyond what was contemplated by their original purposes.”

Woodyard says it is critical that registered charities keep themselves up to date on the directorate's guidelines and regularly audit themselves – or arrange for an outside party to review their operations – to ensure they're compliant.

“It can sometimes be difficult for the charities themselves to determine when they're at risk.”

Ultimately, people who are involved with or support a particular charity are free to carry out any sort of legal partisan political activity they want. They simply cannot use the resources



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of the charity to do it.

But there are other options, she says.

“One alternative is to establish a separate, non-registered organization for this purpose – though its fundraising ability will be limited because it will not be entitled to issue donation receipts. There are also generous tax credits available to individuals who donate to registered political parties and individual candidates.

“In politics, money talks; the question is, whose wallet does it come from?”