



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 and your personalized correspondence in Braille, large print, or etext (CD or diskette), or on audio cassette or MP3. For details, visit our Web site at www.cra.gc.ca/alternate or call **1-800-959-2221**. If you are outside Canada and the United States, call the International Tax Services Office collect at **613-952-3741**.

Checklist:

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

- Registered Charity Information Return* (Form T3010A (05));
- Registered Charity Basic Information* sheet (Form TF725);
- a copy of the registered charity's financial statements;
- the list of directors/trustees or like officials (Form T1235-Directors/Trustees Worksheet), with all the required information; and
- the list of qualified donees (Form T1236-Qualified Donees Worksheet) with all the required information (if applicable).

To help us process your return properly, attach the peel-off labels from the *Registered Charity Basic Information* sheet to the return and to any attachments that tell you to attach a label.

Mail the return to:

Charities Directorate
Canada Revenue Agency
Ottawa ON K1A 0L5

Important reminder:

Do not attach correspondence to your annual return. Correspondence should be mailed separately to the above address.

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

What's new

This guide has been revised and should be used to complete Form T3010A(05), *Registered Charity Information Return*.

Legislative changes

Bill C-33, *Budget Implementation, 2004, No. 2*, received royal assent on May 13, 2005. This guide incorporates the disbursement quota changes that came into effect for fiscal periods that begin after March 22, 2004.

Disbursement quota

There are 4 elements to a registered charity's disbursement quota: A + A.1 + B + B.1. Described in very general terms, they represent the following:

A - 80% of the eligible amount of tax-receipted gifts in the previous fiscal period (excluding enduring property or amounts received from registered charities)

A.1 - 80% of the amount of enduring property spent in the fiscal period **PLUS** 100% of the fair market value of enduring property transferred by way of gift to a qualified donee in the fiscal period. If a charity claims a capital gains reduction, the reduction applies to this amount.

B - amounts received from registered charities in the previous fiscal period (80% for both charitable organizations and public foundations, and 100% for private foundations) excluding specified gifts or enduring property.

B.1 - the 3.5% disbursement requirement = $C \times 0.035 [D - (E + F)] / 365$

C = number of days in the fiscal period

D = average value of property owned by a charity and not used directly in charitable activities or administration at any time in the 24 months immediately preceding the fiscal period

E = 100% of previous fiscal period's eligible amount of tax-receipted gifts (A) **PLUS** 100% of the fair market value of enduring property transferred or the amount spent in the fiscal period (A.1)

F = 100% of amounts received from other registered charities in the previous fiscal period (B)

Note

The 3.5% disbursement quota requirement applies only if the average value of property owned by a registered charity and not used directly in charitable activities or administration exceeds \$25,000.

Charitable organizations that have an effective date of registration that is before March 23, 2004, will only be subject to the 3.5% disbursement quota requirement for their fiscal periods that begin after 2008.

Change of name

The Canada Customs and Revenue Agency's name has been legally changed to the Canada Revenue Agency as a result of Bill C-26 receiving royal assent.

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Canada Revenue Agency's Service Pledge

As a taxpayer, 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 a list of newly registered charities as well as a list of charities that have recently been revoked or annulled.

Forms and publications

Throughout the guide, we refer to other forms and publications. You can get these documents on our Web site at www.cra-arc.gc.ca/tax/charities/publications_list-e.html, or by calling 1-800-267-2384.

You can also access the policies referred to in this guide on our Web site at www.cra.gc.ca/tax/charities/policy/policy-e.html.

Electronic mailing list

When you subscribe to our electronic mailing list, we'll notify you by **email** whenever there's important new information on a subject of interest to you. We offer mailing lists for various tax matters (e.g., Charities What's New.)

When you subscribe to the Charities What's New, you will be notified of additions to the Charities Web site, including Charities Newsletters, policy statements and commentaries, new guidelines, 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:

- 613-954-0410 for local Ottawa calls (English);
- 613-954-6215 for local Ottawa calls (bilingual);
- 1-800-267-2384 for toll-free, long distance calls (English);
- 1-888-892-5667 for toll-free, long distance calls (bilingual);
- 1-800-665-0354 for toll-free TTY service for persons with a hearing or speech impairment.

The Directorate's fax numbers are:

- 613-954-8037 – Client Services
- 613-957-8925 – Monitoring
- 613-952-6020 – Assessment & Determinations
- 613-948-1320 – Policy, Planning and Legislation

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-arc.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 has to file an information return each year. The return must be filed no later than six months after the end of the registered charity's fiscal period. For example, if your fiscal period end is March 31st, your annual information return is due by September 30th.

A charity that does not file its return can lose its registered status. After losing its registered status, a charity can no longer issue tax receipts for donations. Also, the charity will be liable to pay a revocation tax equal to the full value of any remaining assets.

Registered charities that are revoked for failure to file are liable for a \$500 penalty.

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. The charity must also pay a \$500 penalty and file all missing information returns. Re-registration will only be granted where the organization meets all of the current registration requirements.

For more information, see the guide entitled *Registering a Charity for Income Tax Purposes* (T4063).

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 with regards to charities, please call Business Enquiries at 1-800-959-5525.

What is an information return?

An information return includes:

- *Registered Charity Information Return*, Form T3010A;
- *Registered Charity Basic Information* sheet, Form TF725;
- the list of directors/trustees or like officials, with all the required information, Form T1235;
- the list of qualified donees, with all the required information (if applicable), Form T1236; and
- a copy of the registered charity's own financial statements (See the Glossary at the end of this guide for an explanation of "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. They must file Form T3010A, *Registered Charity Information Return*, and Form TF725, *Registered Charity Basic Information* sheet along with a copy of their financial statements.

RNASOs should note the following:

- All references to a "registered 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.

What information on the return is available to the public?

Most of the return, and all of the financial statements filed with it, are available to the public. The public portions of the return itself are available at www.cra.gc.ca/charities. Confidential information is marked as such and includes the information provided in parts of Section B, as well as Section I. These are 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 but only under strict federal rules. The CRA may be required to release

confidential information in connection with certain legal proceedings.

Registered Charity Information Return Summary

We will send you a *Registered Charity Information Return Summary* (Form T1242) to acknowledge that we have received and processed your return. The Summary will also provide you with your capital gains pool calculation, your capital gains reduction calculation, your disbursement quota calculation, and certain reported and recalculated financial totals.

General notes on completing the return

First, check **all** the information on Form TF725, *Registered Charity Basic Information* sheet, and make corrections if necessary (see page 7 for detailed instructions on how to complete this sheet).

Answer every question **that applies to the registered charity** (see the detailed instructions on how to complete Form T3010A, *Registered Charity Information Return*, on page 9). Except for yes/no questions, if a question does not apply to the registered charity, please leave it blank.

Except for the list of directors/trustees or like officials and the list of qualified donees, all requested information must be entered on the return itself.

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 (e.g., report \$125,754, **not** \$125,753.53).

A director/trustee or like official must sign and date the certification area in Section H. The person who signs Form T3010A, *Registered Charity Information Return*, is also certifying Form TF725, *Registered Charity Basic Information* sheet.

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

Certain religious organizations 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.

If, on the basic information sheet, there is a message about your organization meeting the criteria for exemption, you do not have to provide the following information on the return:

- questions D2 and D4;
- questions E1 to E3;
- questions F1 to F8, and F10; and
- the amounts of gifts and specified gifts to qualified donees, as referred to in question C11.

How to Amend the Return

If you need to make a change to the return **after** you have mailed it, complete and send Form T1240, *Registered Charity Adjustment Request*. This form is available on our Web site at www.cra-arc.gc.ca/tax/charities/publications_list-e.html. If you do not have access to the Internet or are unable to print this form, please contact us.

Mail the adjustment request form to the address given on page 2, 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

The *Registered Charity Basic Information* sheet is an integral part of the information return. Attach it to the return when you file it.

Verify the information about your registered charity, as it reflects what we have in our records. The person who signs Form T3010A, *Registered Charity Information Return*, is also certifying that the information on the basic information sheet is correct, complete, and up-to-date.

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

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

In these cases, you can only change the information by sending us a letter with supporting documentation. Send the letter and supporting documentation separate from the information return. An authorized representative of the registered charity must sign the letter.

You can change some information directly on the sheet in the boxes provided for this purpose. This information includes:

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

If you have already requested changes that do not appear on your *Registered Charity Basic Information* sheet, please contact us.

Name of registered charity

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

See the Glossary at the end of this guide for an explanation of "governing documents" and "official copy".

Designation

We designate all registered charities as either:

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

This designation should be the same as on the notice we sent you when the charity was registered or as later changed by us. If the charity wishes to request a change in designation, complete and send us Form T2095, *Registered Charities: Application for Re-Designation*.

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 later applied for re-registration and we granted it, the registration date on the basic information sheet will be the effective date of re-registration and not the date the charity was first registered.

BN/registration number

The registered charity's Business Number is the number on file with the Charities Directorate and includes the account identifier. See the Glossary at the end of this guide 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 registered charity's financial statements. Many registered charities have a fiscal period that covers the calendar year (that is, their fiscal period is from January 1 to December 31). Others have a different fiscal period (e.g., ending August 31 or March 31).

The fiscal period **end** is always stated as month and day only (e.g., March 31). The year is not included because, unless formally changed, the fiscal period stays the same year after year. On the other hand, 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* (the Act), a registered charity has to obtain our permission before it changes its fiscal period since such changes affect the registered charity's obligations under the Act. Separate from the return, send us a letter stating the reason for the fiscal period change, the

effective date of the change, and have the letter signed by an authorized representative of the registered charity.

When a registered charity changes its fiscal period, it has a transition period that is not a full 12 months. Therefore, it has to file a separate information return for the months of the transition (e.g., if the fiscal period end was December 31 and the organization is changing it to March 31, one return is required for the original fiscal period of January 1 to December 31 and a separate return is required for the transition period from January 1 to March 31).

Note

We cannot process a return for the transition period until the change in fiscal period has been effected 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 the charity decides to make the change.

Because we have recently revised Form T3010A, *Registered Charity Information Return*, make sure you file the correct form for the calendar year in which your fiscal period end falls.

- Form T3010 applies to the year 2002 and prior.
- Form T3010A applies to the year 2003 up to and including fiscal periods that begin before March 23, 2004.
- Form T3010A (05) applies to fiscal periods that begin after March 22, 2004.

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 you if needed. This information is also valuable to the public who may want to inquire about the registered charity. If any of this information is incomplete or incorrect, provide 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 registered charity (e.g., "Mrs. F. Jones" or "Treasurer").

Make sure the public contact name or the position is current. 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 the registered charity. If your registered charity has become well-known by another name or other names, use the space provided to add the name(s).

Program areas

This section lists the primary areas in which the registered charity carries on programs. It is based on the information the charity provided when it registered or on previous returns.

If the registered charity's program areas have changed or if the percentage of emphasis has changed, please provide the correct information in the space provided. To do this, use Table 1 on this page. Look under all categories to find an area that adequately describes the registered charity's programs. If you cannot find a suitable area, use the "Other" category and describe the program.

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

Enter approximate percentages to show how much emphasis the registered charity gave to each area. We do **not** expect exact figures. Estimate as best you can the registered charity's involvement in the various areas. For example, a registered 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.

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 (e.g., 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 (e.g., Royal Astronomical Society of Canada)
- C13 Youth groups (e.g., 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 (e.g., 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 section applies

Completing Form T3010A, Registered Charity Information Return

Section A – Identification

A1 – Governing documents

Check “Yes” if there have been changes to the registered charity’s governing documents during the fiscal period. If so, you must send us an official copy of the amended governing documents. **The amended governing documents should be mailed in a separate envelope from the information return to avoid a delay in processing.**

See the Glossary at the end of this guide for an explanation of “governing documents” and “official copy”.

A2 – Charity is an internal division of another charity

Check “Yes” if the registered 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. Rather, they abide by the governing documents of the registered charity that is their head body.

Please provide the name and the BN/registration number of the other registered charity in the boxes provided.

A3 – Charity linked in a subordinate way with a provincial, national, or international organization

Check “Yes” if the registered charity has its own governing documents but is, at least in some respects, subordinate to another organization. See the Glossary at the end of this guide for an explanation of “linked charities”.

Please provide the name and the BN/registration number of the other registered charity.

A4 – Charity no longer in operation

Check “Yes” if the registered 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 return, Form T3010A and Form T2046, *Tax Return Where Registration of a Charity is Revoked*. See the guide RC4424, *Completing the Tax Return Where Registration of a Charity is revoked* for more information.

A5 – Charity merged or amalgamated

Check “Yes” if the charity has merged, amalgamated, or consolidated with another organization. Please call us for advice as to what documentation you have to submit.

Section B – Directors/Trustees and Like Officials

You **must** attach a list with the last name, first name, and initial of each director/trustee and like official, his/her home address (including street number, street name, city, province or territory, and postal code), telephone number, position in the charity, whether or not he/she was a director/trustee at the end of the fiscal period, whether or not he/she was at arm’s length from all other members of the governing board, and his/her date of birth.

Directors/trustees and like officials are persons who have governing authority within the registered charity. This usually means persons who hold positions identified in the registered charity’s governing documents, such as chair, vice-chair, treasurer, secretary, or past president. The registered charity may have other officials that have governing powers similar to a director or trustee. While they may not have the title of director or trustee, the *Income Tax Act* considers these people to be like officials. For example, religious leaders often have some governing authority and would be considered as like officials.

Registered charities that are represented by a trustee (e.g., a bank or financial institution) should fill in this information under the Last name field on the form.

To enter this information, use the worksheet included in this guide, or use a sheet of paper to give the same information and in the same format and attach it to the return. Only the *Public information* is available to the public. The *Confidential information* is for the CRA’s use only and remains confidential. See the Glossary at the end of this guide for an explanation of “arm’s length” and “like officials”.

Check “Yes” to show that you have attached the worksheet or a sheet of paper with this information.

Directors/trustees are required to provide information such as date of birth and home address to facilitate the administration and enforcement of the *Income Tax Act*. The date of birth information provides further means of identification of directors/trustees who are fiscally accountable for the management of the charity. This information will remain confidential.

Section C – Programs and General Information

C1 – Charity inactive during the entire fiscal period

Sometimes charities go through inactive periods. However, they may want to keep their registered charity status. To keep this status, they **must** continue to file information returns.

An inactive charity is one that did not carry on any programs during the **entire** fiscal period, had little or no

income, and did not issue tax receipts. It may have had some assets and liabilities.

Check “Yes” if the registered charity was inactive during the entire fiscal period, and explain why in the space provided on question C2.

C2 – Program description

In the spaces provided, describe ongoing programs and new programs the registered charity carried on.

The term “program” covers all the charitable work the organization carries out on its own, as well as gifts it makes to qualified donees. 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 registered charity’s programs in the space provided in question C2.** Do not report information on fundraising activities here.

If the registered charity is undertaking new programs that we have not yet approved, please contact us.

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

- 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 registered charity actually does. For example, simply saying “we advance religion,” or “we relieve poverty” is not enough. 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 give pastoral care.
We run a summer camp for recreation and religious programs.
We run a food bank, clothing give-away program, and a daycare centre.
We donate funds to denomination headquarters for overseas missionary activities.
New programs
We hold a senior care program two times a week.
We provide a Sunday school bus service for children.

C3 – Programs carried on in Canada

Check the category that best describes where you carried on programs within Canada.

If **all** the beneficiaries of the registered charity's programs were outside Canada (even if significant administrative functions were carried on in Canada), leave the boxes blank.

C4 – Programs carried on outside Canada

Registered charities can conduct charitable programs outside Canada if these are their own charitable programs. To carry on their programs abroad, registered charities can use employees or volunteers posted in other countries, or they can retain the services of an agent or contractor under an agency agreement, contract, joint-venture, or similar arrangements provided that the registered charities exercise control and direction over the programs. They can also make gifts to other qualified donees that conduct their charitable programs outside Canada.

For more information about carrying on programs outside Canada, see our publication RC4106, *Registered Charities: Operating Outside Canada*.

If **any** (or all) of the beneficiaries of the registered charity's programs were outside Canada, check "Yes" or "No" for each of the means listed in this question.

C5 – Countries or regions where programs were carried on

List every country or region where the registered charity managed or co-managed programs. Do not include countries where programs were managed totally by other qualified donees to whom the registered charity made a gift.

If the registered charity did not carry on programs outside Canada, leave these boxes blank.

C6 – Scholarships, bursaries, awards, prizes, or honoraria

Check "Yes" if the registered charity issued scholarships, bursaries, awards, prizes, or honoraria to individuals during the fiscal period. Here, "honoraria" means payments to individuals other than staff.

C7 – Political activities

Check "Yes" if the registered charity carried out political activities. We presume an activity to be political if a charity:

- (a) explicitly communicates a call to **political action** (i.e., 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 incite, 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 political activities. The law recognizes the historical and continuing role of registered charities in providing informed contributions in 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:

- 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 are allowed only as additional expenditures after registered charities have satisfied the requirement that they devote substantially all their resources to charitable programs. As a guideline, we suggest registered charities devote no more than 10% of their disbursements to political activities; and
- 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 registered 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 (e.g., 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 registered charity's disposal; and
- expressing the registered 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*.

C8 – Fundraising methods

Check **all** the fundraising methods used by the registered charity during the fiscal period.

C9 – Payment of fundraisers

Check "Yes" if any fundraisers, whether internal or external to the registered charity, were paid on an incentive basis

during the fiscal period. Examples of incentive-based compensation include bonuses, commissions, finder's fees, or honoraria paid in direct relation to outcomes from fundraising activities.

Registered charities should keep in mind the potential impact on meeting their disbursement quota before undertaking fundraising arrangements.

C10 – Revenue from the sale of goods, services, or use of assets

A registered charity may charge fees or receive **regular** income from the sale of goods or services, or from the use of the registered charity's assets. The term "regular" does not necessarily mean daily. It means on a repeated basis where there is a system and continuity to the transactions being carried on. Some examples would be weekly bingo, monthly operation of a used clothing store, or an annual summer camp. These include revenue from goods or services provided as part of the registered charity's programs.

Goods sold can include gift-shop items, books or other publications, tapes, food, clothing, furniture, or used items. **Services** provided include shelter, catering, housekeeping, medical or health care, education, counselling, nursery, day care, or transportation. **Use of a registered charity's assets** includes allowing a group to hold a meeting on the registered charity's premises for a fee, or receiving revenue from the use of the registered charity's mailing list, or allowing individuals or corporations to use the registered charity's name or logo in return for compensation.

Registered charities designated as charitable organizations and public foundations can carry on related businesses that accomplish or promote their charitable objects. Private foundations cannot carry on any business activities. A related business is a commercial activity (i.e., revenue-generating) that is either related to a charity's purposes, or substantially run by volunteers. For more information, see Policy Statement CPS-019, *What is a Related Business?*

C11 – Gifts to qualified donees

Registered charities can make gifts to qualified donees. Qualified donees are organizations that the *Income Tax Act* allows to issue official receipts for income tax purposes for gifts that individuals or corporations make to them. See the Glossary at the end of this guide for an explanation of the term "qualified donee".

Check "Yes" if the registered charity made gifts to qualified donees. If so, you **must** attach a list with the name of each qualified donee stating whether or not it is an associated charity, its location, its BN/registration number, the total amount of the gift for the fiscal period, and the amount, if any, of specified gifts.

To enter this information, use the worksheet included in this guide or a separate sheet of paper with the same information using the same format and attach it to the return.

List the qualified donees in descending order of the total value of the gifts made from the largest value to the smallest. The qualified donee's location must include the

city and province or territory, if the qualified donee is located in Canada, and the city and country, if the qualified donee is located outside of Canada. Also report the total number of qualified donees to whom the registered charity made gifts. The total amount of all gifts to qualified donees (excluding specified gifts and enduring property) should be reported on line 5050.

The total amount of enduring property transferred to qualified donees should be reported on line 5060. The total amount of specified gifts to qualified donees should be reported on line 5070.

See the Glossary at the end of this guide for an explanation of "associated charities", "enduring property", and "specified gift".

C12 – Non-cash gifts

If the registered charity received non-cash gifts (gifts-in-kind) for which it issued tax receipts, check **all** the **types** of non-cash gifts the registered charity received during the fiscal period.

See the Glossary at the end of this guide for an explanation of "gifts-in-kind" (non-cash gifts).

Because most of the terms in this question are common, only two are explained here.

Cultural property is property 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, to 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 registered charity subject to this tax must complete Form T913, *Part XI.2 Tax Return – Tax for the Disposition of Certain Properties*, 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 Interpretation Bulletin IT-407, *Dispositions of Cultural Property to Designated Canadian Institutions*.

Ecological property is ecologically sensitive land (including a covenant, an easement, or in the case of land in Quebec, a real servitude), 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 registered charity subject to this tax must complete Form T913, *Part XI.2 Tax Return – Tax for the Disposition of Certain*

Properties, and pay the tax within 90 days of the end of its fiscal period.

Section D – 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 a recipient's income from employment plus the registered charity's portion of payments, such as employee's pension, medical or insurance plan, employer CPP and EI contributions, Federal and Provincial income tax, and workers compensation benefits.

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

D1 – Permanent, full-time, compensated employees

Enter the average number of permanent, full-time, compensated positions the registered charity had in the fiscal period. The number should represent the usual number of positions the charity had on a given day including both managerial positions and others.

D2 – Highest compensated positions

For the five highest compensated positions in the registered charity during the fiscal period, enter how many fall within each salary range regardless of the type of work.

D3 – Part-time or part-year employees

Enter the average number of part-time or part-year employees (e.g., seasonal) the registered charity employed during the fiscal period.

D4 – Compensation for part-time or part-year employees

Enter the total expenditure on compensation for part-time or part-year employees in the fiscal period.

D5 – Compensation to directors/trustees or like officials

This question applies only to directors/trustees and like officials who are members of the registered charity's elected or appointed governing body. See the Glossary at the end of this guide for an explanation of "directors/trustees" and "like official".

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 registered charity. **Please note that provincial laws may differ in this regard.**

Check "No" if the **only** payments the registered charity made to its directors/trustees and like officials were reimbursements for amounts spent to carry on their duties (e.g., an out-of-town director's accommodation and travel expenses while attending a board meeting).

D6 – Transfer of assets

A registered charity has to make sure that none of its income is used to personally benefit its proprietors, members, shareholders, trustees, or settlors. This includes the transfer of a registered charity's property. However, it does not include the transfer of a registered charity's income or assets to individuals or organizations in the operation of the registered charity's programs (*i.e.*, gifts to qualified donees.)

Note

Under the *Income Tax Act*, a registered charity may be liable to a penalty if it confers an undue benefit on certain persons or organizations that are **not** at arm's length to the charity. For more information, see Summary Policies CSP-S17, *Sanctions* and CSP-U02, *Undue Benefits*.

Check "Yes" if the registered charity transferred some of its income or assets to individuals and/or organizations **not** at arm's length to the registered charity. See the Glossary at the end of this guide for an explanation of "arm's length".

Check "No" if the **only** compensation made to individuals was, for example, reasonable amounts spent to host a recognition night to honour the services of employees and volunteers.

Section E – Financial Information

E1 – Method of reporting

Note if the financial information is reported on an **accrual** or **cash** basis.

The accrual basis records revenue in the fiscal period in which the registered charity **earned** it, even if the registered charity receives the revenue after the end of the fiscal period. Similarly, the registered charity records an expenditure in the fiscal period the charity **incurred** it, even if the registered charity pays this bill in the following period.

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

E2 – Assets and liabilities

When you complete this section, make sure that you round all amounts to the nearest **single dollar**.

Assets

Line 4100 – Cash, bank accounts, and short-term investments. Enter the total amount of cash the registered 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. Do **not** include investments in non-arm's length parties on this line.

Line 4110 – Amounts receivable from non-arm's length parties. Enter amounts owed to the registered charity by its founders, directors/trustees, 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 related parties. See the Glossary at the end of this guide for an explanation of “arm’s length”.

For more information, see Interpretation Bulletin IT-419, *Meaning of Arm’s Length*, and Interpretation Bulletin IT-64, *Corporations: Association and Control – After 1988*.

Line 4120 – Amounts receivable from all others. Include amounts receivable from individuals or other organizations. Amounts receivable include accounts receivable such as funds owing from the provision of goods or services, and the current portion 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 on line 4120. Do not include amounts receivable from non-arm’s length individuals or organizations on this line.

Line 4130 – Investments in non-arm’s length parties. Enter the total of long- and short-term amounts that the registered charity has invested with founders, directors/trustees, non-arm’s length employees or members, or any person or organization not at arm’s length to these individuals or to the charity. See the Glossary at the end of this guide for an explanation of “arm’s length”. These amounts would include limited partnership investments, shares, and investments in Canadian or foreign related corporations. Do not include any amounts already reported on line 4110 on line 4130.

Line 4140 – Long-term investments. Include the value of all investments that will mature in one year or later, such as the cash-surrender value of life insurance policies, stocks, bonds, notes, shares, debt, loans, mortgages, and all other long-term investments. Do not include amounts receivable from non-arm’s length individuals or organizations on this line. Do not include any amounts reported on lines 4120 or 4170. Also, note that you have to report restricted funds on line 4170.

Line 4150 – Inventories. Inventory covers the value of supplies and goods on hand at the end of the fiscal period and available for use in the registered charity’s programs or held for sale (e.g., articles that workers in a sheltered workshop manufacture, publications found in a religious bookstore, 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.

Line 4160 – Capital assets (at cost or fair market value). Assets can include land, buildings, equipment, vehicles, computers, and furniture and fixtures.

A registered charity will 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.

Line 4170 – Other assets. Report the value of any assets the registered 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 registered charity’s restricted funds such as enduring property on this line. See the Glossary at the end of this guide for an explanation of “enduring property” and “restricted funds”.

Line 4200 – Total assets. Add lines 4100 to 4170 and enter the total on line 4200.

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

Liabilities

Line 4300 – Accounts payable and accrued liabilities. Enter the 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 programs. Do **not** include any amounts payable to non-arm’s length parties.

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

Line 4320 – Amounts owing to non-arm’s length parties. Enter the total of amounts owing to non-arm’s length parties including advances, loans, notes, or mortgages owing to founders, directors/trustees, 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. See the Glossary at the end of this guide for an explanation of “arm’s length”.

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

Line 4350 – Total liabilities. Add lines 4300 to 4330 and enter the total on line 4350.

Note

Line 4200 does not have to balance with line 4350. A registered charity’s accounting system will usually have a balancing account such as net assets or surplus. We do not require this information.

E3 – Revenue and expenditures

When you complete this section, make sure that you round all amounts to the nearest **single dollar**.

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

Note

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

Revenue

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

Line 4500 – Total eligible amount of tax-receipted gifts.

Enter the total eligible amount of gifts received by the registered 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. Also do not include amounts reported on line 5520 here. See the Glossary at the end of this guide for an explanation of “eligible amount of gift”.

Line 4510 – Total amount received from other registered charities.

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

Line 4520 – Total specified gifts included in line 4510.

Enter the total amount of specified gifts included in line 4510 your charity received from other registered charities. A specified gift can be enduring property. If you receive enduring property as a specified gift, include the amount on this line.

Specified gifts should be labelled as such in both the donor charity’s and recipient charity’s books and records. See the Glossary at the end of this guide for an explanation of “enduring property” and “specified gift”.

Line 4525 – Total enduring property included in line 4510.

Enter the total amount of enduring property included in line 4510 your charity received from other registered charities. This includes for example:

- a gift received by the charity from another registered charity (donor) that was a bequest or inheritance (which may include direct distributions of proceeds to a registered charity that is the designated beneficiary of a life insurance policy, a registered retirement savings plan [RRSP], or a registered retirement income fund [RRIF]) or a ten-year gift of the donor charity at the time the charity received it; and
- a gift received by a charitable organization from another registered charity that is subject to a trust or direction that it cannot be held for more than five years (one-to-five year gift) and must be expended in its entirety over the period referred to in the trust or direction
 - to acquire a tangible capital property of the charitable organization to be used directly in charitable activities or administration, and/or
 - in the course of a program of charitable activities of the charitable organization that could not reasonably be completed before the end of the first fiscal period.

A one-to-five year gift is enduring property in the hands of the recipient charity.

If you receive enduring property as a specified gift, do not include the amount on this line; instead include the amount on line 4520.

Line 4530 – Total other gifts. Enter the total amount of all other gifts for which an official donation receipt was **not** issued (e.g. non-receipted bequests.) Also include gifts for which the registered charity did **not** issue tax receipts because it could not identify the donor, such as anonymous gifts, collection boxes, or loose collections. Do not include revenue from governments or from fundraising on this line. Revenue from fundraising should be included at line 4630.

Line 4540 – Revenue from federal government. 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 – Revenue from provincial/territorial governments. 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 – Revenue from municipal/regional governments. 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 4570 – Total revenue from government. Add lines 4540, 4550, and 4560 and enter the total on line 4570.

Line 4580 – Interest and investment income. Enter the total interest and other investment income the registered charity received or earned during the fiscal period (e.g., interest from bank accounts, mortgages, bonds, and loans). Include all investment income, whether or not the registered charity received an information slip for the amount and whether or not the registered charity received the income from a non-arm’s length individual or organization.

Report all foreign investment income in Canadian dollars. Convert the amount at the exchange rate in effect on the day the registered 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 services office or your local financial institution for the applicable exchange rates. The exchange rates are also available on the CRA Web site.

Line 4590 – Proceeds from disposition of assets (gross amount). Enter the **gross** amount received on disposition of assets. See the Glossary at the end of this guide for an explanation of gross and net “proceeds of disposition of assets”.

Line 4600 – Proceeds from disposition of assets (net amount). Enter the **net** gain or loss on disposition of assets.

Line 4610 – Rental income (land and buildings). Enter the gross income received or earned by the registered charity from renting its land and buildings. Add all such rents,

including those derived from property the registered charity used in carrying on its charitable programs. For example, include:

- rents from a seniors' home the registered 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 the registered charity earns rental income on property it does not use for charitable programs, the charity should provide details on this property in an explanatory note, or appendix to its financial statements.

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

Line 4620 – Memberships, dues, and association fees (non tax-receipted). Enter the total revenue received from memberships, dues, and association fees for which the registered charity did **not** issue a tax receipt.

Line 4630 – Total revenue from fundraising. Enter the total amount of 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 registered charity received from activities carried on by the registered charity as well as gross amounts received directly by contracted fundraisers.

Line 4640 – Total revenue from the sale of goods and services (except to government). Enter the gross revenue received from the sale of all goods and services provided to individuals or organizations. This includes revenue received from provision of goods and services as part of the registered charity's programs. 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 – Other revenue. Enter the total of all other revenue received by the registered 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 4700 – Total revenue. Add lines 4500, 4510, 4530, 4570, 4580, and 4600 to 4650, and enter the total on line 4700.

Expenditures

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

The registered 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. The registered charity cannot arbitrarily allocate its expenditures at the end of the fiscal period. It must be able to justify its amounts.

Note

When you report expenditures, enter the amount paid (cash basis) or the amount of the expenditure incurred (accrual basis).

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 registered charity except gifts to qualified donees.

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

Line 4810 – Travel and vehicle. 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 – Interest and bank charges. Enter the total amount paid or incurred in interest and bank charges (e.g., interest portion of mortgage payments).

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

Line 4840 – Office supplies and expenses. 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 on this line.

Line 4850 – Occupancy costs. Enter the total amount paid or incurred for occupancy costs. This includes rent, mortgage payments, maintenance and repairs, utilities, taxes, and all other costs related to maintaining premises used by the registered 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 – Professional and consulting fees. Enter the total amount paid or incurred for professional and consulting services (e.g., legal, accounting, fundraising).

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

Line 4880 – Salaries, wages, benefits, and honoraria. Enter the total amount paid or incurred for all compensation. See the Glossary at the end of this guide for an explanation of "compensation".

Line 4890 – Donated and purchased supplies and assets expensed for the fiscal period. Include all supplies and assets **purchased** in the fiscal period. Do not include assets that have been capitalized.

Regardless of which accounting method a registered charity uses, a **donated** asset will affect the disbursement quota if a tax receipt was issued for the asset. 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 4900 – Amortization of capitalized assets. Enter the total amortization expense for the fiscal period for capitalized assets. Amortization is often referred to as depreciation. A registered charity that is amortizing assets used in charitable programs 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 – Research grants and scholarships as part of charitable programs. Enter the total amount paid for research grants and scholarships that were part of the registered charity's programs.

Line 4920 – Other expenditures. Enter the total expenditures **not** included on the lines above. This line can include 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 registered charity. Also include the amount of enduring property (originally received as a specified gift) that was transferred (without being designated as a specified gift) to qualified donees. These gifts should also be included on line 5000.

Line 4950 – Total expenditures before gifts to qualified donees. Add lines 4800 to 4920 and enter the total on line 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.

Line 5000 – Total charitable programs expenditures. Enter the part of the amount of line 4950 that represents expenditures for charitable programs. This includes all expenditures essential for the registered charity to carry out its charitable programs. For example, a hospital would include the salaries not only of the medical and nursing staff who are 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. Do not include any current expenditures that came from amounts that were accumulated in previous years and used to reduce the registered charity's disbursement quota. Report these

amounts on line 5040. Do not include any amounts reported on lines 5010, 5020, 5030, or 5040 on this line.

Line 5010 – Total management and administration expenditures. 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 registered 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.

Some expenditures will be attributable to both charitable programs and management and administration expenses, such as salaries and occupancy costs. In these cases, it will be necessary to allocate the amounts accordingly. The allocation should be made on a **consistent** and **reasonable** basis.

Line 5020 – Total fundraising expenditures. Enter the part of the amount on line 4950 that represents fundraising expenditures. Enter the total expenses the registered charity paid out for fundraising activities whether carried out by the registered 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 registered charity and its activities to the community primarily for fundraising purposes;
- fees the registered charity paid to outside fundraising consultants or agencies (or amounts retained by them); and
- postage costs for direct mail canvassing.

Line 5030 – Total political activity expenditures. Enter the part of the amount on line 4950 that represents expenditures for political activities.

Line 5040 – Total other expenditures. Enter the part of the amount on line 4950 that represents expenditures for other activities. Examples of other expenditures are:

- the premiums the registered charity paid to maintain life-insurance policies that donors have given to the registered charity;
- the costs of rental property the registered charity does not use to operate its charitable programs, administration, or fundraising;
- the costs of producing and selling goods and services the registered charity does not use, produce, or sell in the context of its charitable work;

- amounts spent in the fiscal period that the registered charity had previously accumulated with our permission; and
- amounts the registered charity spent in the fiscal period to cover prior year shortfalls further to a compliance agreement with the Charities Directorate.

Line 5050 – Total gifts to qualified donees, excluding enduring property and specified gifts. Enter the total expenditures for all gifts to qualified donees excluding enduring property and amounts that the charity designated as specified gifts. A registered charity meets its disbursement quota by its expenditures on its own charitable programs, and by gifting to qualified donees.

On line 5050, include:

- gifts to qualified donees (excluding enduring property and specified gifts); and
- a gift made by the charity to a charitable organization that is subject to a trust or direction that it cannot be held for more than five years (one-to-five year gift) and must be expended in its entirety over the period referred to in the trust or direction
 - to acquire a tangible capital property to be used directly in charitable activities or administration, and/or
 - in the course of a program of charitable activities of the charitable organization that could not reasonably be completed before the end of the first fiscal period.

A one-to-five year gift is enduring property in the hands of the recipient charity.

See the Glossary at the end of this guide for an explanation of “enduring property”, “qualified donee”, and “specified gift”.

Line 5060 – Total enduring property transferred to qualified donees. Enter the total amount of enduring property, excluding amounts the charity designated as specified gifts, that the charity transferred to qualified donees. Also exclude the amount of enduring property previously received as a specified gift that the charity transferred to qualified donees. Report these amounts on line 4920 and on line 5000.

On line 5060, include:

- a gift received by the charity as a ten-year gift or a bequest or inheritance (which may include direct distributions of proceeds to a registered charity that is the designated beneficiary of a life insurance policy, an RRSP, or a RRIF) that it has transferred by way of gift to a qualified donee; and
- a gift received by the charity from another charity that was a ten-year gift or a bequest or inheritance of the other charity (which may include direct distributions of proceeds to a registered charity that is the designated beneficiary of a life insurance policy, an RRSP, or a RRIF) and that it has transferred to a qualified donee.

Example 1

In 1996, charity A received \$100,000 as a ten-year gift. In 2006, charity A transfers the gift to charity B. Charity A will report \$100,000 on line 5060.

Example 2

In 2001, charity A received shares valued at \$200,000 through a bequest. In 2006, the shares are valued at \$250,000 and are transferred to charity B. Charity A will report \$250,000 on line 5060. It will also report \$50,000 on line 5720.

Line 5070 – Total specified gifts to qualified donees. Enter the total amount of gifts transferred to qualified donees that the charity designated as specified gifts.

A gift becomes a specified gift if the donor charity identifies it as such on its return (Form T1236, *Qualified Donee Worksheet*) for the year and informs the recipient charity that it is a specified gift.

Example 1

Charity A received a gift that was not designated by the donor charity as a specified gift. When Charity A subsequently transfers the gift to Charity B, Charity A designates the gift as a specified gift. Charity A should include the amount transferred on line 5070.

Example 2

Charity A received a gift of enduring property that was designated by the donor charity as a specified gift. Charity A subsequently transfers the enduring property to Charity B and designates it as a specified gift. Charity A should therefore include the amount on line 5070.

A gift transferred as a specified gift cannot be used to satisfy the disbursement quota of the donor charity. See the Glossary at the end of this guide for an explanation of “specified gift”.

Line 5100 – Total expenditures. Add lines 4950, 5050, 5060 and 5070 and enter the total on line 5100.

Section F – Other Required Information

F1 – Expenditures for charitable programs outside Canada

Enter the total expenditures for programs carried on outside Canada during the fiscal period. Include expenditures made directly by the registered charity to carry on these programs **and** payments made to other individuals or organizations to carry on the programs **on behalf** of the registered charity.

Do **not** include gifts made to qualified donees.

F2 – Contracted fundraisers

In this section, a contracted fundraiser means an individual not employed by the registered charity or an outside company specializing in fundraising that solicits funds on the registered charity’s behalf.

If the registered charity retained contracted fundraisers to help with its fundraising activities, enter the appropriate amounts on the following three lines:

- On line 5450, enter the gross amount collected by the fundraisers on behalf of the registered charity.
- On line 5460, enter the total of any amounts the registered charity paid directly to contracted fundraisers, plus any amounts that the contracted fundraisers retained before giving the balance of the funds to the registered charity.
- Line 5450 minus line 5460 represents the net fundraising revenue to the registered charity. Enter this amount on line 5470.

F3 – Accumulated property

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

If the registered charity decides to abandon a project, it must treat the amount accumulated to date and any income it has earned on this amount as a tax-receipted gift in the year it decides to abandon the project. If the registered charity does not use the entire accumulated amount before the accumulation period expires, it must treat the unused part as a tax-receipted gift it received in the final year of the accumulation period. In both cases, the registered charity must consider the total amount **plus** any income when calculating its disbursement quota for the next fiscal period.

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

- On line 5500, enter the amount accumulated this fiscal period, including income earned on previously accumulated funds.
- On line 5510, enter the amount spent this fiscal period for the specific purpose for which we have given permission to accumulate property.
- On line 5520, enter the accumulated amount that is treated as a tax-receipted gift this fiscal period.

See the Glossary at the end of this guide for an explanation of “accumulated property”.

F4 – Tax-receipted gifts

Enter the breakdown of the registered charity’s tax-receipted gifts received during the fiscal period in the following order:

- On line 5600, enter the total eligible amount of tax-receipted non-cash gifts (gifts-in-kind) included in line 4500.
- On 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 registered charity can acknowledge with an official donation receipt. For more information, see Information Circular 75-23, *Tuition Fees and Charitable Donation Receipts Paid to Privately Supported Secular and Religious Schools*, and the Information letter titled

Treatment of Tuition Fees as Charitable Donations under Information Circular 75-23.

- On line 5640, enter the total eligible amount of tax-receipted enduring property included in line 4500. Enduring property includes a ten-year gift or a bequest or inheritance (which may include direct distributions of proceeds to a registered charity that is the designated beneficiary of a life insurance policy, a RRSP or a RRIF.)
- See the Glossary at the end of this guide for an explanation of “enduring property”.

F5 – Enduring property spent in the fiscal period

During the fiscal period, the registered charity may have spent enduring property that it received in the current or a previous fiscal period. The registered charity may claim a reduction to its disbursement requirement from capital gains realized in respect of these amounts. Refer to F7.

The registered charity needs to keep track of enduring property gifted to the charity (both receipted and non-receipted enduring property) so that when it makes the decision to spend such gifts, its expenditure is a reminder to include the amount in calculating its disbursement quota for the fiscal period. Bequests or inheritances that the charity received prior to 1994 do not have to be included in the disbursement quota when they are spent.

The registered charity should enter the amount of enduring property spent (other than enduring property received as a specified gift or a bequest or an inheritance received by the charity prior to 1994) during the fiscal period on line 5710. The amount to report on this line includes both receipted and non-receipted enduring property spent.

Enduring property transferred by way of gift to a qualified donee should be reported on line 5060.

The capital gains realized on the disposition of enduring property should be reported on line 5720.

Example

In 2000, the charity was the direct beneficiary of an RRSP and received \$100,000. The charity subsequently substituted the property for shares. In 2006, the charity disposed of the shares to purchase hospital equipment. The proceeds of disposition are \$125,000. The capital gain realized on the disposition of the enduring property is \$25,000. The charity will report \$125,000 on line 5710 and \$25,000 on line 5720.

F6 – Capital gains from the disposition of enduring property

While the annual calculation of the capital gains pool is voluntary, the charity should nevertheless declare its capital gains realized on the disposition of enduring property which will preserve its right to do the calculation and claim a reduction in the disbursement quota in a subsequent fiscal period.

When a charity realizes a capital gain on the disposition of enduring property (other than a capital gain realized on the

disposition of a bequest or an inheritance received by the charity in a fiscal period that included any time before 1994), it should report the capital gain on line 5720.

Example

In January 2006, the charity received a bequest of \$100,000. The charity subsequently substituted the property for shares. In September 2006, the charity disposes of the shares to acquire new shares. The proceeds of disposition are \$120,000. The capital gain realized on the disposition of enduring property is \$20,000. The charity will report \$20,000 on line 5720. The cost of the new shares is \$120,000.

See the Glossary at the end of this guide for an explanation of “capital gain”, “capital gains pool”, “capital gains reduction”, and “enduring property”.

F7 – Capital Gains Reduction

Registered charities generally have a disbursement obligation on enduring property spent or transferred by way of gift to qualified donees. The capital gains reduction allows a charity to encroach on the capital gains from the disposition of enduring property to assist the charity in meeting its 3.5% disbursement quota obligation. The capital gains reduction is the lesser of the capital gains pool and 3.5% of the amount identified on line 5900 (average value of property not used directly in charitable activities or administration). Where the amount on line 5900 is \$25,000 or less, the 3.5% disbursement obligation is deemed to be nil and as a result, the capital gains reduction is nil. See the Glossary at the end of this guide for an explanation of “capital gains pool”, “capital gains reduction”, and “enduring property”.

If the charity wishes to claim a capital gains reduction that is less than the maximum capital gains reduction available to the charity, check “Yes” at line 5730, and enter the amount from line 11 of the *Capital Gains and Disbursement Quota Worksheet* (Form T1259).

Where a charity has not realized capital gains from the disposition of enduring property, and, therefore, is not entitled to claim a reduction to its disbursement quota, it should not complete lines 5730 and 5740.

However, where the charity identifies at line 5720 that it has realized capital gains from the disposition of enduring property, the charity must complete line 5730. Line 5740 should only be completed if the charity wishes to claim an amount that is less than the maximum capital gains reduction available for the fiscal period. Where no response is provided at lines 5730 and 5740, we will calculate the disbursement quota based on the maximum capital gains reduction available to the charity.

If, at a later date, the charity wants to claim a lesser amount, or where an error is made in completing the annual information return, an adjustment can be made to the return by completing Form T1240 *Registered Charity Adjustment Request*.

F8 – Special reduction to the disbursement quota

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 programs. This provision is available to a charity whose expenditures on charitable programs are reduced by circumstances beyond its control. However, we will only consider giving approval in extraordinary circumstances (e.g., where a charity could not generate enough interest income from investments in order to meet its disbursement quota.)

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 approval, use Form T2094, *Registered Charities: Application to Reduce Disbursement Quota*.

Only report on line 5750 the amount for which the charity has received our prior approval to treat as an expenditure for this fiscal period.

In the case of micro-lending organizations and certain other entities, we may have pre-approved certain amounts as a special reduction to the registered 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”, as long as “micro-enterprise loans” is written beside the entry on line 5750.

For more information, see RC4108, *Registered Charities and the Income Tax Act*; and RC4143, *Registered Charities: Community Economic Development Programs*.

F9 – Non-qualifying securities and loanbacks

Check “Yes” if the registered charity acquired a non-qualifying security or allowed a donor to use any of the registered charity’s property (loanbacks) 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. The loanback provisions directly affect some donors but not registered charities. We recognize that these are complex provisions, and, if necessary, we recommend that registered charities seek advice from their legal or accounting experts. See the Glossary at the end of this guide for an explanation of “non-qualifying security” and “loanbacks”.

For more information, see RC4108, *Registered Charities and the Income Tax Act*.

F10 – Average value of property

Registered charities that are designated as charitable organizations and have an effective date of registration that is earlier than March 23, 2004, are exempt from completing this question. All registered charities are required to complete this section for fiscal periods that begin after 2008.

On 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 registered charity as explained below.

On 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 registered charity as explained below. We will use this amount in the calculation of your disbursement quota requirement for your next fiscal period.

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

For example, if a charity calculates the value of its property only once a year, it will have to rely on two 12-month periods to establish an average value. If it values its property every six months, then it will have four six-month periods to establish an average value.

To establish the average value, first determine the value of the registered 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, that is every 6 months. Therefore, it uses four periods to establish the value of its assets. For the return for the fiscal period

ending December 31, 2006, it should calculate the average value as follows:

	Value of building	Value of shares	Combined value
Value as of June 30, 2004	\$50,000	\$10,000	\$60,000
Value as of Dec. 31, 2004	\$52,000	\$12,000	\$64,000
Value as of June 30, 2005	\$51,000	\$11,000	\$62,000
Value as of Dec. 31, 2005	\$50,000	\$9,000	\$59,000
Value as of June 30, 2006	\$50,000	\$8,000	\$58,000
Value as of Dec. 31, 2006	\$51,000	\$9,000	\$60,000

The average value of property for the 24 months before the **beginning** of the fiscal period is \$61,250 ($\$60,000 + \$64,000 + \$62,000 + \$59,000 = \$245,000$, divided by four valuation periods).

The average value of property for the 24 months before the **end** of the fiscal period is \$59,750 ($\$62,000 + \$59,000 + \$58,000 + \$60,000 = \$239,000$ 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 its property by about 25%.

Example 2

XYZ was established in 2004 but registered as a charity effective January 1, 2005. It is now filing its first annual return since it was registered, reporting on its 2005 fiscal period. In 2003, it did not exist as an entity and thus had no assets. However, the following year it was incorporated and received a gift of securities. XYZ calculates 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, 2003	\$0
Value as of Dec. 31, 2004	\$100,000
Value as of Dec. 31, 2005	\$125,000

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

Section G – For Foundations Only

G1 – Control of a share-capital or for-profit corporation

Check “Yes” if the foundation acquired control of a share-capital or for-profit corporation in the fiscal period. Under the *Income Tax Act*, public and private foundations are not allowed to acquire control of any corporation. However, a foundation that acquires control of a corporation in the fiscal period **will not be considered to have acquired control** unless it had bought or otherwise acquired for consideration more than 5% of the issued shares of any class of the capital stock of the corporation.

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.

A foundation that receives a gift of shares in the year that results in the foundation having control (see above) of the corporation, will only be considered to have acquired control of the corporation if it also, in the current year or previously, 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 any subsequent year, 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 would be considered to have acquired control at that time.

Note

Under the *Income Tax Act*, a charitable foundation that acquires control of a corporation is liable to a penalty equal to 5% of the total of all amounts, each of which is a dividend received by the foundation from the particular corporation. The penalty is increased to 100% for a repeat infraction within 5 years.

G2 – Foundation debts

Check “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 programs at any time during the fiscal period.

Public and private foundations are not allowed to incur debts other than in 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 allows for miscellaneous types of debts such as brokerage fees or other incidental amounts that relate to the purchase or the sale of investments. It includes money borrowed and used to pay for the investment.

Generally, debts incurred in the course of administering charitable programs must have a direct link to the charitable programs of the foundation. They can include

short-term debts, as for current operating expenses, and debts of larger amounts and longer terms such as might be incurred in the purchase of an asset used directly in charitable programs. An example would be a loan used to purchase a vehicle used to deliver meals to shut-ins as part of the registered charity’s programs.

G3 – Non-qualified investments of private foundations

Check “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. See the Glossary at the end of this guide for an explanation of “non-qualified investment”.

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 services office.

Section H – Certification

The return must be signed by a director/trustee or like official of the registered charity who is authorized to sign on behalf of the registered charity. The person signing this return should check all the information to make sure it is correct, complete, and up-to-date. See the Glossary at the end of this guide for an explanation of “like official”.

By signing the return, the person certifies “to the best of [his or her] knowledge”, that the registered charity’s return is correct, complete, and up-to-date. This means that the person who signs the return is responsible for obtaining the best knowledge possible about the information reported on the return.

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

- the completed Form T3010A, *Registered Charity Information Return*;
- the verified Form TF725, *Registered Charity Basic Information sheet*;
- the registered charity’s own attached financial statements;
- the list of directors/trustees or like officials, with all required information; and
- the list of qualified donees, with all required information (if applicable).

If you already submitted a request to change information shown on the basic information sheet, we consider the certification to be based on those requested changes.

Section I – Confidential Data

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

11 – Physical location of the charity

In the space provided, enter the physical address of the registered charity. This means the address of where the registered 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.

12 – Location of the charity’s books and records

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

- the official donation receipts it issued;
- the revenue it received and the expenditures it made;
- that the organization 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 registered charity’s programs including agreements for programs outside Canada); and
- source deductions and taxes payable.

You can find general information on retaining and destroying records in Information Circular 78-10, *Books and Records Retention/Destruction*. For further information on books and records, see RC4409, *Keeping Records*.

In the space provided, enter the address of where the 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 (e.g., the first green house eastbound on Highway 4 from Oldtown).

13 – Name and address of the person who completed the return

In the space provided, enter the requested information about the person who prepared the return.

Calculating the Disbursement Quota

A registered charity must spend a specific amount each year on charitable programs or as gifts to qualified donees. This amount varies according to a registered charity’s designation and is called its “disbursement quota”. The purpose of the disbursement quota is:

- to ensure that most of the registered charity’s funds are used 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.

To help registered charities plan their expenditures, the quota is largely based on what happened in previous years. Consequently, at the end of one year, a registered charity should have a fair estimate of how much it will need to spend on its charitable programs the following year.

We will calculate your disbursement quota based on the information you provide in the registered charity’s return and will provide this calculation to you in a *Registered Charity Information Return Summary*, Form T1242 (Summary). However, as part of your registered charity’s planning process, you may want to calculate your disbursement quota before receiving our calculation. We have included a capital gains and disbursement quota worksheet in the guide to help you with your calculations. The line numbers in the right hand column of the worksheet correspond to those in the Summary. The worksheet is provided **for your use only**. Do **not** file this worksheet with the return.

See the Glossary at the end of this guide for an explanation of “capital gain”, “capital gains pool”, “capital gains reduction”, and “disbursement quota”.

Completing Form T1259, *Capital Gains and Disbursement Quota Worksheet*

Step 1 – Calculating the Capital Gains Pool and Capital Gains Reduction

A registered charity that disposes of enduring property to meet its disbursement quota should complete Step 1 to track its capital gains realized on the disposition of enduring property and to determine the amount, if any, that it wishes to claim as a capital gains reduction. While the annual calculation of the capital gains pool is voluntary, the charity should nevertheless declare its capital gains realized on the disposition of enduring property (line 5720), which will preserve its right to do the calculation and claim a reduction in the disbursement quota in a subsequent fiscal period.

Step 1 is broken down into two parts, Capital Gains Pool Calculation and Capital Gains Reduction Calculation.

A charity will first begin by entering the capital gains pool opening balance and the amount of capital gains realized from the disposition of enduring property (other than a capital gain from the disposition of a bequest or an inheritance received by the charity in a fiscal period that included any time before 1994). It may then calculate the maximum capital gains reduction for the fiscal period and determine what amount, if any, it wishes to claim as a capital gains reduction.

Once a charity has determined the amount that it wishes to claim as a capital gains reduction (line 11), it will then transfer this amount to line 4 of the Capital Gains Pool Calculation, to line 22 in Step 2, Calculating the disbursement quota requirement for the fiscal period covered by the return, and to line 5740 in its annual information return, if applicable.

Step 2 – Calculating the disbursement quota requirement for the fiscal period covered by the return

This step helps a registered charity determine its disbursement quota requirement for the fiscal period.

The first part of the calculation is based on:

- the eligible amount of tax-receipted gifts in the **preceding** fiscal period (line 4500);
- the amount deemed to be a tax receipted gift in the **preceding** fiscal period (line 5520);
- enduring property spent in the fiscal period (line 5710);
- enduring property transferred to qualified donees in the fiscal period (line 5060); and
- amounts received from other registered charities in the **preceding** fiscal period (line 4510.)

The second part of the calculation is based on the charity's 3.5% disbursement quota requirement on property held by the charity and not used directly in charitable activities or administration.

The second part of the calculation applies only if the **average** value of the property held by a charity exceeds \$25,000 (line 5900.) If the average value of the property is \$25,000 or less, the value of the property is deemed to be nil (line 30).

The 3.5% disbursement quota requirement is extended to registered charities that are designated as charitable organizations. However, charitable organizations that were registered before March 23, 2004, will not be subject to this requirement until their fiscal periods that begin after 2008.

Step 3 – Calculating whether the registered charity met its disbursement quota requirement

This part of the disbursement quota helps a charity determine the amount spent by the charity during the fiscal period for purposes of the disbursement quota.

The amounts a charity can include in meeting its disbursement quota requirement include:

- amounts spent on charitable programs (line 5000);
- gifts to qualified donees (line 5050);
- enduring property transferred by way of gift to qualified donees (line 5060);
- the amount of property accumulated during the fiscal period (line 5500); and
- the special reduction amount approved for the fiscal period (line 5750.)

A charity has met its disbursement quota requirement where its total expenditures as indicated above for the fiscal period meet or exceed its disbursement quota requirement (i.e., the amount at line 48 equals or exceeds the amount at line 47).

Step 4 – Estimating the disbursement quota requirement for the next fiscal period

This step is an estimate of the registered charity's disbursement quota for the next fiscal period.

Note

Step 4 does not account for enduring property spent in the next fiscal period or transferred to qualified donees.

The first part of the calculation for next year is based on:

- the eligible amount of tax-receipted gifts in the current fiscal period (line 4500);
- the amount deemed to be a tax receipted gift in the current fiscal period (line 5520); and
- amounts received from other registered charities in the current fiscal period (line 4510.)

The second part of the calculation applies only if the **average** value of the property held by a charity exceeds \$25,000 (line 5910.) It is based on the charity's 3.5% disbursement quota requirement on property held by the charity and not used directly in charitable activities or administration. Where the average value of property is \$25,000 or less, the value of the property is deemed to be nil (line 62.)

The 3.5% disbursement quota requirement is extended to registered charities that are designated as charitable organizations. However, charitable organizations that were registered before March 23, 2004, will not be subject to this requirement until their fiscal periods that begin after 2008.

Keeping track of disbursement excesses

The purpose of this table is to help a registered charity keep track of the charity's disbursement excesses.

The first two columns list the excesses by the year in which they occurred. The middle column identifies which disbursement excesses the charity is using, in whole or in part, to compensate for a disbursement shortfall in this fiscal period. The right-hand column reports the unused excesses still available for future years.

Because any particular year's excess is only available for five years, a charity that is drawing on its excesses should use up its oldest excesses first.

Glossary

The definitions included here are intended to provide an overview of the defined terms and, as such, are not comprehensive. For further information, refer to the definitions of these terms in the *Income Tax Act*.

Accumulated property

Sometimes registered charities will want to set aside funds to make certain major expenditures, such as the purchase of a building or costly equipment, at some future date. By saving the funds rather than spending them on charitable programs, the registered charity may have difficulty meeting its disbursement quota. If that is the case, the registered charity may want to take advantage of a special provision of the *Income Tax Act* to accumulate property. Under this provision, amounts are considered applied against the disbursement quota as they are saved rather than when they are actually spent.

To accumulate property, a registered charity must apply in writing to us for permission. The letter must specify the amount of funds the registered charity wishes to accumulate, how long the registered charity will need to accumulate the funds, and why the registered charity wishes to accumulate these funds. We will confirm permission to accumulate property in writing. For more information, see Policy Commentary, CPC-005, *Accumulation of Property*.

Adjusted cost base

Generally, this is the amount the registered charity originally paid for the property, plus the costs (such as legal fees or surveys) associated with the purchase, plus the cost of improvements to the property.

Arm's length

The term "at arm's length" describes a relationship where persons act independently of each other or who are not related. The term "not at arm's length" means persons acting in concert without separate interests or who are related.

Related persons are individuals who are related to each other by blood, marriage or common law partnership, or adoption. Examples of blood relatives include grandparents, parents, brothers, sisters, and children. Examples of persons related by spousal relationship include the grandparents of a spouse, the parents of a spouse, the brothers and sisters of a spouse, the spouse of a child, and the spouse of a grandchild. Generally, in determining arm's length relationships, common law partners are treated in the same way as legally married spouses. Adopted children are treated in the same way as blood-related children.

Related persons also include individuals or groups and the corporations in which they have a controlling interest. Persons related to these individuals or groups are also considered related to those corporations.

For more information on arm's length, see Interpretation Bulletin IT-419, *Meaning of Arm's Length*.

Associated charities

Associated charities are two or more registered charities that have applied for and received this designation from us. Associated charities can pass funds among themselves without being affected by the usual limitation placed on gift making by charitable organizations.

The *Income Tax Act* generally requires that charitable organizations spend no more than half their income as gifts to qualified donees, otherwise they will be re-designated as public foundations.

You must obtain written permission from us to have an associated status designation. To obtain associated status, complete and send us Form T3011, *Registered Charities: Application for Designation as Associated Charities*.

Bequests

A bequest is property a registered charity receives from the will of a deceased person. Bequests are one form of enduring property. See "enduring property" for further information.

BN/registration number

The BN is used by the federal government to identify organizations and the various program accounts they have. A complete BN has two parts: the registration number (first nine digits) and the account identifier (two letters and four digits). The registration number is the same for all accounts you have with the federal government. The account identifier is assigned by the Canada Revenue Agency for each of its business programs including corporate income tax, import/export, payroll deductions, goods and services tax/harmonized sales tax (GST/HST), and registered charities. The registered charity account identifier always starts with the letters "RR".

When you deal with the Charities Directorate, you must use the RR number designation. If you are unsure of your registered charity's number, please contact us.

Capital gain

A capital gain is realized when a capital property (e.g., share) is sold or considered to have been sold for more than the total of its adjusted cost base and the outlays and expenses incurred to sell the property. Outlays and expenses include fixing-up expenses, finders' fees, commissions, brokers' fees, surveyors' fees, legal fees, transfer taxes, and advertising costs.

Capital gains pool

The new definition "capital gains pool" applies for the purpose of the definition "disbursement quota" and is applicable to fiscal periods that begin after March 22, 2004.

The capital gains pool of a registered charity for a fiscal period is the amount by which the total amount of declared capital gains of the charity from the disposition of enduring property (other than a capital gain from the disposition of a bequest or an inheritance received by the charity in a fiscal period that included any time before 1994) after March 22, 2004, exceeds the amount claimed by the charity as a capital gains reduction.

The annual calculation of the capital gains pool is voluntary, nevertheless the charity should declare its capital gains realized on the disposition of enduring property which will preserve its right to do the calculation and claim a reduction in the disbursement quota in a subsequent fiscal period. See “Calculating the disbursement quota” on page 23 for instructions on how to calculate the capital gains pool.

Capital gains reduction

The capital gains reduction is a calculation that allows a registered charity to encroach on capital gains from the disposition of enduring property to assist it in meeting the element of its disbursement quota obligation based on the average value of its assets not used directly in charitable activities or administration.

If the amount identified on form T3010A, line 5900 (i.e., the average value of property owned by the charity at any time in the 24 months immediately preceding the fiscal period that was not used directly in charitable activities or administration) is \$25,000 or less, the capital gains reduction is deemed to be nil.

Where the amount at line 5900 is more than \$25,000, the capital gains reduction is the lesser of:

- 3.5% of the amount at line 5900; and
- the capital gains pool of the charity for the fiscal period.

See “Calculating the disbursement quota” on page 23 for instructions on how to claim a capital gains reduction.

Capital property

This includes depreciable property, and any property that, if sold, would result in a capital gain or a capital loss. Capital property is usually bought for investment purposes or to earn income. It does not include trading the assets of a business, such as inventory. Some common types of capital property include:

- securities, such as stocks, bonds, and units of a mutual fund trust; and
- land, buildings, and equipment used in a business or a rental operation.

For more information, see Pamphlet P113, *Gifts and Income Tax* and the Guide T4037, *Capital Gains*.

Compensation

Compensation, for persons (employees) working full-time or part-time for a registered charity, includes salaries, wages, commissions, bonuses, fees, and honoraria, plus the value of taxable and non-taxable benefits.

Directors/trustees

Directors and trustees are persons who make up the registered charity’s elected or appointed governing body. This generally means persons who hold positions identified in the registered charity’s governing documents, such as chair, treasurer, secretary, or past president. The registered charity’s governing board includes all its directors and trustees.

Disbursement quota

The disbursement quota is the minimum amount a registered charity has to spend on charitable activities or gifts to qualified donees to keep its registered status. In general, it is an expenditure test based on tax-receipted gifts and amounts received from other registered charities in the previous fiscal period. The value of enduring property spent in the fiscal period or transferred to qualified donees as well as certain properties must also be considered.

The purpose of the disbursement quota is to ensure that registered charities actively use their tax-assisted donations to help others according to their charitable purposes.

Eligible amount of gift

Under proposed legislation, this is the amount by which the fair market value (FMV) of the gifted property exceeds the amount of an advantage, if any, in respect of the gift.

The advantage is generally the total value of all property, services, compensation, or other benefits that a person is entitled to receive as partial consideration for, in gratitude for, or is in any other way related to the gift. The advantage may be contingent or receivable in the future, either by the donor or a person or partnership not dealing at arm’s length with the donor.

An advantage also includes any limited-recourse debt in respect of the gift.

For more information, see Pamphlet P113, *Gifts and Income Tax* and *Income Tax Technical News*, Issue 26.

Enduring property

The new definition “enduring property” applies for the purpose of the definition “disbursement quota” and is applicable to fiscal periods that begin after March 22, 2004. The enduring property of a registered charity generally includes:

- a gift received by way of bequest or inheritance (which may include direct distributions of proceeds to a registered charity that is the designated beneficiary of a life insurance policy, a registered retirement savings plan, or a registered retirement income fund);
- a gift received by a charitable organization from another registered charity that is subject to a trust or direction to the effect that the property given, or property substituted for the gift,
 - is to be held by the charitable organization for a period of not more than five years from the date the gift was received by the charitable organization, and

– is to be expended in its entirety over the period referred to in the trust or direction to acquire a tangible capital property to be used in charitable activities or administration, and/or in the course of a program of charitable activities of the charitable organization that could not reasonably be completed before the end of the first fiscal period;

- ten-year gifts; and
- a gift received by a charity from another charity that was a bequest or inheritance (which may include direct distributions of proceeds to a registered charity that is the designated beneficiary of a life insurance policy, a RRSP, or a RRIF) of the other charity.
- a gift received by a charity from another charity that was a ten-year gift or a one to five year gift of the other charity and is subject to the same condition and original term of the gift.

Gifts of enduring property are generally excluded from the charity's disbursement quota in the year they are received. However, the charity may subsequently have to consider these gifts when calculating the value of property for its 3.5% disbursement requirement.

When the charity spends or transfers some or all of the enduring property, the amount spent or transferred must be included when calculating the disbursement quota requirement.

Excepted gift

See definition under "Non-qualifying security" on page 28.

Fair market value

Fair market value is usually the highest dollar value you can get for your property in an open and unrestricted market and between a willing buyer and a willing seller who are knowledgeable, informed, and acting independently of each other.

For more information, see Pamphlet P113, *Gifts and Income Tax*.

Financial statements

At a minimum, financial statements consist of a statement of assets and liabilities **and** a statement of revenue and expenditures for the fiscal period. They should show the different sources of a registered charity's revenue and how it spent its money.

Gift

In most cases, a gift is a voluntary transfer of property without valuable consideration to the donor. However, under proposed legislation, for gifts made after December 20, 2002 a transfer of property for which the donor received an advantage will still be considered a gift for purposes of the *Income Tax Act* as long as we are satisfied that the transfer of property was made with the intention to make a gift. The existence of an advantage will not necessarily disqualify the transfer from being a gift if the amount of the advantage does not exceed 80% of the fair market value of the transferred property.

For gifts made after December 20, 2002, it is the eligible amount of the gift that is used to calculate the donor's donation tax credit or deduction.

For more information, see Pamphlet P113, *Gifts and Income Tax* and *Income Tax Technical News*, Issue 26.

Gifts-in-kind

Gifts-in-kind, also known as non-cash gifts, are gifts of property. They cover items such as artwork, equipment, securities, and cultural and ecological property.

A contribution of service, that is, of time, skills or efforts, is not property and, therefore, does not qualify as a gift or gift in kind for purposes of issuing official donation receipts.

For more information, see Pamphlet P113, *Gifts and Income Tax* and *Income Tax Technical News*, Issue 26.

Governing documents

These are the documents that formally establish an organization and govern its operations. Some examples of governing documents are letters patent, certificate of incorporation, memorandum or articles of association, a constitution, trust documents, and by-laws.

Internal division

An internal division is an internal branch, section, or other division of a registered charity. An internal division does not have its own governing documents.

Like official

A like official is a person who has governing responsibilities for the registered charity similar to those of a member of the governing board or a trustee. This should be interpreted broadly to include anyone having control and management of the administration of the registered charity. These people generally hold positions such as chair, vice-chair, treasurer, secretary, or past president.

Linked charities

A linked charity is a registered charity with its own governing documents that is, at least in some respects, in a subordinate position to a head body.

The head body usually has policies that govern the charitable programs the linked charities deliver and that regulate their administrative and financial affairs. It may also require dues from the linked charities.

Loanbacks

Special rules may apply to reduce the fair market value of a gift in the following cases.

In the first case, a donor makes a gift and within 60 months of making the gift the charity holds a non-qualifying security of the donor (see definition of "non-qualifying security") that was acquired by the charity within the 60 month period before the gift was made. In this case, the fair market value of the gift is reduced by the amount paid by the charity to acquire the non-qualifying security.

In the second case, a donor makes a gift and within 60 months of making the gift, the following things happen:

- the donor is not dealing at arm's length with the charity;
- the donor, or a person or partnership not dealing at arm's length with the donor, uses the charity's property under an agreement made no earlier than 60 months before the gift was made; and
- the property is not used in the charity's charitable activities.

Here, the fair market value of the gift is reduced by the fair market value of the property used, even if the donor is compensating the charity for the right to use the property.

In either of these cases, the charity may issue an official donation receipt for the gift in the usual way, however, when donors in a loanback situation claim the gift on their income tax returns, they must reduce the amount by the fair market value of the consideration given to acquire the non-qualifying security or by the fair market value of the charity's property they were allowed to use.

If the gifted property is a non-qualifying security, the gift must be an excepted gift (see definition under non-qualifying security) before these special rules will apply. Otherwise the rules relating to a donation of a non-qualifying security apply.

Non-arm's length

See "arm's length".

Non-cash gift

See "gifts-in-kind".

Non-qualified investment

This applies to private foundations only.

A non-qualified investment is:

1. a debt, other than a pledge or an undertaking to make a gift, owing to the foundation by:
 - a) a person, other than an "excluded corporation", see below, who:
 - i) is a member, shareholder, trustee, settlor, officer, official, or director of the foundation;
 - ii) has contributed more than 50% of the foundation's capital or who is a member of a group of persons not dealing with each other at arm's length who have contributed more than 50% of the foundation's capital; or
 - iii) does not deal at arm's length with any person described in i) or ii);
 - or
 - b) a corporation, other than an "excluded corporation", controlled by:
 - i) the foundation;
 - ii) any person or group of persons described in a) above;

- iii) the foundation and any other private foundation with which it does not deal at arm's length; or
 - iv) any combination of i), ii), and iii);

2. a share of a class of the capital stock of a corporation, other than an "excluded corporation", described in 1 above that the foundation holds. However, the law excludes from non-qualified investments any share listed on one of the prescribed stock exchanges named in section 3200 or 3201 of the *Income Tax Regulations* or any prescribed share (see subsection 6203(1) of the *Regulations*) of the capital stock of a taxable Canadian corporation.
3. a right the foundation holds to acquire a share described in 2 above.

An excluded corporation is:

- a limited dividend housing company to which paragraph 149(1)(n) of the *Income Tax Act* applies;
- a corporation whose issued shares are all held by the private foundation; or
- a corporation, all of the property of which is used by a registered charity in its administration or in carrying on its charitable activities.

Non-qualifying security

In general terms, a non-qualifying security is:

- an obligation (such as a promissory note) from a donor or the donor's estate or any person or partnership not dealing at arm's length with the donor or the donor's estate;
- a share in a corporation that the donor or the donor's estate does not deal with at arm's length;
- any other security issued by the donor or the donor's estate or by any person or partnership not dealing at arm's length with the donor or the donor's estate.

The securities and obligations described above do not include those listed on a prescribed stock exchange.

A registered charity can acquire a non-qualifying security either by receiving one as a gift or by buying one (or giving something in exchange for it).

When a registered charity receives a non-qualifying security as a gift, it should record the security's "fair market value" at that time for future reference.

A registered charity can issue a tax receipt to the donor of a non-qualifying security only if the security is an excepted gift. Otherwise one of two things must happen in the 60 month period after the non-qualifying security is acquired before a receipt can be issued:

- the registered charity disposes of the non-qualifying security. In this case, the fair market value of the gift is generally the lesser of the fair market value of the consideration received by the charity on disposition and the fair market value of the security at the time it was gifted; or

- the security ceases to be a non-qualifying security (e.g., if a privately held company goes public and its shares become listed on a prescribed stock exchange). In this case, the fair market value of the gift is generally the lesser of the fair market value of the security at the time it ceased to be a non-qualifying security and the fair market value of the security at the time it was gifted.

After the 60 month period, the registered charity can never issue a receipt for the non-qualifying security.

A non-qualifying security is considered to be an **excepted gift** if it meets all of the following criteria:

- it is a share;
- the charity that receives the non-qualifying security is not a private foundation;
- the donor is at arm's length to the charity; and
- the donor is at arm's length to each of the charity's directors/trustees, officers and like officials.

For more information, see RC4108, *Registered Charities and the Income Tax Act*.

Official copy

What we consider an "official copy" of the governing documents depends on how the registered charity is formed.

If the registered charity is incorporated, the appropriate provincial or federal incorporating authority usually has to approve changes to the registered charity's governing documents. In this case, the official copy we want is a photocopy of the amending documents displaying the stamp or other approval mark from the incorporating authority.

If the registered charity is not incorporated, the official copy we want is a photocopy of the amended documents showing the date the documents came into effect. Two people who are directors, trustees, or like officials of the registered charity must sign the photocopy.

Official donation receipt

Registered charities can issue official donation receipts (also referred to in this guide as "tax receipts") to acknowledge gifts. An official donation receipt is subject to particular requirements under the *Income Tax Regulations* including identification that it is an official receipt for income tax purposes. See the definition "eligible amount of gift" for further information. To view sample receipts visit our Web site at www.cra-arc.gc.ca/tax/charities/pubs/receipts-e.html

Note that registered charities issue other forms of receipts to acknowledge acceptance of services or items that are not gifts. These are not tax receipts and should be clearly distinguished from the tax receipts issued to acknowledge gifts. Contributions of services, that is, of time, skills or efforts, are not property and, therefore, do not qualify as gifts for purposes of issuing official donation receipts. Accordingly, a charity cannot issue an official donation receipt for services rendered free of charge. For more information, see Policy Commentary CPC-017, *Gifts of Services*.

Planned giving

Planned giving is a fundraising program that involves arranging donations to serve the interests of the registered charity and that suits the personal, financial, and tax situation of the individual donor. Through a planned-giving program, a registered charity seeks to attract significant gifts by identifying potential donors and helping them with information and advice.

Examples of planned giving include bequests, annuities, life insurance policies, and residual interests or charitable remainder trusts.

Proceeds of disposition

This is usually the amount a person receives or will receive for property sold. When a registered charity sells a property such as land, buildings, securities, and works of art, it may have a gain or loss from the sale.

Property (3.5% DQ)

Property, for purposes of the 3.5% disbursement quota requirement for a registered charity, is property that:

- was owned by the registered charity at the beginning or end of the fiscal period covered by the return; and
- was not used directly in charitable activities or administration.

Qualified donee

Qualified donees are organizations that can, under the *Income Tax Act*, issue official tax receipts for gifts that individuals or corporations make to them.

They include:

- registered charities;
- registered Canadian amateur athletic associations;
- registered national arts service organizations;
- housing corporations in Canada set up exclusively to provide low-cost housing for the aged;
- municipalities in Canada;
- under proposed legislation, for gifts made after May 8, 2000, municipal or public bodies performing a function of government in Canada;
- the United Nations and its agencies;
- universities outside Canada with a student body that ordinarily includes students from Canada (these universities are listed in Schedule VIII of the *Income Tax Regulations*);
- charitable organizations outside Canada to which the Government of Canada has made a gift during the donor's taxation year, or in the 12 months immediately before that period; and
- the Government of Canada, a province, or a territory.

Restricted funds

Restricted funds are funds tied to a specific use and not available for the general purposes of the organization (e.g., a fund consisting of contributions that donors specifically direct the registered charity to use to buy a new building). Endowments are one type of restricted fund. Donors create them when they stipulate that the registered charity must maintain the principal amount and only use the income earned on it.

Specified gift

Specified gifts under the *Income Tax Act* allow for the transfer of gifts from one registered charity to another registered charity. The transfer amount will not increase the recipient charity's disbursement quota for the year, nor can the donor charity use the specified gift to satisfy its own disbursement quota. However, the recipient charity may subsequently have to consider the specified gift when determining the average value of property not used directly in charitable activities or administration.

A gift becomes a specified gift if the donor charity identifies it as such in its return for the year and informs the recipient charity that it is a specified gift.

Tax receipt

See "Official donation receipt".

Ten-year gifts

Registered charities can receive gifts subject to a donor's written trust or direction that the registered charity hold the gifts for at least ten years. These gifts are one form of enduring property. See the definition of "enduring property".

For more information, see RC4108, *Registered Charities and the Income Tax Act*.

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