

Table of Contents

PREFACE 10

INTRODUCTION 12

PART I: STARTING A CHARITY 13

 1 - Fundamentals 14

 History of the law of charity in England 14

 History of the law of charity in Canada 16

 What can be donated? 17

 What is a gift? 18

 Tax fundamentals 19

 2 – Charity Structure 30

 Unincorporated Association 30

 Charitable Trust 32

 Corporations 33

 Jurisdiction 34

 Operating Extra- Provincially 45

 3 - What is a charity? 61

 Charities vs Not-for-Profit vs For-Profit 62

 Other qualified donees 63

 Charitable objects 63

 Charitable heads 65

 CRA interpretations 67

 Public benefit 69

 Model objects 70

 Drafting objects 70

 Broad and vague 71

 Designation 72

 4 - REGISTERING AS A CHARITY 74

 The T2050 / T1789 Form 74

 Access to the CHAMP system 75

Political Activities Defined 83

Allowable Activities 84

Post-application process 87

PART II - MAINTAINING A CHARITY 89

4A Books and Records 91

 Introduction 91

 What are books and records? 91

 Corporate Records 92

 Meetings 92

 Format 93

 Transactional Records 93

 Additional Records 94

 Creating Records 95

 Where must they be kept? 96

 Electronic Record Keeping 96

 How long to keep records 97

 Who Can See Records 98

 Directors 98

 Members 99

 Government Investigation 99

What Language 100

Creating Books and Records 101

Punishments 102

5 – Raising funds 103

 Donations of cash 106

 Public securities 106

 Flow-through shares 109

 Stock options 111

 Derivatives 112

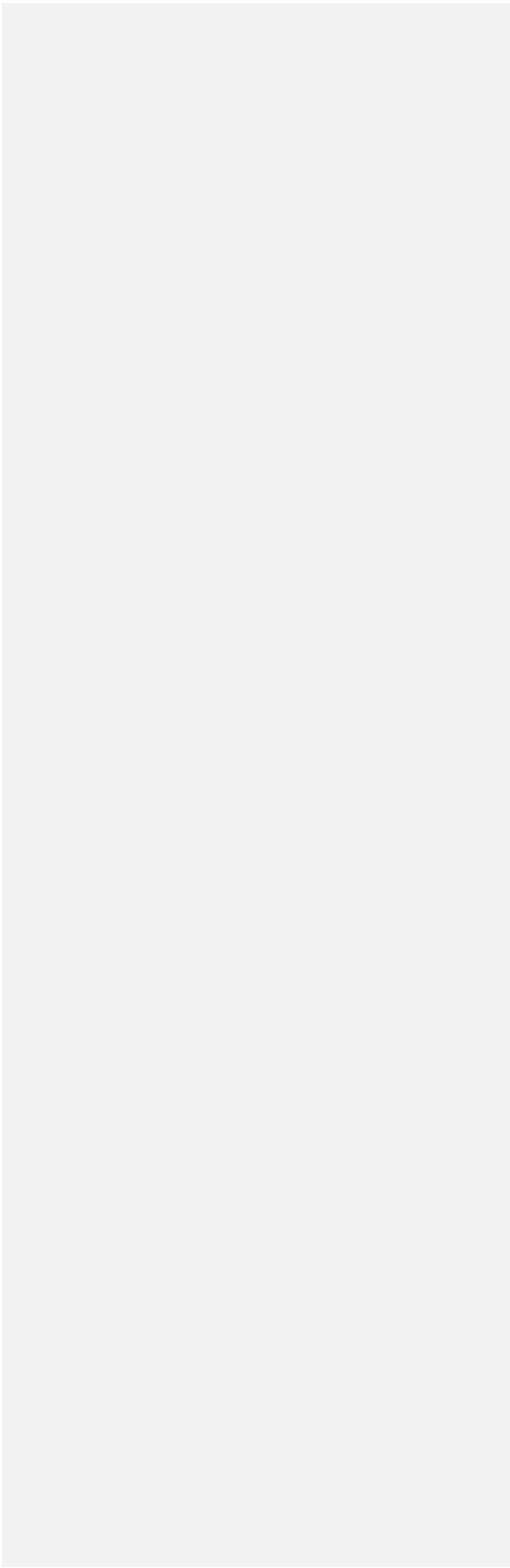
 Private securities 112

 RRSPs/RRIFs 114

 Insurance 116

 Annuities 118

 Artwork 119



Canadian Cultural Property.....	119
Property donated by artist.....	121
Inventory.....	121
Personal use property.....	122
Listed personal property.....	125
Real estate	125
Residual interests.....	127
Charitable remainder trust	129
Gifts to U.S. Charities	130
Volunteer services	130
Loan backs.....	131
6 - Revenue and receipting	132
Business revenue	132
Investment income	137
Sponsorships	138
Purchasing for the purpose of donating	139
Split receipting	140
What goes on the receipt	140
Who gets the receipt	142
When is the receipt issued?.....	142
Replacing a receipt.....	142
Returning Gifts	143
7 – CRA Interaction	145
T3010	145
Director penalties	148
Potential penalties	148
Penalty guidelines	153
Compliance agreements	154
Objections.....	155
Appeals.....	158
8 - Spending money	159
Disbursement quota	159

Fundraising expenses.....	164
Deals with board members.....	166
Maintaining control and direction.....	167
Operating through an agent.....	169
Operating through a joint venture.....	170
Co-Operative Agreements.....	171
Purchasing from an overseas supplier.....	171
International branches of the same organization.....	172
9 - GST-HST issues.....	174
Exempt supplies.....	175
Zero rated supplies.....	177
Charities eligible for the GST/HST rebate.....	177
Required registration.....	178
Gross revenue test.....	178
\$50,000 taxable supplies test.....	179
Eligible and ineligible expenses.....	179
Chapter 9A Introduction.....	183
Corporations vs. Unincorporated Entities.....	183
Types of Liabilities.....	184
Level of Care.....	184
Evidence.....	185
Common Law duties.....	186
Fiduciary Obligations.....	187
Statutory Duties.....	187
<i>Income Tax Act</i>	187
Taking Action.....	189
<i>Income Tax Act</i> Civil Penalties.....	189
<i>Excise Tax Act</i>	190
Taking Action.....	190
Other Acts.....	190
PART III - DEATH OF A CHARITY.....	192
10 - Winding up a charity.....	193

Dissolution: Tax considerations	193
Change of status	193
Process	194
Voluntary revocation	195
Failure to file	196
Revocation for cause.....	197
Publication in the Gazette.....	197
Immediate revocation.....	198
What is the tax status of a revoked charity?	199
Annulment	200
Property in the charitable sphere	200
Revocation tax	201
The winding-up period.....	202
Eligible donees	203
Returns under the Income Tax Act	204
Notices of objection.....	204
Other implications of revocation	205
APPENDIX A - Current model objects.....	206
INDEX	212
Glossary.....	213