

THE MUTTART FOUNDATION

Consultation on the Charitable Registration Process

24-27 October 2023

Banff, Alberta

A Summary of the Discussion

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This report is a summary of one of a series of periodic discussions convened by The Muttart Foundation on voluntary sector regulatory issues. The session was held to promote an exchange of ideas and to develop a fuller understanding of the concerns of both sector groups and government regulators. Any remarks included in the report are intended to reflect the discussions. No undertakings or commitments from either regulators or sector participants are expected or made, notwithstanding any of the wording in the report.

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A Summary of the Discussion

Day 1 - AM

Mr. Bob Wyatt kicked off the session by presenting the history of the Muttart consultations, their purpose, and the ground rules and guiding principles for engagement.

INTRODUCTIONS, ISSUE IDENTIFICATION, AND QUESTIONS ABOUT THE TOPIC

Participants then introduced themselves and were asked to identify an issue or question on the topic of charitable registration, having read the preparatory materials:

- How rigorous should the registration process be?
- Regulator wants the process to be cheaper, better, faster. Organizations want it to be cheaper, fairer, faster. Which one should it be?
- What criteria is used at the point of registration?
- How can we make the process more accessible while protecting the public interest and the reputation of existing charities?
- Questions posed in the registration process are onerous; why is there the need to describe the activities at such an early stage in the existence of the organization?
- Need for transparency in the registration process.
- Need to deal with delays in getting approval.
- What is the best way to distinguish the bona fide organizations from those who may not be legitimate?
- What are the primary goals of the registration process?
- How can we maximize education of organizations at the time of registration?
- Address issue of purposes and activities.
- What is the regulator's role? Are they gatekeepers?
- Process is not a good fit for Canadian newcomers and equity-seeking groups.
- Simplify the application form and make the process easier to understand.
- Is Assessment, Determinations and Monitoring (ADM) meant to provide an enabling environment for charities or are we trying to limit the number of registrations?
- Does the regulator categorize applicants in any way?
- Need to differentiate what an organization has done in the past and what it plans to do in the future when applying for charitable status.
- What is the nature of bias in the system?
- Need data on the registration process and why groups aren't bothering to register as charities.

PRESENTATION BY THE CANADA REVENUE AGENCY (CRA)

CRA staff presented the registration process along with a set of questions for participants to consider (see Appendix A).

Questions put forward by CRA as part of the presentation:

1. What are the challenges in completing the form and getting to a completed application?
2. Are we providing sufficient information about the application process?
3. Is the checklist ok?
4. What is the problem with the My Business Account portal?
5. What is the right balance in supporting organizations through the process? When should support come to an end?
6. Do we have the right balance between service and enforcement?
7. Are there any topics for future webinars? Are webinars the right way to provide information?

Participants then asked the following questions of clarification:

- How many re-applications did you have this year? Response: *We aren't collecting those stats yet.*
- Is the processing time in calendar days or working days? Response: *Calendar days.*
- How do you assess the identity of those named in the application? Response: *CRA accesses public information and has internal systems they consult. They also maintain lists of ineligible individuals.*
- How many employees work in Assessment, Determination and Monitoring (ADM)? Response: *50-60*
- Are there any plans to use AI in the registration process in the future? Response: *This is a matter that CRA is looking at for the whole of the organization at this time.*
- Are there any problems contacting charities by normal means? By phone? By email? How do you deal with scams? Response: *Using the online form has helped to get updated contact information.*
- Do you capture data on applicant organizations before a decision is made, e.g. whether they are rural or urban organizations, size, etc.? Response: *No*
- Is there a value-add in having an advisor to fill out the application form? Response: *Yes. A professional is there to answer questions we have of the client whereas it takes time to do the back and forth when an organization has no such support.*
- Using the portal to apply is a challenge for some demographics and for some communities with limited bandwidth. Is the paper format still available? Response: *Yes, but it is not on the website at this time.*
- How many successful applications were the result of an appeal? Response: *None.*
- Why were the 16 applications you mentioned rejected? Response: *For engaging in non-charitable activities, private benevolence, acting as a conduit for another organization, providing resources to non-qualified donees. These were the biggest reasons for refusals.*
- Is it possible to track the number of organizations that start registration and then give up? Response: *We have the ability to get the data but incomplete applications are deleted after six months. Applicants are then informed that their application is purged.*

Additional questions, comments and suggestions raised by the participants:

- Could there be a paper draft prepared before they go online? It would need to be in fillable format.
- Could there be two contact persons? The Advisor and the Board Chair?
- Does the checklist serve the purpose? A participant responded by saying they felt that it is too high-level.

- Budgets have to be rejigged to fit into the form.
- There could be more examples of model purposes provided on the website.
- Could you offer a service of pre-vetting?
- Is it possible to upload constitution documents? (for example, for federated organizations like churches)?
- Have you considered a 'tell us about your experience' feature for applicants after they have completed the application?
- Good to see the rate of outright rejection is low but we need to consider what it takes to get applicants over the hurdles. Are you potentially forcing people into a mold? If there are no appeals at all, is that in and of itself an issue?
- There are serious incentives to get it right on the application because the appeal process is likely not to yield a different answer.
- The directorate seems to have put more of an emphasis on activities to better understand the purposes.
- CRA's policies are sometimes outdated which creates problems for decision-making on becoming a charity. Can these be updated online?

Day 1 - PM

OVERVIEW OF THE REGISTRATION PROCESS IN OTHER JURISDICTIONS

In the afternoon, the international guests made presentations about how the registration process works in their respective jurisdictions.

England and Wales Presentation

Registration with the Charity Commission of England and Wales is solely by online application. There is no printout of the form available. Depending on responses to some questions, various additional questions can be triggered. There is, however, guidance on the questions that will be asked. The main focus of the questions is on the purposes and how the activities will further the purposes, and on different aspects of public benefit (what are the benefits? what segments of the public will benefit? are there any restrictions on access to services and facilities, what private benefits are there? etc.)

There are also questions on how the charity will be financed and that are used to gather information to be included in the Public Register of charities. In addition to the form the applicant must upload the governing document, proof of funds of £5k (the threshold for mandatory registration) and the Declaration of Eligibility and Responsibility to be completed and signed by each charity trustee.

On receipt of the application form an initial assessment is made. Ninety nine percent of applications are assessed within ten working days of receipt of application. If the application is incomplete or unclear it will be rejected, and a corrected application will need to be submitted. This is the result of the Commission's new tough approach to incomplete and unclear applications. If the initial assessment is passed, additional questions may be asked and additional documents requested. A final decision is made within 30 working days for 88% of applications. The final decision may be registration, registration with conditions, or rejection. If rejected, the applicant may resubmit, ask for internal review or appeal to the Charity Tribunal. If the charity wishes to have certain tax advantages, a separate, shorter application then needs to be made to the Revenue.

There are a number of pieces of guidance on setting up and registering a charity on the Commission website. These are mainly quite short and contain links to additional guidance. In addition, 65 national charity networks (e.g. playgroups, PTAs, local choral societies, some church congregations) have Commission-approved governing documents with agreed purposes. This

speeds up registration. Model documents for all the legal structures are also available on the Commission website. There is limited advice on the process from sector bodies.

Participants then asked the following questions:

- What happens when organizations are declined? Response: *The new approach is that they are advised of the issues, and they are asked to address them before considering to re-apply.*
- What is the ratio of applications processed to staff reviewing? Response: *We tried to find this data but it wasn't readily available. Case officers review the applications, and they have access to 2-3 lawyers if needed.*
- How long has the “new” process been in place? What has been the result? Response: *The new process has been in place for the last couple of years. The number of registrations is the lowest in 35 years. The Charity Law Association is concerned that applications are being rejected for minor issues. Statistics pertaining to who is preparing applications (professionals/lawyers and other national bodies) are not available.*
- What does “registration with conditions” mean? Response: *This is quite unusual – would mostly be if a particular activity was not deemed to advance the charitable purpose. We are not sure how this is monitored.*
- What is the link between the Charities Commission and Government? Response: *The Charities Commission is an arms-length body that operates quite independently from government. Members of the Board are appointed by government, which does lead to some criticism related to political appointments.*
- What are “unregistered charities”? Response: *Small organizations can go directly to Revenue and not be registered with the Charities Commission. The risk of fraud is greater in these organizations.*
- How is public benefit assessed? Response: *Applicants must explain in 70 words or less – what the benefit is, and who has access to the benefit (i.e. who is the public?). If there are restrictions as to who can access the benefit, the applicant must explain those restrictions.*

USA Presentation

In the US at the national level, oversight of charities is undertaken by the Internal Revenue Service, as the laws governing charity behaviour are contained in the Internal Revenue Code in the form of organizational and operational requirements that must be met to obtain and maintain status as a charity whose income is exempt from income tax. Tax-exempt status as a charity also enables donors to obtain a tax deduction for gifts to tax-exempt charities.

The concept of charity tax-exemption has been part of federal tax law since 1913, but the formal collection of information about charities did not begin until 1941 with the institution of a requirement for the filing of an annual information return. In 1950, a formal application for tax-exempt status was developed, known as the Form 1023, which steadily expanded in size, now over 20 pages, in part to reflect the greater complexity of organizations, as well as an expanded need for information by the IRS and requires approximately the same type and quantity of information that would be required for a business plan that a new business would submit to a bank in order to qualify for a loan – essentially a description of what the new charity will do, how it will do it and fund it, as well as how and by whom it will be governed.

Initially, routine applications were processed in a decentralized fashion in selected IRS regional offices, with complex applications being handled in IRS headquarters in Washington, DC. As a cost-savings measure, processing in Washington was discontinued around 2000. Approximately ten years ago, in order to alleviate delays in processing, a dramatically shorter electronically-friendly application, consisting of essentially a single page of basic information, was developed, the

Form 1023-EZ. The Form 1023-EZ is processed as if it was a registration mechanism, not an application, which has led to criticism that it was facilitating the fraudulent charities. In response, the Form 1023-EZ is being reevaluated.

Participants then asked the following questions:

- How are the rules enforced? Response: *Most enforcement activity happens at the State level.*
- What do sector advocates think of the simplified form? Response: *There is a feeling among many of these organizations that it is effective. Many believe that enforcement should happen on the back end and that the IRS should have more money for enforcement.*
- What is the advantage of the long application form? Response: *If questions arise from the IRS – years later – the charity has protection due to the responses provided on the long form.*
- How would a Canadian charity do “due diligence” of a potential partnered American charity? Response: *Form 990 and applications for exemptions are public. As well, Canadian charities could do internet searches as well as searches through a particular State (some States require formal audits and additional forms, etc.).*

Day 2 – AM

Australia Presentation

Registration of charities is a principal function of the Australia Charities and Not-for-Profits Commission (ACNC). Registration with the ACNC is voluntary. However, registration is a prerequisite for access to certain Commonwealth taxation concessions, notably income tax exemption, and may be a prerequisite for other exemptions, benefits and concessions under Australian law.

Led by a Director, the Registration team is structured into three teams each led by a Senior Manager. A total of 30 Law Interpretation Analysts and 4 Law Interpretation Officers process the work of the Registration team. Legal and charity law guidance is provided by 3.5 Law Interpretation Specialists.

Currently, more than 99% of all applications for charity status are received online.

During the 2022-23 financial year, the ACNC:

- Processed 5,535 charity registration applications (including 1,685 reapplications) and registered 2,652 charities.
- Closed 2,018 charity applications as they were incomplete and a further 417 as the applicant withdrew.
- Refused 95 applications due to insufficient information and a further eight for non-charitable purposes.
- Achieved a 95% customer satisfaction rate.
- Processed 88% of charity applications within 15 working days of receiving all the information required to make a decision, although there was a longer than usual delay in being assigned to an assessor (between one to several months).

Additionally, in order to reduce red tape, the registration form was designed in a format that would enable the ACNC to collect the information required by the Australian Tax Office (ATO) to award the relevant tax concessions. This information is then passed digitally to the ATO by the ACNC on charity registration thereby reducing the need for the ATO to contact the charity for information.

Participants then asked the following questions:

- It was indicated in the presentation that sometimes organizations that will be doing foreign activities don't have proper policies and procedures in place, but plan to develop them. What does the ACNC do when applicants plan on doing foreign activities but don't have proper policies and procedures in place? Response: *Not sure as there is secrecy in the process; the upcoming legislation will open this up. There is a well-developed code (standards) for development agencies which involves peer review, review by accountants, etc. The ACNC also invites groups to consider joining peak organizations. The groups have MOUs with ACNC and can do more in terms of assurance than the ACNC can do.*
- What is the relationship between ACNC application and Australian Taxation office (ATO)? Response: *The application, once approved by the ACNC, is forwarded to the ATO - this happens quickly (one or two days).*
- Is it risky to rely on peak bodies for enforcement? Response: *It can be. The ACNC, the ATO, peak organizations, and government contracting departments can all play a role. Ultimately, the police can intervene.*

ISSUES AND TOPICS FOR DISCUSSION

Based on the previous day's conversations, questions and comments, the facilitators then proposed a set of topics and issues for further discussion by the group (see Appendix B). Working off that document, the participants then came up with the following list of topics and issues that they wished to discuss.

- Triage Process
- Challenges of Accessibility
- Purpose, Activities, and the Concept of Public Benefit
- Appeals and Objections Process & Administrative Fairness Letters
- Systemic Bias
- Role of the Sector
- Educating Organizations about the Registration Process

THE TRIAGE PROCESS

The representative from CRA started by providing an overview of the process:

- Initially, the application goes through a mechanical assessment of completeness. Is the form filled in properly and have the necessary documents been provided? Does the applicant have a good sense of what they want to undertake? The description of activities gives CRA the sense of what they want to do. This process takes 2-3 days.
- There is then a review of the list of Board of Directors, in conjunction with the Review and Analysis Division (RAD). Are they a director of another charity, and specifically one that has been revoked, is under audit, or has previously been audited?
- The application is then assigned to a team, and a complexity review takes place. The applications are assigned a complexity ranking, but that ranking may well change as a result of the officer's research (e.g. website might reveal additional or different activities). An officer may call the applicant or an Administrative Fairness Letter (AFL) may be issued. The AFL makes reference to the policies and guidance they should use. In most instances, the applicant responds with the information required to make a decision.
- The files are assigned to different teams. For example, a more complex application wouldn't go to a junior officer. Two technical policy advisors form part of each team. The Technical Policy Advisor is the highest technical position in the Assessment Determination and

Monitoring Division. They are responsible to review the technical accuracy of the final decision made on the application. They are also responsible for the consultation with other departments to ensure the technical accuracy of our decisions.

- After analysis, the application then goes back to the Manager.
- The process at this time is first-in first out. There is currently no stream to accelerate applications that are complete.
- Triage is now being done more according to the level of effort required to reach a final decision (complexity).

Questions and comments:

- The question was raised again about whether the applications prepared by professionals get through faster. CRA indicated that they want to explore and extract that information, but the assumption is that they likely get resolved faster.
- There used to be a team dedicated to addressing simple applications. (e.g. religious organizations). There were relationships developed with the peak organizations and that made for a quick turnaround and a straightforward application stream.
- Much thought goes into triage and assessing complexity and risk. Might there be unconscious bias? Is there a system whereby something is determined to be complex? Response: *This responsibility falls to the Technical Policy Advisors.*
- Before we talk about triage, we should talk about the population going into the funnel. Sixty percent of charities have no staff, so the percentage of applicants with no staff will likely be even higher. They are likely well-intentioned but narrowly active and/or mostly new organizations. They may have worked through provincial or federal incorporation. As a result, a lot of applications are coming into triage because people don't know what to do with the form. That's not CRA's issue, it is the sector's issue.
- At the screening stage, are you searching other databases? Response: *Each application goes to RAD for screening according to their criteria. Review teams also search CRA information. There are MOUs with national security partners, but we don't search their databases.*
- There was a question as to whether the reputation of advisors who may be known for running schemes or forcing applicants into certain molds or simply registering as foundations is also taken into account.
- Are risk and complexity factors in the initial triage something that could be shared so as to get better applications? Response: *Granting and activities outside of Canada would be indicators of complexity, but CRA is also looking at the completeness of the application. It's not a simple answer. It is agreed that just because activities are outside of Canada doesn't mean there is a higher level of risk. Granting to non-qualified donees will be viewed as risky in the initial years. Complexity is also the level of effort needed to process applications – so organizations outside of Canada may not be riskier but there may be more effort involved.*
- How many are categorized as complex vs. non-complex? Response: *There was a discrepancy between teams, and they are now trying to standardize the process. The current estimate is that 10% of applications are highly complex, 60% are of low complexity and 30% are in the mid-range.*
- Do teams specialize in assessing certain types of organizations such as health, religious, military? Response: *This approach is being looked into, but CRA is also trying to build expertise by exposing staff to different types of organizations.*
- An example was provided of an application from an immigrant community in the GTA. They had simple things in mind to provide relief from poverty through financial support, etc. in their home communities but Bill C41 has put a chill on this kind of application. This challenge also holds true for working in countries like Somalia that have no banking

systems and no diplomatic relations. The immigrant communities in Canada see great need but have limited capacity and few advisors.

- CRA has a mandate to combat terrorist financing and to safeguard the tax system from abuse, so one must take into account some very real risk factors. It's legitimate that they ask questions of some organizations that they don't ask for organizations operating elsewhere. It's not universally true that if you're conducting activities outside of Canada that you're automatically higher risk but there are jurisdictions that do represent higher risk.
- A starting point for assessing risk may be to look at whether the "proposed programming" furthers a charitable end. It's a cause-and-effect relationship. A follow-up question is what factors complicate that relationship. When is that relationship not as simple? It would be helpful to see from the regulator's perspective where there isn't a direct line (i.e. it's too indirect, the activities also further other purposes, etc.). It would be useful to understand what compromises the cause-and-effect relationship. It may be when the activity involves some other legislated or common law prohibition (e.g. related business – commercial, private benefit, or a comingling of directors' interests).
- Much is to be said for more transparency on factors that are being considered when it comes to risk assessments. We realize it can't be fully transparent, but it could give the applicant a better sense of the process and increase understanding that some applications may take longer. There is an issue around the consistency of assessment of risk and, without transparency, there may be a concern about bias. This perhaps needs to be made clear within the agency and across teams. Internal consistency is at least as important as external transparency.
- The transparency is where we find out where the problems are. We cannot expect CRA to reveal their risk matrices – that would give the bad actors the wrong information. But it would be useful to get more information on why applications are refused. We have no data to determine systemic bias. We don't know how it plays out on the ground and absent changes to CRA confidentiality rules, we won't.
- It would be a dream to have quality assurance across the various parties involved in assessment and in providing information, but there aren't the resources.
- Overall, there was agreement that some of the factors that go into the assessment of risk and complexity could be more transparent.

CHALLENGES OF ACCESSIBILITY

One of the participants provided an overview of their experience related to registration. The applicant had a lot of experience working in and with the sector. The organization had done all the work and had all the supporting documentation but, in the end, needed to turn to a law firm to undertake the actual application. The first challenge was logging on to the business portal; a second challenge was that the information provided on the website was overwhelming.

Several other participants echoed the challenge of accessing the business portal. The client services line is helpful but unable to provide support relating to the business portal. Other issues relating to accessing the business portal included glitches related to entering rural addresses and the wait time to get support for the business account.

Addressing the Challenges of the Business Portal

- Given the challenges of accessing the business account, it may be important to continue to allow organizations to apply in hard copy.
- Could professional advisors be provided with an account from which to file applications on behalf of clients?
- The notion of "owners" of the business account is problematic as this is a static account. There is no mechanism to make changes (i.e. change the names of directors).

- CRA is aware of the issues related to the business portal but has little ability to fix the issues.
- CRA is concerned because of security threats. The willingness to drop some of the safeguards is simply not there.
- Participants were reminded that there are 86,000 clients in the charity division but 30 million plus taxpayers (and so this can influence how resources are allocated).
- There may be an opportunity to schedule “live support” on a regular basis for organizations wanting to create a business account.

Other accessibility issues/questions raised:

- Is there an opportunity for the CRA to conduct a preliminary review of objects? Pre-vetting of objects would streamline the process. This was done in the past but is no longer available. The challenge is that if the purpose isn't acceptable to the CRA and needs to be changed, it requires the organization to also change corporate records which can take up to six months (depending on the province/territory).
- From a determinations perspective, the purposes can't be considered in isolation from the proposed activities.
- Could an organization be allowed to submit draft articles of incorporation and once reviewed/approved by the Charities Directorate, the organization would be notified that registration is pending based on receipt of the filed articles?
- Could the CRA consider “conditional registration”? The incentive to ensure that the organization meets the “conditions” would be to avoid revocation.
- Conditional registration is problematic for receipt writing; an option could be to advise that the organization can't issue receipts while conditional but can backdate upon formal approval.
- CRA would need to check with their legal department to see if the above suggestion is doable.
- The current policy relating to effective dates of registration is CPS 017.

Day 2 - PM**REVIEW OF THE APPLICATION FORM**

In the afternoon of Day 2, the participants broke out into groups and were asked to review the application form with a view to suggesting modifications. The following section summarizes the key points raised and the suggestions made. The comments are grouped into two main categories of observations/concerns. The last section speaks to structural problems with the form.

Information required is overly broad or unnecessary

Overall, participants felt that much of the Information requested resembles more of an audit checklist. There were questions about whether all of it is needed for registration and what registration-related regulatory purpose it serves?

Section A – Identification of your organization

- Form requires multiple addresses for an applicant (records, mailing, physical, other locations) Does CRA need all of them? The records address is required by statute, but what about the others? It was noted that physical locations may be relevant for audit purposes.
- Why are we asking for other office locations, website, social media? What is the usefulness of this information? Is it included in the charity listing once approved? It was observed that there is no spot for phone numbers for other locations on the form.

- What defines an additional location and what value is there in knowing this? Need to clarify why we need this.

Section C – Organizational structure

- Internal Division – not everyone knows what this is. How it's asked in the application is different from the T-3010.

Section E – Directors, trustees, and like officials

- Director Information – There is no discernible policy reason for requiring occupation and phone number for directors. Employment of director may be relevant as tertiary identification, but otherwise? Date of leaving the Board is irrelevant. If the person is no longer on the Board, why are they included at all?

Section F - Designation

- Why collect sample qualified donees for granting? This is typically speculative, and we don't see that it adds value.

Section G – Purposes and activities

- Activities - Too much Information is requested on each activity - goes beyond the 'what' and into the 'when' and 'where'. Having start dates for activities is often artificial. If the statement of activities isn't binding and you can deviate without consequence, are you achieving your regulatory goal?
- One participant pointed out that the *Income Tax Act* requires registered charities to be "constituted and operated" for charitable purposes. The "constituted" criterion speaks to the need for charitable purposes. The "operated" criterion speaks to the need for charitable activities. And so the regulator has an identifiable and undeniable regulatory need to have regard to activities. The issue is how and when the CRA's legitimate concern over activities should find expression. Currently, the CRA requires applicants for charitable status to state their activities from the outset as part of the registration process. The obvious problem is that (a) the activities will often be unknown from the outset and (b) the statement of activities is not formally binding on applicants who receive charitable registration. So, if the statement of activities is not binding, how does it advance the CRA's legitimate regulatory concern over activities? An alternative option is to restrict the registration form to a statement of charitable purposes. The application process could entail some other attempt to educate applicants as to the constraints on activities. This could be a compliance agreement signed by all the directors at the time of registration. The compliance agreement could indicate in accessible terms the guardrails within which all activities going forward must fit. This would streamline the registration process by ensuring it would not get bogged down by granular assessments of activities that may or may not be carried out.
- The question about other planned relationships is too vague and the information is unnecessary. The answer is 'almost always' of course, but the applicant doesn't know who they will be in relationship with at the point of registration.

Section H – Gifts and other income generating activities

- Why is more than a standard budget required? Budget format and categories are confusing and contrary to the way business budgets are prepared. Is there value in requiring the division into charitable vs. administrative expenses in each budget category (staff, space, etc.)?

Section J – Real property

- Ownership and interests in property currently requires deed, certificate of title or lease. Why is this required? This is intimidating for marginalized groups and a barrier for entry to the charitable sector. Questions about leasehold improvements are often speculative, but where they are required to carry on operations, they are incidental private benefit and in pursuit of public benefit and should be acceptable. So, what purpose does the question serve?

Section K – Financial information

- “When do you begin to commence operations” question- you can't insert a “after we obtain registration”; there must be a date. This makes no sense as most often operations depend on registration and subsequent funding.

Questions are unclear or require categorical answers that are misleading or are not exclusive

Section D – Governing documents

- Five years as the threshold for requiring a certificate of good standing is arbitrary and not connected to a policy objective. If the policy is to ensure good standing other than for new organizations, why not go for one or two years?
- There is unclear language here. “Constitution” should be defined.

Section F - Designation

- Use of “qualified donee” terminology is inaccessible and misunderstood. Lay persons do not know what this term means.
- The question on whether 50% or more of capital is from one source needs retooling, as it isn't clear and doesn't reflect the language in the Act for determining private foundation designation. In particular, what is the timeframe for answering this question? For many charities, in the first year of their operations, they are likely to be funded from a single source, or by the group who is also directors, with plans to be more broadly funded in future years. This is normal and expected; why should they be designated as a private foundation? As an example, if an applicant is being 75% funded in year one by three directors and plans to generate future revenue by a related business activity, designation as a private foundation will prevent the charity from operating the business that is meant to fund them.

Sections: H - Gifts and other income generating activities, G - Purposes and activities, and K - Financial information

- Overlapping categories of income - what is the regulatory reason for asking? Can you create an “income from charitable activity” category? Or another approach to carve out income from charitable activity?
- There are too many categories for income under the fundraising category, and they often overlap. These should be consolidated into a single category of fundraising income. There is no policy reason to divide it in this way, and the divisions are unclear and can lead to double counting.
- Section G on real property- entire section may be invalid.
- Administration expenses vs. charitable expenses- this is speculative at point of registration, gameable and not accurate.

- Question about ‘Are there any charitable activities that do not carry out a charitable purpose?’ What does this question mean? How could there be permissible activities that do not carry out any charitable purpose?

Structural issues raised about the application form

- Access to the submitted application is restricted to the person who submitted it. It’s not possible for a second person (at the same charity or at the same professional firm) to access in order to submit additional documents. Currently only the person who submitted can access to upload supporting documents.
- Once additional documents are uploaded, they can be seen only as a list of titles. The content cannot be subsequently reviewed to ensure that it was uploaded correctly, or to confirm whether information was already provided to the Charities Directorate.
- T1789 can only be updated twice a year in April and October. This is tied to CRA IT releases. It was requested that any change to the form be clearly announced on the CRA website so people can check and update their own precedents and working forms.
- Rather than questions which trigger a requirement for the applicant to provide further detail to “prove” compliance, consider a different approach where certain activities or answers in the application trigger specific guidance provided on registration (e.g. operating overseas/lotteries, etc.) so notification is responsive to the nature of the application.
- Mouseover clarifications can be used more extensively as a means of providing clarification and additional information.

Day 3 - AM

PURPOSE, ACTIVITIES AND THE CONCEPT OF PUBLIC BENEFIT

Participants started by asking about the possibility of using plain language for the CRA form. Could the questions be more like those asked in the UK: “How will your organization benefit the public? What are you interested in doing? Who is your public?” The flip side to asking about public benefit is about determining if there is private benefit.

Another issue related to asking for detailed activities is that the applicant can’t pre-determine which activities might be relevant in the future. It may be more appropriate to ask about activities for the first year of operation, understanding that activities will likely change and evolve over time.

Asking for budget information for each activity also adds a layer of complexity for the applicant. Most applicants are likely guessing at this as budgets are often done by major categories of expenses (rather than by activity).

Additional questions/issues raised:

- Would it be acceptable to CRA to ask applicants to provide a two-page narrative on what they want to do? The follow-up questions could be related to who will benefit, and how.
- Should we invite applicants to consider providing a draft plan? The form and guidance should specify what timeframe is being sought – recognizing that there will be growth and evolution of the plan.
- Would providing CRA with logic models/theories of change be acceptable (for those applicants who have this information)?
- The most common response from CRA to an application is about providing additional information. Could the form/guidance provide examples of what is needed?
- Examples were provided where detailed information was requested, such as certain religious organizations being asked about who is delivering sermons, their education, the content of the sermons.

- CRA representatives expressed regret over the detailed information requested from religious organizations. They committed to reviewing the supplementary questions being asked to ensure they are appropriate. They mentioned that the team of reviewers is diverse and has good representation from different faiths.
- Is it fair that CRA is accessing the internet/social media for additional information? Should the applicant be provided with an opportunity to rebut?
- If administrative fairness is applied to the registration decisions, is the level lower than what is used for revocation? The applicant should have a right to respond to all the information upon which the CRA relies.
- We can't ignore the original legislative intent. The debates in Parliament at the time were about the four heads of charity and the question asked was whether parliamentarians were satisfied that the categories covered every form of benevolence. Enabling was the original intent – is this reflected in the form?
- How does CRA work to understand how different communities/religions operate? Examples of Indigenous organizations who don't have traditional governance structures were discussed. How are those who review applications trained? Would CRA consider a different approach to registration for these potential applicants?
- Examples were also provided where a professional advisor starts by providing 4-5 pages to describe a religion/faith group before providing the activities information – in the hopes that this will avoid an administrative fairness letter. Would CRA consider teams that are specialized in different areas? The UK has these types of teams.
- Is there a risk of common/sample purposes leading to diminished opportunity for innovation and experimentation?
- We need to remember that the sector also wants CRA to admit charities while keeping out the potential bad actors. To what extent is CRA enforcing at the front end? Assessment, Determinations and Monitoring (ADM) should not have an enforcement role; that's for compliance to deal with. Compliance shouldn't register and ADM shouldn't enforce.
- If the registration process is simplified, will the revocation process need to be reviewed to ensure that it is timely and effective? A bad actor can do a lot of damage if it takes 2-3 years for a charitable status to be revoked.
- What is the purpose of the registration process? CRA needs to keep out the bad actors. Is it reasonable for the process to also educate applicants? How much of this should happen at the registration phase?
- Guidance should be considered to help applicants respond to CRA questions (example: Who will benefit? How will the benefit occur? What is the purpose? When will the activities occur?)
- Although there is a lot of information about registration on the website, it can be confusing to an applicant. There may be value in bringing back a guide on how to fill out the registration form, combined with the mouse-over function. Could the guide provide examples of activities that might be problematic?
- If/when a new form is developed, it should be tested before being implemented. The testing can be done by professional advisors but also with non-professionals.
- The form needs to be available for download (and possibly as an editable PDF). This allows the applicant to review and prepare for what is being asked in the online form.

APPEALS AND OBJECTIONS PROCESS

A participant provided a brief overview:

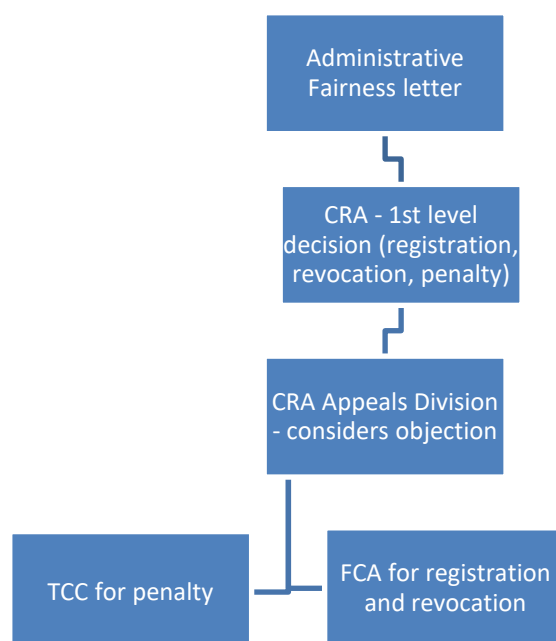
The Charities Directorate can issue an intermediate sanction, a refusal to register, or a revocation. In each case, an organization can file an objection. The objection goes to the Appeals Branch. Although it's not an appeal but an objection, it goes to the Appeals Branch. A group exists to deal with charity objections. They review the decision, have contact with the organization and, in some cases the organization is allowed to submit new information, and the Appeals Branch then comes to a conclusion. They can overrule. The issue is that it's challenging to understand how objections are reviewed and how decisions are made.

Revocation is not effective until published in the Gazette. In egregious cases, the CRA will not withhold publishing just because an organization objects. Charities have uniformly lost stay applications. Information leading to revocation is now a matter of public record. There are a few examples that have sat in appeals for several years. The sector is not entitled to see correspondence between the regulator and the charity.

The participant explained they were informed that statistics from the Appeals Branch could be obtained by asking informally. The Appeals Branch advised this person to file an ATIP (Access to Information and Privacy) request. The participant made an ATIP request for objections filed, closed and, for each of the categories, how many decisions were confirmed, varied, or reversed. The information relating to revocations is redacted based on the statutory restriction on releasing taxpayer information. Over the past few years, more objections have been filed. Other than this, no other information is available. Interestingly, in the past more appeals resulted in original decisions being overturned than is the case now.

Representatives from CRA explained that the Appeals Branch doesn't overrule in legal terms; rather the Minister reconsiders. Technically and legally, it's the Minister who makes the decision to either vacate or uphold the decisions. The appeals section is completely separate by design in order to maintain the integrity of the process.

The actual appeal doesn't happen until cases go to court. Appeals for sanctions go to the Tax Court. Appeals for revocations and refusals go to the Federal Court of Appeal.



ADMINISTRATIVE FAIRNESS LETTERS

When there are outstanding questions relating to an application, the applicant is issued an Administrative Fairness Letter (AFL). A participant observed that the first part of the letter has a legal tone and often leads the recipient to believe that there are many issues related to the application. It is important to note that this letter is written as if the case might eventually go to court.

If the applicant is not retaining a professional advisor, the AFL is very intimidating and likely leads some organizations to simply abandon the process.

Questions and comments from participants:

- Some applications receive multiple AFLs; the CRA is required to provide applicants with administrative fairness.
- The AFL should include all the information upon which the CRA has relied.
- If the first letter needs to be an AFL, can we add an introduction that demonstrates openness to discussion and the possibility of a timing extension?
- It is a complex letter that has been developed in this way for a variety of reasons. The officers would likely prefer to call the applicant to review the content. The invitation for discussion should be mentioned at the beginning of the letter.
- There is a requirement for the applicant to respond to the AFL within 60 days (sometimes after waiting several months). Can extensions to the 60 days be provided? Can this be made clearer in the AFL?
- Can consideration be given to providing an initial letter that is simpler? If a second letter is needed, it could then be framed as per the current AFL.
- Another suggestion is to have the officer call the applicant to let them know that a letter is being sent and immediately invite the applicant to call to discuss the letter upon receipt.
- When a professional advisor is applying on behalf of the organization, it would be helpful for the call from CRA to be made to the advisor, rather than the volunteer board member.
- Could the AFL also consider providing links to the guidance (i.e. concerns related to foreign activity, etc.) This would provide education as part of the registration process.
- Government officials are often perceived as less than accessible. Some communities have had very negative experiences with power and authority and may be very hesitant to reach out with questions or requests for extensions.
- Can the Charities Directorate consider some sort of reference procedure? There isn't enough law to guide what's asked for and there's a tension that accompanies "making new law" – it requires some conflict and there are not many people who are willing or able to enter into this conflict. There are structural things in the system that weigh heavily in the regulator's favour. We should not rely on regulatory benevolence. The risk exists of ending up with tiny charity against the giant 'minister of justice'.
- One of the examples provided was an applicant receiving a complex AFL and then consulting a professional advisor. Often, it is easiest to withdraw the application and start over.
- It's often challenging for the applicant to get all the information upon which the AFL is based.
- The CRA is bound by legislation. They are unable to share third-party information. If several issues are identified in the AFL, they are provided in order of importance.

- If an application is rejected, and a new application is filed, does the reviewer have access to the original application? CRA representatives confirmed that this is not the case. Each application is reviewed on its own merits.
- Through the AFL, the regulator is trying to be transparent while also ensuring it is “covered” should the matter be reviewed by judicial eyes. It is difficult to achieve both functions – and it is a false economy to wrap both of these into one process. It would be best to start with an initial letter for the “person in the street” and follow up with an AFL as necessary.

Day 3 - PM

SYSTEMIC BIAS

The conversation started with several participants stating that there is a perception/concern that systemic bias exists within the Charities Directorate. One of the examples provided was specific to religious organizations.

A participant raised the two recent Ontario court cases as well as the CRA Ombudsman’s report. The Ombudsman’s report stated that the AFL was not accessible. Although the CRA cannot make the AFL accessible, the organization that has alleged bias can (if it chooses) make the AFL accessible. The fact that, in this case, the organization did NOT make the AFL accessible raises some concerns.

A representative from CRA mentioned that in the context of non-qualified donees, the CRA has heard from Black and Indigenous organizations, and some other marginalized groups, that there is a “fear” of the CRA and that the guidance is not culturally relevant to these communities. It is challenging for the CRA to adjust for some communities while being careful not to create a gap for bad actors.

Perhaps those who don’t apply don’t do so because the forms and structures required make people feel intimidated.

Factually, the CRA only refused 1% of applicants. There were 15 organizations turned down last year.

It is difficult to prove or disprove the notion of bias at the Charities division.

Other concerns/issues/ideas raised:

- Could some materials be made available in languages other than French/English?
- For some marginalized communities and Indigenous communities, can the registration process become a conversation with the Charities Directorate?
- Can the Charities Directorate be invited to speak with certain communities to provide education and dispel some myths?
- When presenting to marginalized and Indigenous communities, can the presentations be done in partnership with someone from the community?
- The concepts of public/private benefit are understood differently in Indigenous communities. The example given was that programming may provide goods/services to an elder and CRA might see this as private benefit, when it’s perceived as a shared asset in the community.
- How can those reviewing applications be provided with training, in order to better understand various communities?
- The CRA representatives are very open to speaking with various communities and would welcome invitations to co-present to groups.

- How are audits generated? If there is media attention on a specific charity, can this generate the need to audit? This has a disproportionate effect as there is no countervailing force.
- Although media attention can drive an audit, media can also drive misunderstanding of the audit as well as misunderstanding in the sector (for example, political activity audits and environmental charities).
- There is agreement that the CRA needs to guard against bias and unconscious bias. It is also important to note that the CRA is an easy target as they can't tell their side of the story. From an issues management perspective, the CRA is unable to respond.
- We also need to acknowledge that the CRA can't solve this problem on its own. The current public dialogue divides the world into the oppressor and the oppressed. We need to build bridges to each other.
- The apprehension of bias exists, and the fight isn't fair for the CRA (inability to respond) or for the sector (less access to information, few resources, etc.). Although it may seem that the sector has the power to create perceptions in the media, the CRA holds the bulk of the power in the relationship.
- Denying that there is a perception of bias would be foolish. Knowing if the perception is real or not is difficult. Can the system of registration be designed to provide total assurance against bias? Probably not, so we need to explore further ideas and strategies to mitigate the opportunity for bias.

ROLE OF THE SECTOR

- With roughly 86,000 charities and five board members on average for each organization, CRA does not have the outreach capacity to connect with everyone. We currently have about 30,000 people registered for updates, but we need a better means of communicating. We have reached out to peak organizations but would like something concrete to bring back to colleagues in order to amplify our communications.
- Some peak organizations disseminate CRA's updates to their members, so there could be a lot of amplification going on that CRA is not aware of through umbrella groups.
- Some others are doing education work with Indigenous groups by creating webinars, doing community visits, meeting one on one. There is value to have an intermediary in the form of an Indigenous group.
- Lawyers in private practice do a lot of education with organizations about the registration process but admittedly it is hard to reach any group that hasn't yet registered. We don't know who they are and we don't know how to reach them.
- A starting point might be to look at common mistakes made by applicants as well as those typically made by certain groups, and then use umbrella groups to do targeted communications.
- We have to take into account that talking about the sector is problematic on its own when all they have in common is charitable status. We talk about the sector here all the time but most folks in the sector don't think of it that way. And there will never be a one size fits all. But there's a small number of national organizations, then provincial and territorial organizations, as well as subsector and sub-sub sector organizations and federated models – if you put these all together, you've got pretty good representation, but you can't just go to one of them. Of course, this part of the sector is resource constrained because no one wants to fund infrastructure.
- A staff member from ACNC ran a very active personal social media account with many followers and somehow had the touch of not going over the line, but was very effective. Early on, ACNC would do webinars on registration issues and then extend hours of the

telephone helpline. They would have the commissioner and deputy commissioner on the phones and this would generate a lot of press.

EDUCATING THE SECTOR ABOUT THE REGISTRATION PROCESS

Participants broke out into discussion groups and were asked to generate ideas and suggestions about how to foster a better understanding of the application process for receiving charitable status. The list below includes the suggestions and comments made by all groups.

- Any attempt to educate organizations will need to consider different learning approaches, communications formats and cultures to engage different groups. For example, with Indigenous groups, a preferred approach would be to reach out, but it is important to be invited by the organization or community. Also need to be mindful of significant differences and preferences across generations.
- Webinars could be tailored for specific communities or types of organizations, with their involvement, so as to ensure the language and level is appropriate, and we're not just talking at them. CRA could be invited by a group to do a webinar and the group can then record and publish it.
- Think of other communications channels and tools such as Tic-Tok, podcasts, quizzes.
- Provide a list of pre-approved, standardized purposes.
- Could we start just with what an organization would like to do, and the regulator then assigns the purpose? There is a lot of emphasis right now on how to apply in a specific manner and an approach like this could be cost-saving for the applicant.
- Explore AI to pre-vet some of the purposes. People don't think in terms of a charitable purpose - they think about what they want to do. One could actually train AI to assign a charitable purpose to the description of what they want to do.
- CRA no longer makes the PDF of the application available but could do so again.
- Improve information around the 4th head of charity.
- Expand the number of videos and webinars that are available. But if you're going to do videos, you must invest in them and do it right. When there are changes, you need to update, and if it's professionally produced, it's expensive.
- Consider a pre-qualification course that must be taken by one of the directors. The course could be divided into short modules. The applicant would have to confirm that a Director has taken the course.
- Create an information sheet about the 5-10 top problems that can be encountered in the application process. Also, one pager tip sheets. Information would be translated in other languages other than English or French.
- Offer webinars and seminars in libraries, community centres and municipal government offices.
- Provide a CRA organizational chart and possibly a flowchart as well.
- Provide a list of acronyms.
- There is a challenge in how to educate folks who aren't at the application stage. No one has a mandate to educate non-charities and there is no incentive for sector-led organizations to do it for free, although lawyers may have some incentive to do it.
- Educating organizations who are not at the application stage requires a very different conversation than you get in a webinar. Start by acknowledging it's a western frame and then distil all the concepts into language understood by various communities.
- There was push back on the assertion that CRA doesn't have a mandate to educate. CRA has an obligation to educate Canadians about the benefits available to them and charitable status is one of them.

Day 4 – AM**DATA AND STATISTICS- WHAT IS RELEVANT? WHAT IS NEEDED?**

The main issue related to data and statistics is about what “is” and “isn’t” available. In the absence of data, speculation occurs. Data is also helpful to forestall perceptions.

Could the CRA break down the data by head of charity, or by geography? Response: *It’s already available. Individuals can make a request to client services and ask, for example, for a list of the new registrations in the past 30 days. Information related to refusals isn’t available and would require an amendment to the Income Tax Act.*

In Australia, the Commissioner has a monthly column with a link to new charities that were registered that month. It can be misleading because some are backdated. Information about those that withdraw from the process is not made available. Nor is information on refusals but the annual report contains high-level numbers on both.

In the UK, a breakdown is available according to income; information on refusals isn’t available. The UK used to provide detailed notes on “interesting applications” but doesn’t do so anymore. Data from the registry is given to the National Council for Voluntary Organizations (NVSO) and they produce an annual summary of information, with a breakdown by subsector and income. NCVO has given the register to other bodies who can then use it for research purposes.

In the US, the organizations whose status is approved is made public but the ones that have filed but where a decision is pending is not. The ones that are denied are not made public but the action letter for denial is made public in a redacted form; it includes a statement of the facts the IRS sees and a discussion section on why an activity doesn’t qualify. Once recognized as tax exempt, if they fail to file for three consecutive years, they lose their exempt status, are taken off list, and the action document is made public. If revoked for cause, the fact that they have lost status is made public, but not the reason. Statistical data is generally available.

Comments/issues/questions raised:

- Can the information be made available without the need to formally request it? Does the Directorate still produce an annual report? Response: *Yes, but the government delays for publishing tend to be lengthy; it’s a pipeline issue.*
- Perhaps another sector organization could request the information (as per above) and then make it available to others.
- Consider posting the timing for applications (time to allocate a reviewer, processing time, etc.).
- Are there times of the year when applications could take longer? Response: *Yes, summer can be slower.*
- Can individuals request seeing the objects of organizations? Response: *They need to be requested from Corporations Canada.*
- What about information on the Appeals Branch? What are the reasons that Assessment, Determination, and Monitoring (ADM) decisions are being overturned?
- A question was raised as to whether year-over-year comparisons could be made available. Response: *It is not possible for the CRA to do this but there is a site, charity.ca, that provides this information. It is important to note that information provided by charities on their T3010 is often not accurate.*
- The final commentary on this topic was related to the problem of MUSH (Municipalities, Universities, Schools and Hospitals) sector data “polluting” the overall data. A sector push to correct this might be helpful.

The conversation then turned to using a fast track or streamlined approach for the application process. The international experts provided the following additional information:

- In the UK, applications are sped up by providing standard objects; there are approximately 60 of these. Mostly, smaller organizations apply by using the standard objects. There are two other categories: “accepted” and “exempt”. These don’t need to register with the Commission. Examples include state schools, some churches, and universities. The rationale is that these organizations often have another regulator.
- In Australia, there is a model constitution that can be used.
- In the US, there is a group ruling process for peak bodies that have virtually identical organizations. Examples are Scouts, parent organizations, etc. There is delegation to the peak organization to ensure that member organizations are in compliance with stated purposes. The IRS has challenges keeping their lists up to date and not all peak organizations are accurate in their submissions.

CLOSING SESSION

Participants were invited to provide feedback on the consultation as well as any final thoughts, observations, and insights on the topic.

- Great session, great learning opportunity. Will suggest that the MPNL program be enhanced in this area.
- Thank you to Bob and The Muttart Foundation. It might be helpful to provide potential applicants with a list of the five most common mistakes, this might help reduce the number of withdrawals.
- Consultation was very useful as the ACNC (Australia) is also looking at revising its registration form.
- Thank you for the invitation. This was a great consultation. Felt that both the sector and the regulator made great contributions. Thanks to the facilitators.
- Thank you. Great investment of my time.
- Very collegial and congenial group with lots of constructive and positive suggestions.
- Thank you for providing the opportunity to be heard and to say things that might make some people uncomfortable. Optimistic that good things will come from the consultation.
- Incredible opportunity to receive feedback from the sector that would otherwise have not been possible. Hospitality was greatly appreciated.
- Thank you to Muttart. Thank you to CRA for demonstrating a real willingness to improve the system.
- Thank you to the facilitator and the CRA who were very gracious in how they received the input.
- Thank you to Bob and Muttart. Lots of great ideas to take back and make tangible change. The team at the Directorate is open to change and wants to improve.
- Thank you to Bob and The Muttart Foundation. Wondered why we needed four days to discuss this issue but now understand. Am hopeful that this will lead to a simpler application process accompanied by a guide to complete the process.
- Thank you for the invitation and the passion/dedication. Lots of great suggestions for improvement.
- I appreciate the collegiality and the opportunity to learn from others. Provides us with an opportunity to better understand the regulator.
- Thanks to all. Many consultations aren’t really consultations. This one had true listening, trust, wisdom, and history – all appreciated. It has been a masterclass in what I need to know more of.

- Success is the product of generosity of spirit and building bridges. There is no substitute. Difficult problems can't be made easy but can be made less difficult. The registration process is the only time in the life of a charity that there is a 100% chance of CRA eyes on the charity.
- Wasn't sure what to expect. The facilities, the food, and the facilitation are all part of this perfected process. Grateful that the regulator is interested in the feedback. Appreciated the international guests' perspectives and the pre-reading materials.
- Found this consultation exceptionally important, practical and tangible. Felt that there was real openness and interest to make change on the part of the regulator. Discussion could have benefited from more diverse participants.
- Thank you to The Muttart Foundation. Great facilitation. Appreciated CRA's openness and candor and the value of international experts.
- Muttart has pulled off another success. This consultation is a perfect example of how a consultation should work - the hosting, the facilitation, the selection of participants. It's unusual and is absolutely a model of how consultations should work.
- Thank you for the invitation – I really enjoyed the process and learned a lot. Thank to you Bob, Geoff and Marlene.
- Thank you all for your level of engagement – really appreciated.

CLOSING REMARKS

Bob Wyatt provided the following closing remarks:

- Thank you to all the participants for sacrificing a week of time. The world didn't stop while we were here.
- You have brought not only wisdom and experience, but you have also brought honesty and things that needed to be said. We had things said that people wouldn't want attributed to them and that's valuable.
- I am grateful we can create an environment in which the regulator feels comfortable floating balloons, educating us, learning about how their policies play out, and understanding why the sector is concerned about things. This exchange of knowledge can never be a bad thing.
- Thank you to CRA colleagues. It would be very easy to be defensive, but I sensed none of that.
- Cannot ever thank international participants enough. They travel great distances and give their time. Cannot imagine a consultation taking place without you there. There is no need to reinvent the wheel – it is acceptable to “steal” ideas from other jurisdictions.
- Thank you, Marlene, you went above and beyond the call of duty this week. You did a remarkable job and got us to results I didn't think we would get to.
- Thank you to J for audio-visual support.

Appendix A
CRA Presentation

Charities Directorate

Muttart Consultation
October 2023



Canada Revenue
Agency

Agence du revenu
du Canada

Overview

- CRA's role in regulating charities
- Our commitment
- Charities Directorate roles & responsibilities
- Our scope of work
- Registration process
- Our goal
- Challenges
- Current state
- Resources available

CRA's role in regulating charities

- The CRA is responsible for all program activities related to the registered charity provisions of the Income Tax Act (ITA).
- The CRA is the "de facto" regulator of charities in Canada because of the tax advantages that registered charities can receive.
- Charities must register under the ITA to receive tax benefits.
 - Registration exempts charities from paying income tax.
 - Donors can claim donations to registered charities to reduce their income tax (a tax credit for individuals and a tax deduction for corporations).

Our commitment

- Align to Agency plans to achieve excellence in service delivery by maintaining highly educated, experienced and specialized staff.
- Embody five foundations that will support the charitable sector:
 - Learning
 - Excellence
 - Strength
 - Engagement
 - Caring

Charities Directorate roles & responsibilities



Develop policy guidance products by engaging with the charitable sector, other government departments, and other levels of government

Review applications for registration as a charity

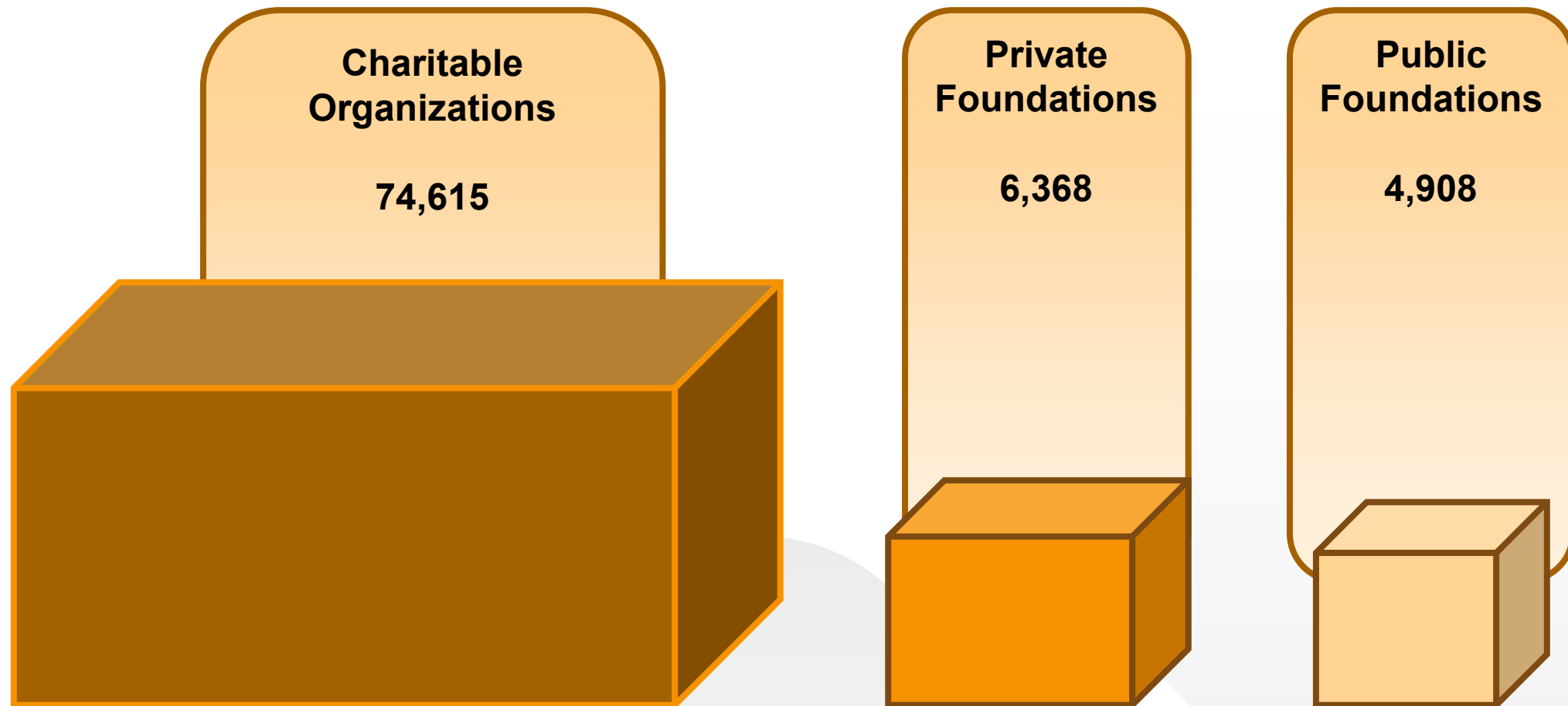
Provide information, guidance, and education programs for the charitable sector

Make sure registered organizations comply with their obligations through a balanced program of education, service, and responsible enforcement

Support the Government's efforts to combat the financing of terrorism

Our scope of work

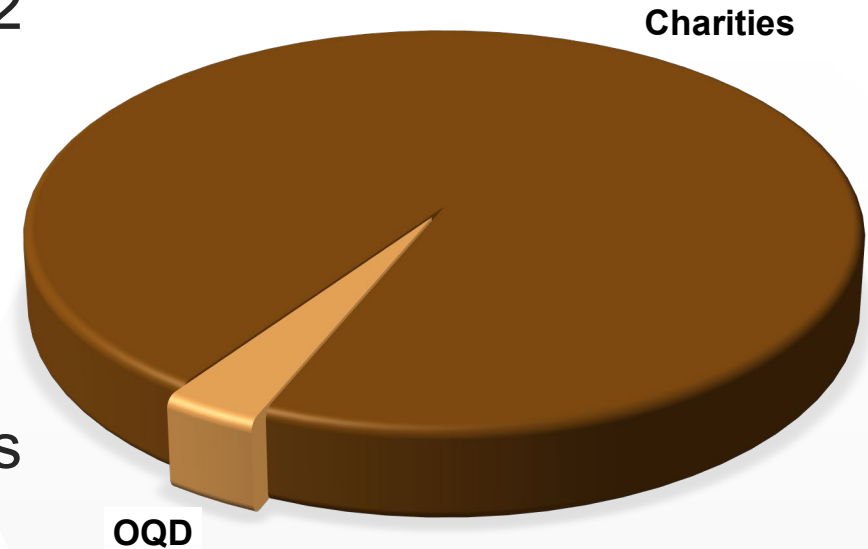
Registered charities by designation



Our scope of work

Applications received

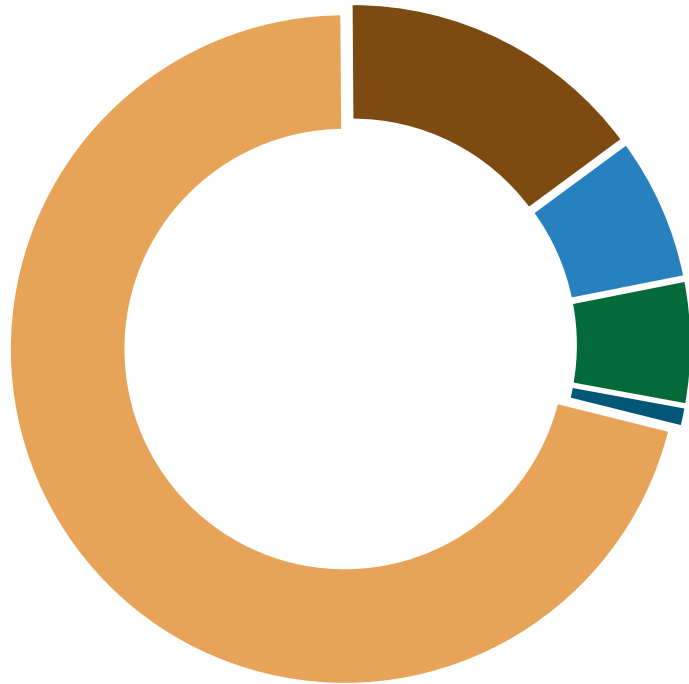
- Applications received in fiscal year 2021-2022
- 2,375 charities
- 84 other qualified donees
 - 37 municipal or public bodies
 - 20 universities outside Canada
 - 17 Canadian amateur athletic associations
 - 4 national arts service organizations
 - 3 low-cost housing corporations
 - 3 journalism organizations



Our scope of work

Application outcomes

Charities



- Registered – 71%
- Incomplete – 15%
- Abandoned – 7%
- Withdrawn – 6%
- Refused – 1%

OQD



- Registered – 81%
- Refused – 13%
- Withdrawn – 6%
- Abandoned – 1%

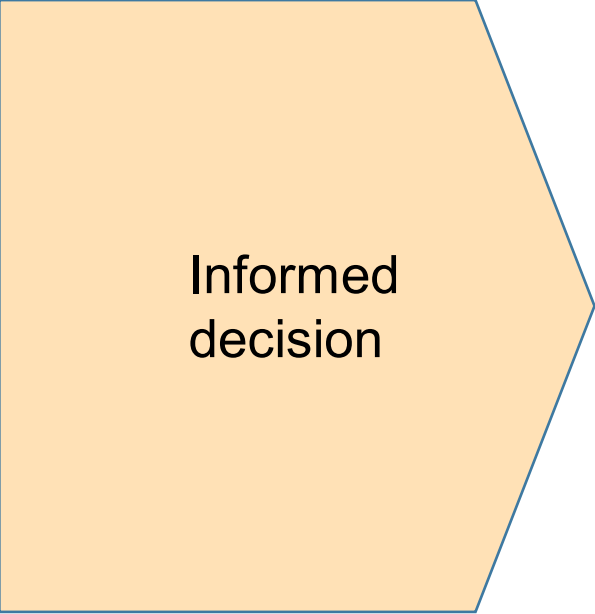
Registration process

- Applying for registration is a 4-step process



Registration process

Step 1




Informed
decision

- Assess if you should apply for charitable registration
- Know the differences between a registered charity and a non-profit organization
- What can prevent an organization from being registered
- Impact of terminating a charity
- Advantages and obligations of being a registered charity
- Consequences of not meeting the obligations for registration

Registration process

Step 2



Set up your organization

- Know what purposes and activities are considered charitable
- The four categories of charity
- Governing documents
- Designations of registered charities
- Head body and internal divisions

Registration process

Step 3



Apply for
registration

- Use the application document checklist
- Describe your purposes and activities
- Consider location of your activities (e.g. work outside of Canada)
- Submit your application using the My Business Account portal

Registration process

Step 4



Application
review
process

- Use the My Business Account portal to submit your application – it is secure and quick!
- Upon receipt, all applications are checked to ensure that they are complete.
- An incomplete submission will delay processing of your application.
- What is a complete application?
- Once complete, application will be assigned to an analyst for review.
- While the onus is on the applicant, we will work with you during the review.



Our goal

- Be a just and flexible regulator
- Find the right balance between regulatory enforcement for registration with service to the public
- Safeguard the integrity of the charitable sector

Challenges

- Production capacity / efficiency
- Aging inventory
- Consistency within ADM
- Appropriate measurement
- Tools available to the sector



Current state

- ADM is currently meeting the defined service standard, that is to provide an initial response within six months of receiving a complete application
- For 2022-23...
 - 1,760 organizations registered
 - 16 organizations denied registration
 - 692 organizations submitted incomplete applications
 - Decreased processing times to make a final decision from an average of 213 days to 147 days

Resources available

- [Charities and giving](#)
- [Registering for charitable or other qualified donee status](#)
- [Apply to become a registered charity](#)
- [Charities and giving - A to Z index](#)
- [Index of guidance products and policies](#)

Questions



Appendix B Discussion Topics

Questions re: Substantive Issues

1. What criteria is used at registration?
2. Is the process as accessible as it should be?
3. Is there inherent bias in the process of registration?
4. Is the registration process forcing organizations into a particular mold, and if so, what are the consequences?
5. How much transparency should there be? What statistics should be public? (e.g. data by type, by geography, etc.)
6. Is the appeals process fair?

Questions re: Administrative Issues regarding the Process and the Form

1. What are the best ways and tools to educate applicants about the form and the process?
2. Can the form be simplified and if so, how?
3. What is an acceptable timeline from application to a final answer/response?
4. How can we best describe purpose and activities (i.e. how much detail is necessary?)
5. How much support to organizations is the CRA's responsibility? And when does it end?
6. Should there be a pre-vetting service?
7. What are the issues with the Business Account portal?
8. Is the checklist helpful?