

# Fact Sheet

## Charities Regulatory Reform: Improving the Monitoring of Charities

April 2004... The 2004 federal budget allocated \$12 million annually to improve the regulation of charities. Some of this funding will go towards improving the way registered charities are monitored, and in some cases, sanctioned. These activities are part of a larger 5-year charities regulatory reform initiative.

### Monitoring and Sanctions

In recent consultations, registered charities informed the CRA that the “one size fits all” penalty structure for infractions was ineffective. The harshness of the only penalty now available – revoking charitable status – means that it is seldom, if ever, used for minor infractions. This diminishes confidence in the regulation of charities and how donations are spent.

The federal budget highlighted a more strategic approach to the compliance regime for charities. Over the next five years, the CRA will implement a balanced approach that will make it easier for legitimate charities to carry on their good work while deterring fraudulent and deceptive charities.

The approach will begin by providing charity volunteers and staff with assistance to better understand the rules. When minor infractions are identified, the CRA will work with the charity, through a *compliance agreement*, to rectify the problem. These agreements will set out the concrete steps a charity must take to comply with the rules, as well as the consequences of continued infractions.

When infractions are repeated, or are of such a serious nature to warrant a more forceful response, new escalating penalties will be imposed – ranging from small penalties to temporary suspension of receipting privileges, and partial loss of the tax-exempt status. Revoking a charity’s status will remain as the ultimate sanction for severe breaches of the *Income Tax Act*, including continued, repeated or cumulative infractions.

Changes will also be made to the revocation process to ensure that any remaining assets will be transferred to registered charities. Any monies collected from taxes and penalties that total more than \$1,000 will also be redistributed to the charitable sector. This will ensure that funds raised for charity will continue to be applied to charitable purposes. The new sanctions program will apply to charities with fiscal years beginning after March 22, 2004.

In addition to implementing new sanctions, the CRA will also be strengthening its capacity to monitor charities. Through better research and audit methods, the CRA will be better able to detect and act against organizations that break the rules.

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### **Targeting Deceptive Fundraising**

Recent media reports of bogus charities soliciting funds have raised concerns that not enough is being done to protect the public from deceptive fundraising. Canadians must be able to give confidently to charities knowing that monies given will be spent on charitable work.

The CRA will soon begin implementing a two-part strategy to address this issue. First, the CRA will move to immediately suspend, or revoke the charitable status of organizations that provide false or misleading information. The Agency will also notify the public when regulatory action has been taken. Second, the CRA will be working with various levels of government on developing joint initiatives to stop organizations that engage in deceptive fundraising.

### **Additional Information**

For further information about charities regulatory reform, please see [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities).