



## **Canadian Charities: Please file your T3010A Registered Charity Information Return on time**

By Mark Blumberg (November 4, 2008)

Canadian registered charities are required to file their T3010 within 6 months after the charity's fiscal year-end. There used to be approximately 2000 registered Canadian charities per year that did not file a T3010A Registered Charity Information Return (commonly referred to as the "T3010") and lost their charitable status. That is 2000 out of about 82,000 charities that existed in Canada. Charities are sixty times more likely to lose their charitable status for non-filing this one form compared to all the other reasons that the Charities Directorate of the Canada Revenue Agency (CRA) revokes charitable registrations combined. Charities are learning that a non-filing of the T3010 is a very painful experience.

CRA and others have spent a lot of time educating charities about the importance of filing the T3010 and it is beginning to pay off. Last year, according to CRA only about 700 charities lost their status because they failed to file their T3010. In addition to the educational initiatives CRA is also sending out reminder notices and calling charities to remind them of the filing requirements and it seems to be quite successful.

Here is my top 10 list of why a charity should file their T3010 with CRA on time:

- 1) A Canadian charity is legally required to file the T3010.
- 2) If you do not file your return your charity will be deregistered. Yes life is not fair. You can work hard to create the charity and non-filing one short form can get you deregistered. Also there are some charities doing quite egregious things but it may take CRA years to revoke their registration – but the one thing that will quickly result in revocation of your charity's registered status is the non-filing of your return.

- 3) Revocation is embarrassing. You feel like a failure. It does not matter if your charity has done great work or has established a formidable reputation, its name will be published publicly on a list of charities that are revoked.
- 4) CRA is not going to undo your revocation, not even if you call and beg and cry.
- 5) Losing your registered charity status means a lot more than the fact that you can no longer issue official donation receipts (or "tax receipts"). You lose the status of being a registered charity. Foundations cannot easily grant to you. Some corporations have decided that they only give to registered charities or sponsor registered charities and they will no longer be able or interested to provide you funding. Some government grants and contributions are only open to registered charities. You also lose your ability to obtain certain benefits that are only available to registered charities, for example, a partial refund of property taxes in Ontario and GST benefits.
- 6) Donors and supporters who want up to date information on your organization often look to the T3010 to provide that information. If you don't file the T3010 they do not have access to it on the CRA website. From the point of view of transparency, accountability and the opportunity to compare charities there is nothing that comes close to the information that the T3010 provides.
- 7) You may not be able to reregister. CRA may have concerns about some of the activities conducted by the charity in the past or proposed activities. Some vague objects from thirty years ago may not be acceptable today and you may have to change your objects.

As CRA kindly notes:

Organizations seeking re-registration are treated in the same way as new, first time applications. When applying for re-registration organizations must meet all the current legislative requirements. Statute law, common law and administrative policies concerning charities change over time, therefore, an organization that qualified for registration several years ago may not qualify today, or may have to make changes to its objects and activities.

- 8) To reregister as a Canadian registered charity with the CRA is often a lot more work than the initial registration.
- 9) The charity is liable for a \$500 Penalty for failure to file the T3010.
- 10) The former charity, if it has not been reregistered within one year of the revocation, will have to donate its assets to another charity or pay a revocation tax equal to 100% of the fair market value of the remaining property after allowable deductions and transfers.

## Suggestions for dealing with the T3010

Canadian registered charities are required to file their T3010 within 6 months after the charity's fiscal year-end. Yes I said that above but it is worth repeating.

1. **Diarize the date.** While this may seem like common sense, it is often something that is overlooked. One of the first items that a new executive director or board member should work out is the fiscal year end of the charity and diarize the date that is 6 months after that. About four months after the fiscal year end, if board members have not heard anything regarding the T3010 they should be asking 'whether the financial statements been prepared and if the T3010 is ready?.'
2. **Accuracy is important.** It is not good enough to just file the T3010. It is important to make sure that the contents are accurate and complete. It is especially important that the financial numbers are correct; that revenue and expenses are properly categorized and that in certain cases fair and appropriate allocations are made. CRA has provided greater guidance in its *Consultation on Fundraising* about allocating fundraising expenses and it is worth reviewing before completing your next T3010. Although it may be obvious, the T3010 reminds charities "It is a serious offence under the *Income Tax Act* to provide false or deceptive information". I would also point out that some major donors have access to tools that allow them to aggregate a number of years of T3010 information side by side. Tools like this make it even easier for the layperson (who may be a major donor researching your organization) to see obvious mistakes in the T3010. As well CRA uses the form as one of many tools to decide on who should be audited. Placing erroneous material on the form may result in you raising suspicion and being audited.
3. **Think of the T3010 as an advertisement.** People look at the T3010s. I have not yet been successful in my attempts to obtain statistical information from CRA on the number of hits the CRA's website T3010s receive but hopefully one day I will obtain them and post them. However, despite all of its shortcomings of the T3010 is the only form that can provide certain consistent information about all 83,500 Canadian charities. I suggest that charities, no matter what their size, put time and effort into the "Ongoing Programs" and "New Programs" sections of the form which are often left blank or the bookkeeper or accountant just pastes in the same description every year. This is especially true for charities that do not have websites. Would you use the same annual report each year and just change the year? Would you send a donor a letter littered with spelling mistakes and inaccuracies? While you may be required to annually file the T3010 – for many that is their only reason for filing it – charities need to think about citizens, donors, who use the form to better educate themselves about your charity.
4. **Have Your Board or Professional Advisors review the T3010.** It is a best practice, although not frequently done, to provide the board with a draft of the T3010. It is possible that board members will pick up errors and it may also stimulate discussions. It is advantageous for board members, at a minimum, to know some of the basic information in the T3010 as it is a public document and

they may be queried by a donor about the content of the document. If you are a larger charity, you may want your legal counsel to also review it. Most T3010s that I review are littered with obvious mistakes – often the result of the person filling out the form not understanding some of the questions or distinctions on the form.

5. **Update Address Information.** Always make sure that the address that CRA has on file is up to date – otherwise the reminder that CRA may send to your charity may never arrive. Unfortunately many charities are deregistered and they are not even aware of it. This number is larger than you may suspect.
6. **Check that the T3010 information on the CRA website is correct.** Even if the form you submitted to CRA is correct, as the T3010s are manually rekeyed mistake can happen when they are inputted by CRA. Perhaps if you are a small all volunteer charity you just say Hallelujah when the form is filed, but if you have more than 25 staff people it is very shortsighted not to check that the form was inputted correctly on the CRA's publicly accessible website. (<http://www.cra-arc.gc.ca/tx/chrts/menu-eng.html>). For the last number of years I have been preparing a list of the largest charities that conduct foreign activities. Two unfortunate by-products of preparing that list are 1) I have to remove a couple of sham charities from the top ten! 2) Secondly, I have to respond to Chief Financial Officer's wondering why they are not on the list even though they think they should clearly be on the list but CRA did not input their information correctly. I and many others (like major donors, researchers, volunteers) rely on the CRA database to some extent for our information.

With the forthcoming "T3010B", a revised version of the T3010A, that will be appearing next year hopefully there will be renewed focus by charities on the importance of this form.

I should disclose that charity and tax lawyers receive a lot of work and fees out of charities not filing their T3010s and consequently becoming deregistered and wanting to be reregistered. Some of you may be thinking that charity and tax lawyers deserve a little more charity themselves and may be thinking of not filing your T3010 in order to help them with their bottomline!! Instead rather take them out for a meal which is a lot cheaper. I like Ethiopian food!

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