



APR 13 2006

BY REGISTERED MAIL

Canadian Friends of Bezalel Academy of Arts and Design, Jerusalem
7 Glenarden Road
Toronto, Ontario M6C 3J8

Attention: Mr. Irwin Cooper

BN: 11883 1718 RR0001
File #: 0461418

**SUBJECT: Notice of Intent to Revoke
Canadian Friends of Bezalel Academy of Arts
and Design, Jerusalem**

Dear Mr. Cooper:

I am writing to you further to our letter dated January 18, 2006, (copy enclosed) in which you were invited to submit representations to us as to why the Minister of National Revenue should not revoke the registration of the Canadian Friends of Bezalel Academy of Arts and Design, Jerusalem (hereinafter, the "Organization") in accordance with subsection 168(1) of the *Income Tax Act* (hereinafter, the "Act").

I acknowledge receipt of your fax letter dated January 20, 2006 wherein you state that you do not object to the revocation of the Organization. I also note that no activities have been conducted by the Organization since 2004.

I have concluded that the Organization does not meet the requirements of a charitable organization under subsection 149.1(1) of the Act.

Consequently, I wish to advise you that, for the reasons outlined above and in our letter dated January 18, 2006, and pursuant to the authority granted to the Minister in subsection 168(1) of the Act and delegated to me by the Minister, I propose to revoke the registration of the Organization. By virtue of subsection 168(2) of the Act, the revocation will be effective on the date of publication in the Canada Gazette of the following notice:

.../2

Notice is hereby given, pursuant to paragraph 168(1)(b) of the Income Tax Act, that I propose to revoke the registration of the organization listed below and that the revocation of registration is effective on the date of publication of this notice.

File Number	Business Number	Name
0461418	11883 1718RR0001	Canadian Friends of Bezalel Academy of Arts and Design, Jerusalem Toronto, ON

Should you wish to appeal this notice of intention to revoke the charity registration in accordance with subsections 168(4) of the Act, you are advised to file a notice of objection within ninety (90) days from the date of mailing of this letter. This notice is a written statement that sets out the reasons for the objection and all the relevant facts. The Notice of Objection should be sent to:

Tax and Charities Appeals Directorate
Appeals Branch
25 Nicholas Street
Ottawa, ON K1A 0L5

Consequences of a Revocation

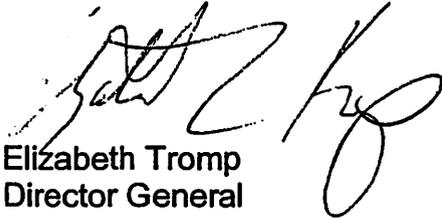
As of the date of revocation of the registration of the Organization, which is the date upon which the above-noted notice is published in the *Canada Gazette*, Canadian Friends of Bezalel Academy of Arts and Design, Jerusalem will no longer be exempt from Part I Tax as a registered charity and will **no longer be permitted to issue official donation receipts.**

Additionally, the Organization may be subject to a tax payable pursuant to Part V, section 188 of the Act. For your reference, I have attached a copy of the relevant provisions of the Act (Appendix "A") concerning revocation of registration and the tax applicable to revoked charities as well as appeals against revocation.

Additionally, by virtue of section 188 of the Act, Canadian Friends of Bezalel Academy of Arts and Design, Jerusalem will be required to pay a tax within one year from the date of the Notice of Intention to Revoke the Charity's registration. This revocation tax is calculated on prescribed form T2046 "*Tax Return Where Registration of a Charity is Revoked*". The return must be filed and the tax must be paid on or before the day that is one year from the date of the Notice of Intention to Revoke a Charity's Registration. Form T-2046, along with the related Guide RC-4424 are also attached for your information.

I wish to advise you that pursuant to subsection 150(1) of the Act, a return of income for each taxation year in the case of a corporation (other than a corporation that was a registered charity throughout the year) shall without notice or demand therefore, be filed with the Minister in prescribed form containing prescribed information.

Yours sincerely,



Elizabeth Tromp
Director General
Charities Directorate

Attachments

- Our Administrative Fairness Letter dated January 18, 2006
- Appendix "A", Relevant provisions of the Income Tax Act
- Form T-2046 and Guide RC 4424



Your file / Votre référence

BY REGISTERED MAIL

Our file / Notre référence

0461418

Canadian Friends of Bezalel Academy of Arts and Design, Jerusalem
7 Glenarden Road
Toronto, Ontario
M6C 3J8

Attention: Mr. Irwin Cooper

January 18, 2006

Dear Mr. Cooper:

Re: Foundation Audit of 2002, 2003 and 2004 Fiscal years BN 118831718 RR0001

This letter is further to an audit of the books and records of account of CANADIAN FRIENDS OF BEZALEL ACADEMY OF ARTS AND DESIGN, JERUSALEM (the "Organization"). The audit related to the operations of the Organization for its fiscal periods ending December 31, 2002, 2003 and 2004. We apologize for the delay in informing you about the results of our audit.

The results of this audit and review indicate that the Organization is in contravention of certain provisions of the *Income Tax Act* (the "*Act*"). In order for a registered charity to retain its registration, it is required to comply with the provisions of the *Act* applicable to registered charities. If these provisions are not complied with, the Minister may revoke the Charity's registration in the manner described in section 168 of the *Act*.

The balance of this letter describes how CCRA considered that the Organization contravened the *Act*.

Gifts to Non-Qualified Donees

Pursuant to subsection 149.1(1) of the *Act*, a registered charity is required to devote all of its funds to "charitable activities carried on by the organization itself". The term "qualified donee" is defined to include specific donees to which a Canadian taxpayer may make a charitable donation.

The Organization has been disbursing all of its revenue to [REDACTED] (a university in Israel). A qualified donee includes a university outside

Canada listed in Schedule VIII of the *Income Tax Regulations*. As of May 23, 2001, the above-mentioned university was deleted from the list of prescribed universities in section 8 of Schedule VIII of the *Income Tax Regulations*. This resulted in the said university becoming a non-qualified donee. Given this Organization has been disbursing all of its revenue to a non-qualified donee since 2002 (\$1,171 in 2002, \$472 in 2003, and inactive in 2004), it is in violation of subsection 149.1(3) of the *Act*.

Conclusion

For each of the reasons listed above in its own right, it appears that there are grounds to revoke CANADIAN FRIENDS OF BEZALEL ACADEMY OF ARTS AND DESIGN, JERUSALEM status as a registered charity. The consequences to a registered charity of losing its registration include:

1. The loss of its tax exempt status as a registered charity which means that the charity would become a taxable entity under Part I of the *Income Tax Act* unless, in the opinion of the Director of the applicable Tax Services Office, it qualifies as a non-profit organization as described in paragraph 149(1)(l) of the *Act*;
2. Loss of the right to issue official donation receipts for income tax purposes which means that gifts made to the charity would not be allowable as a tax credit to individual donors as provided at subsection 118.1(3) of the *Act* or as a deduction allowable to corporate donors under paragraph 110.1(1)(a) of the *Act*; and
3. The possibility of a tax payable under Part V, subsection 188(1) of the *Act*.

For your reference, we have attached a copy of the relevant provisions of the *Income Tax Act* concerning revocation of registration and the tax applicable to revoked charities as well as appeals against revocation.

If you do not agree with the facts outlined above, or if you wish to present any reasons why the Minister of National Revenue should not revoke the registration of CANADIAN FRIENDS OF BEZALEL ACADEMY OF ARTS AND DESIGN, JERUSALEM in accordance with subsection 168(2) of the *Act*, you are invited to submit your representations to the writer, **within 30 days from the date of this letter**. Subsequent to this date, the Director General of the Charities Directorate will decide whether or not to proceed with the issuance of a Notice of intention to revoke registration of the Organization in the manner described in section 168 of the *Act*.

If you appoint a third party to represent you in this matter, please send us a written authorization naming that individual and explicitly authorizing that individual to discuss the Organization's file with us.

If you require further information, clarification, or assistance, please write to the undersigned, telephone (416) 410-0310 or fax (416) 954-6015.

Sincerely,

Jim Kavathas
Verification and Enforcement Division

Attachment

Toronto Centre Tax Services Office
1 Front Street West, 4th Floor East
Toronto, Ontario M5J 2X6