

Submission to the House of Commons Standing Committee on Finance on Bill C-470

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Our law firm provides legal services to many non-profits and charities in Canada. We strive to assist our clients in increasing their legal compliance and ethical standards, in many areas including transparency and accountability.

We are concerned with any legislation impacting the charity sector that is proposed without any consultation with the charity sector. Registered charities have revenue of over \$180 billion per year according to the 2008 T3010 filings and comprise over 8% of our economy. They deserve a better approach to public policy discussions than the rusty scalpel approach we have seen with this Bill.

There are many publicly available submissions and articles on this proposed legislation which are unanimous in saying that this Bill is harmful and we do not need to repeat in this short submission the dozens of reasons why this Bill should not be passed, although if called on to speak to the Committee we certainly can do so.

We are concerned that this Bill and its approach to compensation for registered charities are focusing on a red herring. Anecdotal evidence on one or two charities covered by the media does not justify the introduction of such draconian requirements affecting so many registered charities.

There are real issues in the charity sector that really require the attention of MPs such as:

- \$6 billion in abusive charity gifting tax schemes over last 7 years of which only 1% of the receipted amount was spent on charitable activities, according to CRA;
- no required transparency by non-profits who are not registered charities about their operations and finances including revenues, expenditure, assets and programs;
- a large number of underpaid and poorly supported employees working for charities;
- reforming the grants and contributions system so that there is accountability but the red tape, duplication and burden on charities is lessened.

If one is concerned about transparency and accountability in the voluntary sector, relatively simple changes to the *Income Tax Act* can advance these goals substantially without almost any cost or burden. There are over 80,000 non-profits that are not registered charities and they are exempt from almost all transparency requirements. In many cases they receive government funding and support and some also receive public donations. Some non-profits are required to file the two page Form T1044, *Non-Profit Organization (NPO) Information Return*, but those forms are not made available to the public either electronically or by request because of the outdated confidentiality provisions of the *Income Tax Act* which prohibit their disclosure. If one wants to dramatically increase transparency in the non-profit sector, we would suggest that S. 241 of the *Income Tax Act* be amended to allow the CRA to disclose information contained on the *Non-Profit Organization (NPO) Information Return*. Furthermore, the confidentiality provisions of the *Income Tax Act* do not allow CRA to disclose substantial non-compliance with legal requirements by registered charities or certain other qualified donees. The public and donors should have a right to know about substantial non-compliance by a charity, such as a small number of charities being used for inappropriate schemes, massive fraud and/or tax evasion, and should not have to wait till after the CRA has completed a lengthy process to revoke the registered status of the organization. One silver lining from this Bill has been that the charity sector, which is a very diverse sector, has come together and cooperated extremely well to raise concerns with this Bill. For further background and concerns with this Bill please see our article at <http://ow.ly/38VOr>