



REGISTERED MAIL

Father Terry Mertick
President
Old Roman Catholic Church in Canada
207-75 Albert Street
London ON N6A 1L7

BN: 85567 3778RR0001
File #: 3028789

APR 13 2018

**Subject: Notice of intention to revoke
Old Roman Catholic Church in Canada**

Dear Father Mertick:

We are writing following our letter dated December 8, 2017 (copy enclosed), in which the Old Roman Catholic Church in Canada (the Organization) was invited to submit representations, and explain why the registration of the Organization should not be revoked in accordance with subsection 168(1) of the *Income Tax Act* (the Act).

As of this date, we still have not received any response to our letter.

Conclusion

The review by the Canada Revenue Agency (CRA) found that the Organization is not complying with the requirements set out in the Act. In particular, it was found that one of the Organization's directors is an ineligible individual who appears to control and manage the Organization. Under section 149.1(4.1)(e) of the Act, the CRA may revoke the registration of a registered charity, if an ineligible individual is a director, trustee, officer or like official of the charity, or controls or manages the charity, directly or indirectly, in any manner whatever. For this reason, it is the position of the CRA that the Organization no longer meets the requirements for charitable registration and should be revoked in the manner described in subsection 168(1) of the Act.

For the reasons mentioned in our letter dated December 8, 2017, pursuant to subsection 168(1) and 149.1(4.1) of the Act, we propose to revoke the registration of the Organization. By virtue of subsection 168(2) of the Act, revocation will be effective on the date of publication of the following notice in the *Canada Gazette*:

Notice is hereby given, pursuant to paragraphs 168(1)(b) subsection 149.1(2), and subsection 149.1(4.1) of the Income Tax Act, that I propose to revoke the registration of the charity listed below and that by virtue of paragraph 168(2)(b) thereof, the revocation of registration is effective on the date of publication of this notice in the Canada Gazette.

Business number	Name
8855673778RR0001	Old Roman Catholic Church in Canada London, Ontario

Should the Organization choose to object to this notice of intention to revoke the Organization's registration in accordance with subsection 168(4) of the Act, a written notice of objection, with the reasons for objection and all relevant facts, must be filed within **90 days** from the day this letter was mailed. The notice of objection should be sent to:

Tax and Charities Appeals Directorate
Appeals Branch
Canada Revenue Agency
250 Albert Street
Ottawa ON K1A 0L5

A copy of the revocation notice, described above, will be published in the *Canada Gazette* after the expiration of 90 days from the date this letter was mailed. The Organization's registration will be revoked on the date of publication, unless the CRA receives an objection to this notice of intention to revoke within this timeframe.

A copy of the relevant provisions of the Act concerning revocation of registration, including appeals from a notice of intention to revoke registration, can be found in Appendix A, attached.

Consequences of revocation

As of the effective date of revocation:

- a) the Organization will no longer be exempt from Part I tax as a registered charity and **will no longer be permitted to issue official donation receipts**. This means that gifts made to the Organization would not be allowable as tax credits to individual donors or as allowable deductions to corporate donors under subsection 118.1(3), or paragraph 110.1(1)(a), of the Act, respectively;
- b) by virtue of section 188 of the Act, the Organization will be required to pay a tax within one year from the date of the notice of intention to revoke. This

revocation tax is calculated on Form T2046, *Tax Return Where Registration of a Charity is Revoked* (the Return). The Return must be filed, and the tax paid, on or before the day that is one year from the date of the notice of intention to revoke. The relevant provisions of the Act concerning the tax applicable to revoked charities can also be found in Appendix A. Form T2046 and the related Guide RC4424, *Completing the Tax Return Where Registration of a Charity is Revoked*, are available on our website at canada.ca/charities-giving;

- c) the Organization will no longer qualify as a charity for purposes of subsection 123(1) of the *Excise Tax Act*. As a result, the Organization may be subject to obligations and entitlements under the *Excise Tax Act* that apply to organizations other than charities. If you have any questions about your Goods and Services Tax/Harmonized Sales Tax (GST/HST) obligations and entitlements, please call GST/HST Rulings at 1-888-830-7747 (Quebec) or 1-800-959-8287 (rest of Canada).

Finally, we advise that subsection 150(1) of the *Income Tax Act* requires that every corporation (other than a corporation that was a registered charity throughout the year) file a return of income with the Minister in the prescribed form, containing prescribed information, for each taxation year. The return of income must be filed without notice or demand.

Yours sincerely,



Tony Manconi
Director General
Charities Directorate

Attachments:

- CRA letter dated December 8, 2017
- Appendix A, Relevant provisions of the Act

c.c.: John Luke
Vice President





REGISTERED MAIL

Old Roman Catholic Church in Canada
75 Albert Street, Suite 75
London ON N6A 1L7

Attention: Father Terry Mertick

BN: 85567 3778
File #:3028789

December 8, 2017

Subject: Old Roman Catholic Church in Canada

Dear Father Mertick:

This letter is further to the fax submitted by the Old Roman Catholic Church in Canada (the Organization), received on January 6, 2014, requesting amendments to the Organization's list of directors.

While processing this request, we examined the information contained within the Organization's file and must advise that CRA has identified specific areas of concern with the Organization's continued eligibility for registration under the *Income Tax Act* (the Act).

The purpose of this letter is to describe the areas of concern identified by the CRA during the course of our review as they relate to the legislative and common law requirements applicable to registered charities, and to provide the Organization with the opportunity to make additional representations or present additional information. Registered charities must continue to meet all of the requirements of the law, failing which the Organization's registered status may be revoked in the manner described in section 168 of the Act.

Ineligible Individuals

The Act provides CRA with the discretionary authority to suspend or revoke the registration of a registered charity where an ineligible individual is a director, trustee, officer or like official, or if such an individual controls or manages the charity directly or indirectly. As detailed below, it appears that a director of the Organization is an ineligible individual.

Legislation

The definition of "ineligible individual" at subsection 149.1(1) of the Act reads,

"Ineligible individual," at any time, means a person who has been

(a) convicted of a relevant criminal offence unless it is a conviction for which

(i) a pardon has been granted and the pardon has not been revoked or ceased to have effect, or

(ii) a record suspension has been ordered under the *Criminal Records Act* and the record suspension has not been revoked or ceased to have effect,

(b) convicted of a relevant offence in the five-year period preceding that time,

(c) a director, trustee, officer or like official of a registered charity or a registered Canadian amateur athletic association during a period in which the charity or association engaged in conduct that can reasonably be considered to have constituted a serious breach of the requirements for registration under this Act and for which the registration of the charity or association was revoked in the five-year period preceding that time,

(d) an individual who controlled or managed, directly or indirectly, in any manner whatever, a registered charity or a registered Canadian amateur athletic association during a period in which the charity or association engaged in conduct that can reasonably be considered to have constituted a serious breach of the requirements for registration under this Act and for which its registration was revoked in the five-year period preceding that time, or

(e) a promoter in respect of a tax shelter that involved a registered charity or a registered Canadian amateur athletic association, the registration of which was revoked in the five-year period preceding that time for reasons that included or were related to participation in the tax shelter.

A "relevant criminal offence" is defined in the Act as,

a criminal offence under the laws of Canada, and an offence that would be a criminal offence if it were committed in Canada, that

(a) relates to financial dishonesty, including tax evasion, theft and fraud, or

(b) in respect of a charity or Canadian amateur athletic association, is relevant to the operation of the charity or association.

Board of Directors of the Organization

The Directors/Trustees Worksheets submitted with the Registered Charity Information Returns (T3010s) filed by the Organization for the last five fiscal periods indicated that the Organization generally has three primary directors each year - Mr. Gilles Tremblay (Archbishop), Ms. Carrie McLaughlin (Secretary) and Mr. Terry A. Mertick (described variously as Bishop, President, Vice-President or Executive Director).

While we acknowledge that Mr. Tremblay has now retired from his position as a Director (based on the above-mentioned fax), Mr. Mertick's position as a Director has remained consistent throughout this timeframe. Exceptions to this occurred in 2014, which listed no Directors at all, and 2013, which did not include Terry Mertick's name as a Director. Mr. Tremblay is named as a Director on every T3010 up to and including 2015. Ms. McLaughlin is named as a Director on every T3010 that CRA has on record. Various years have additional Directors (Mr. John Luke in 2015 and 2016; Ms. Mary Smith and Mr. John Luke in 2013), but not on a consistent basis.

We would point out that apart from the exceptions mentioned above, which in our view are simply paper omissions, Mr. Mertick's position as a Director has remained consistent throughout this timeframe.

A further review of the T3010 returns filed by the Organization over the previous five years reveals that Mr. Mertick has completed the return every year. Mr. Mertick also prepared and submitted the above-mentioned fax.

Finally, we note that the information in the T3010s indicates that Mr. Mertick's [REDACTED]. Accordingly, it appears that Mr. Mertick is both a director of the Organization, and an individual who controls or manages the charity, directly or indirectly.

Convictions

According to court records, Mr. Mertick has been convicted of offences that fall within the definition of a relevant criminal offence - i.e., offences relating to financial dishonesty:

- 1987-10-01 Possession of property obtained by crime under \$5000 [s. 355(b)]
- 1990-04-06
 - Fraud under \$5000 [s. 380(1)(b)]
 - Possession of property obtained by crime under \$5000 [s. 355(b)]
 - Theft under \$5000 [334(b)]

- 1991-05-29 Possession of property obtained by crime under \$5000 [s. 355(b)]
- 1995-09-15
 - Fraud under \$5000 [s. 380(1)(b)]
 - Fraud over \$5000 [s. 380(1)(a)]
- 1997-03-19 Fraud under \$5000 [s. 380(1)(b)]
- 1999-03-19 Fraud under \$5000 [s. 380(1)(b)]
- 2004-12-16
 - Fraud over \$5000 [s. 380(1)(a)]
 - Possession of property obtained by crime over \$5000 [s. 355(a)]
- 2007-05-22 Possession of property obtained by crime under \$5000 [s. 355(b)]
- 2009-04-03 Fraud under \$5000 [380(1)(b)]

The above-mentioned convictions, particularly those relating to fraud and theft, directly relate to financial dishonesty. Accordingly, it appears that Mr. Mertick is an individual who meets the definition of an ineligible individual, as defined in the Act. We have no information indicating that a pardon or record suspension has been granted with respect to these convictions.

Concerns

Given that Mr. Mertick meets the definition of an ineligible individual, the CRA may exercise its discretion to suspend or revoke the registration of the Organization.

Under s. 188.2(2)(d), the CRA may suspend the registration of an Organization where an ineligible individual is a director, trustee, officer or like official, or controls or manages the charity directly or indirectly.

Under section 149.1(4.1)(e) of the Act, the CRA may revoke the registration of a registered charity, if an ineligible individual is a director, trustee, officer or like official of the charity, or controls or manages the charity, directly or indirectly, in any manner whatever.

Given the fact that an ineligible individual is a director and appears to control and manage the Organization, and given the number and serious nature of the aforementioned convictions, there are serious concerns associated with the continued registration of the Organization. Accordingly, it is the CRA's view that its discretion to revoke should be exercised. However, the purpose of this letter, as stated above, is to present the opportunity for the Organization to respond to our concerns. As such, we would ask that the Organization provide its position as to why the CRA should not revoke its registration.

Additionally, in its response to our letter, we would ask that the Organization provide the following information:

1. A fully detailed description of all activities undertaken by the Organization during the fiscal periods between December 31, 2012, and December 31, 2016.
2. In its T3010 for 2016, the Organization indicated that it carried out the following programs:
 - Establishing churches, chapels and missions to promote the traditional Catholic Latin liturgy;
 - Maintaining traditional Catholic worship and teachings;
 - Providing the Catholic sacraments to all who desire them;
 - Caring for the sick, poor, imprisoned and the dead;
 - Consoling the needs of those in need, and
 - Maintaining traditional Catholic missions and religious communities.

Please provide a detailed description of each of these programs, including location(s) where they were carried out, amounts spent while undertaking these activities in 2016 (including source documents such as receipts and invoices to support these expenditures), and the frequency with which these activities took place.

3. In its T3010 for 2015, the Organization indicated that it carried out the following programs:
 - Maintaining chapels and missions to promote traditional Catholic religious teachings.
 - Providing traditional orthodox sacraments of our faith, including marriage and funeral rites.

Please provide a detailed description of each of these programs, including location(s) where they were carried out, amounts spent carrying them out in 2015 (including source documents such as receipts and invoices to support these expenditures), and the frequency with which they took place.

4. In the Organization's T3010 for 2016, the confidential data section of the Directors/Trustees and Like Officials Worksheet is not complete. Please provide the birth dates of Terry Mertick, John Luke and Carrie McLaughlin.
5. In the Organization's T3010 for 2015, the addresses, phone numbers and dates of birth were not provided for Gilles Tremblay, Terry Mertick, John Luke and Carrie McLaughlin. Please provide the missing information.

6. We would note that the T3010 for 2016 indicates that Mr. Mertick and Ms. McLaughlin have been directors since 1989. Please confirm the date that these individuals became directors of the Organization. Please provide any minutes of the Organization with respect to these appointments.
7. Please provide copies of the Organization's general ledger for the previous five fiscal periods up to and including 2016.
8. Please provide copies of bank statements for the previous five fiscal periods up to and including 2016.
9. Please provide copies of any official donation receipts issued by the Organization during the previous five fiscal periods up to and including 2016.
10. Please provide copies of the minutes kept by the Organization during the previous five fiscal periods up to and including 2016.
11. Please provide copies of the Organization's governing document, by-laws and any applicable financial policies or procedures.
12. After reviewing the Organization's T3010 for the 2016 fiscal year, we were unable to identify any financial activity during the year relating to any of the Organization's stated activities. Please explain.
13. We note the following discrepancies in the Organization's T3010 for the 2015 fiscal year:
 - At Line 305, the Organization claims to have one full-time employee earning up to \$39,999, however there is no evidence of this in the financial information. At Line 370, the Organization claims to employ two part-time staff, however again there is no evidence of this in the financial information. Finally, the Organization has not claimed any amount spent on compensation at Line 4880, despite claiming at Lines 305 and 370 that it has three separate employees. Please explain this discrepancy.
 - At Line 515, the Organization claims to have received a vehicle as a non-cash gift for which it issued a tax receipt, however no additional information has been provided. Please provide supporting documentation related to this gift in support of this claim.
 - At Line 4150, the Organization claims an amount of \$2000 as inventory. Please provide a detailed description of the inventory being mentioned.
 - At Line 4200, the Organization claims an amount of \$3000 in Total

Assets. Please provide a detailed description of the assets being described.

- At Line 4350, the Organization claims an amount of \$6000 in Total Liabilities for the year. However at Line 4850, the Organization also claims \$6000 for Occupancy Costs. Please clarify whether the claimed liability at Line 4350 is the same amount claimed at Line 4850 for occupancy costs. If not, please provide a description of each claim.
- At Line 4530, the Organization has claimed \$500 for gifts received for which a tax receipt was not issued. Please describe the source and nature of these gifts.

14. In its T3010 for 2014, in Section C at Line 1800, the Organization claims to have carried out various programs during the fiscal period, which it describes as follows:

Establishing Churches, Chapel's, Missions to promote the Traditional Catholic liturgy. Maintaining Traditional Catholic worship and teachings, providing the religious liturgical Sacraments of our faith to all who desire and seek such. Caring for the Sick, Poor, Imprisoned, Dying and the Dead through the Christian faith and teachings of St. Francis our Patron Saint.

However, a review of the financial information in the T3010 indicates that there was no financial activity during this fiscal period. Please explain this discrepancy.

15. In its T3010 for 2014, the Organization provided no Director information. Please provide the Director information asked for in Section B1 of the 2014 T3010.
16. In the Organization's T3010 for 2013, an amount of \$10000 has been entered at Line 4170 (Other assets). Please describe the assets being claimed by the Organization.
17. In its T3010 for 2013, in Section C at Line 1800, the Organization claims to have carried out various programs during the fiscal period, which it describes as follows:

Establishing Churches, Chapel's, Missions to promote the Traditional Catholic Latin liturgy, maintaining Traditional Catholic worship and teachings providing the Catholic Sacraments to all who desire and seek them. Caring for the Sick, Poor, imprisoned, dying and the dead.

However, a review of the financial information for the fiscal period shows no

financial expenditures whatsoever. Please explain this discrepancy.

18. In the Organization's T3010 for 2012, the total of amounts claimed as expenditures at Lines 4800 (\$1000), 4810 (\$1000) and 4840 (\$3000) were not entered at Line 4950 (Total expenditures before gifts to qualified donees). Additionally, the Organization entered an amount of \$20000 at Line 5000 (Total expenditures on charitable programs) and again in the total at Line 5100 (Total Expenditures).

Lines 5000 to 5040 represent a breakdown of the expenditures on Lines 4800 to 4920, and the total of Lines 5000 to 5040 (shown at Line 5100) should equal Line 4950. In this case, there is a significant discrepancy between the amount claimed at Line 5100 (\$20000) and the amount that should have been entered at Line 4950 (\$5000). Please explain this discrepancy.

The Organization's Options:

a) No Response

You may choose not to respond. In that case, the Director General of the Charities Directorate may give notice of its intention to revoke the registration of the Organization by issuing a Notice of Intention in the manner described in subsection 168(1) of the Act.

b) Response

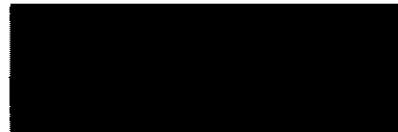
Should you choose to respond, please provide your written representations and any additional information regarding the findings outlined above **within 30 days** from the date of this letter. After considering the representations submitted by the Organization, the Director General of the Charities Directorate will decide on the appropriate course of action, which may include:


- no compliance action necessary;
- the issuance of an educational letter;
- resolving these issues through the implementation of a Compliance Agreement;
- the application of penalties and/or suspensions provided for in sections 188.1 and/or 188.2 of the Act; or
- giving notice of its intention to revoke the registration of the Organization by issuing a Notice of Intention in the manner described in subsection 168(1) of the Act.

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

If you have any questions or require further information or clarification, please do not hesitate to contact me at the numbers indicated below.

Yours sincerely,

A large black rectangular redaction box covering the signature of Paul E. Fournier.

Paul E. Fournier
Senior Activities Advisor
Compliance Division
Charities Directorate
Telephone: 
Toll Free: 1-800-267-2384

Section 149.1 Qualified Donees

149.1(2) Revocation of registration of charitable organization

The Minister may, in the manner described in section 168, revoke the registration of a charitable organization for any reason described in subsection 168(1) or where the organization

- (a) carries on a business that is not a related business of that charity;
- (b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts the total of which is at least equal to the organization's disbursement quota for that year; or
- (c) makes a disbursement by way of a gift, other than a gift made
 - (i) in the course of charitable activities carried on by it, or
 - (ii) to a donee that is a qualified donee at the time of the gift.

149.1(3) Revocation of registration of public foundation

The Minister may, in the manner described in section 168, revoke the registration of a public foundation for any reason described in subsection 168(1) or where the foundation

- (a) carries on a business that is not a related business of that charity;
- (b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts the total of which is at least equal to the foundation's disbursement quota for that year;
- (b.1) makes a disbursement by way of a gift, other than a gift made
 - (i) in the course of charitable activities carried on by it, or
 - (ii) to a donee that is a qualified donee at the time of the gift;
- (c) since June 1, 1950, acquired control of any corporation;
- (d) since June 1, 1950, incurred debts, other than debts for current operating expenses, debts incurred in connection with the purchase and sale of investments and debts incurred in the course of administering charitable activities; or
- (e) at any time within the 24 month period preceding the day on which notice is given to the foundation by the Minister pursuant to subsection 168(1) and at a time when the foundation was a private foundation, took any action or failed to expend amounts such that the Minister was entitled, pursuant to subsection 149.1(4), to revoke its registration as a private foundation.

149.1(4) Revocation of registration of private foundation

The Minister may, in the manner described in section 168, revoke the registration of a private foundation for any reason described in subsection 168(1) or where the foundation

(a) carries on any business;

(b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts the total of which is at least equal to the foundation's disbursement quota for that year;

(b.1) makes a disbursement by way of a gift, other than a gift made

(i) in the course of charitable activities carried on by it, or

(ii) to a donee that is a qualified donee at the time of the gift;

(c) has, in respect of a class of shares of the capital stock of a corporation, a divestment obligation percentage at the end of any taxation year;

(d) since June 1, 1950, incurred debts, other than debts for current operating expenses, debts incurred in connection with the purchase and sale of investments and debts incurred in the course of administering charitable activities.

149.1(4.1) Revocation of registration of registered charity

The Minister may, in the manner described in section 168, revoke the registration

(a) of a registered charity, if it has entered into a transaction (including a gift to another registered charity) and it may reasonably be considered that a purpose of the transaction was to avoid or unduly delay the expenditure of amounts on charitable activities;

(b) of a registered charity, if it may reasonably be considered that a purpose of entering into a transaction (including the acceptance of a gift) with another registered charity to which paragraph (a) applies was to assist the other registered charity in avoiding or unduly delaying the expenditure of amounts on charitable activities;

(c) of a registered charity, if a false statement, within the meaning assigned by subsection 163.2(1), was made in circumstances amounting to culpable conduct, within the meaning assigned by that subsection, in the furnishing of information for the purpose of obtaining registration of the charity;

(d) of a registered charity, if it has in a taxation year received a gift of property (other than a designated gift) from another registered charity with which it does not deal at arm's length and it has expended, before the end of the next taxation year, in addition to its disbursement quota for each of those taxation years, an amount that is less than the fair market value of the property, on charitable activities carried on by it or by way of gifts made to qualified donees with which it deals at arm's length; and

(e) of a registered charity, if an ineligible individual is a director, trustee, officer or like official of the charity, or controls or manages the charity, directly or indirectly, in any manner whatever.

Section 168:

Revocation of Registration of Certain Organizations and Associations

168(1) Notice of intention to revoke registration

The Minister may, by registered mail, give notice to a person described in any of paragraphs (a) to (c) of the definition "qualified donee" in subsection 149.1(1) that the Minister proposes to revoke its registration if the person

- (a) applies to the Minister in writing for revocation of its registration;
- (b) ceases to comply with the requirements of this Act for its registration;
- (c) in the case of a registered charity or registered Canadian amateur athletic association, fails to file an information return as and when required under this Act or a regulation;
- (d) issues a receipt for a gift otherwise than in accordance with this Act and the regulations or that contains false information;
- (e) fails to comply with or contravenes any of sections 230 to 231.5; or
- (f) in the case of a registered Canadian amateur athletic association, accepts a gift the granting of which was expressly or implicitly conditional on the association making a gift to another person, club, society or association.

168(2) Revocation of Registration

Where the Minister gives notice under subsection 168(1) to a registered charity or to a registered Canadian amateur athletic association,

- (a) if the charity or association has applied to the Minister in writing for the revocation of its registration, the Minister shall, forthwith after the mailing of the notice, publish a copy of the notice in the Canada Gazette, and
- (b) in any other case, the Minister may, after the expiration of 30 days from the day of mailing of the notice, or after the expiration of such extended period from the day of mailing of the notice as the Federal Court of Appeal or a judge of that Court, on application made at any time before the determination of any appeal pursuant to subsection 172(3) from the giving of the notice, may fix or allow, publish a copy of the notice in the Canada Gazette,

and on that publication of a copy of the notice, the registration of the charity or association is revoked.

168(4) Objection to proposal or designation

A person may, on or before the day that is 90 days after the day on which the notice was mailed, serve on the Minister a written notice of objection in the manner authorized by the Minister, setting out the reasons for the objection and all the relevant facts, and the provisions of subsections 165(1), (1.1) and (3) to (7) and sections 166, 166.1 and 166.2 apply, with any modifications that the circumstances require, as if the notice were a notice of assessment made under section 152, if

(a) in the case of a person that is or was registered as a registered charity or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(2) to (4.1), (6.3), (22) and (23);

(b) in the case of a person that is or was registered as a registered Canadian amateur athletic association or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(4.2) and (22); or

(c) in the case of a person described in any of subparagraphs (a)(i) to (v) of the definition "qualified donee" in subsection 149.1(1), that is or was registered by the Minister as a qualified donee or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(4.3) and (22).

172(3) Appeal from refusal to register, revocation of registration, etc.

Where the Minister

(a) confirms a proposal or decision in respect of which a notice was issued under any of subsections 149.1(4.2) and (22) and 168(1) by the Minister, to a person that is or was registered as a registered Canadian amateur athletic association or is an applicant for registration as a registered Canadian amateur athletic association, or does not confirm or vacate that proposal or decision within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal or decision,

(a.1) confirms a proposal, decision or designation in respect of which a notice was issued by the Minister to a person that is or was registered as a registered charity, or is an applicant for registration as a registered charity, under any of subsections 149.1(2) to (4.1), (6.3), (22) and (23) and 168(1), or does not confirm or vacate that proposal, decision or designation within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal, decision or designation,

(a.2) confirms a proposal or decision in respect of which a notice was issued under any of subsections 149.1(4.3), (22) and 168(1) by the Minister, to a person that is a person described in any of subparagraphs (a)(i) to (v) of the definition "qualified donee" in subsection 149.1(1) that is or was registered by the Minister as a qualified donee or is an applicant for such registration, or does not confirm or vacate that proposal or decision within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal or decision,

(b) refuses to accept for registration for the purposes of this Act any retirement savings plan,

(c) refuses to accept for registration for the purposes of this Act any profit sharing plan or revokes the registration of such a plan,

(d) [Repealed, 2011, c. 24, s. 54]

(e) refuses to accept for registration for the purposes of this Act an education savings plan,

(e.1) sends notice under subsection 146.1(12.1) to a promoter that the Minister proposes to revoke the registration of an education savings plan,

(f) refuses to register for the purposes of this Act any pension plan or gives notice under subsection 147.1(11) to the administrator of a registered pension plan that the Minister proposes to revoke its registration,

(f.1) refuses to accept an amendment to a registered pension plan,

(g) refuses to accept for registration for the purposes of this Act any retirement income fund,

(h) refuses to accept for registration for the purposes of this Act any pooled pension plan or gives notice under subsection 147.5(24) to the administrator of a pooled registered pension plan that the Minister proposes to revoke its registration, or

(i) refuses to accept an amendment to a pooled registered pension plan,

the person described in paragraph (a), (a.1) or (a.2), the applicant in a case described in paragraph (b), (e) or (g), a trustee under the plan or an employer of employees who are beneficiaries under the plan, in a case described in paragraph (c), the promoter in a case described in paragraph (e.1), the administrator of the plan or an employer who participates in the plan, in a case described in paragraph (f) or (f.1), or the administrator of the plan in a case described in paragraph (h) or (i), may appeal from the Minister's decision, or from the giving of the notice by the Minister, to the Federal Court of Appeal.

180(1) Appeals to Federal Court of Appeal

An appeal to the Federal Court of Appeal pursuant to subsection 172(3) may be instituted by filing a notice of appeal in the Court within 30 days from

(a) the day on which the Minister notifies a person under subsection 165(3) of the Minister's action in respect of a notice of objection filed under subsection 168(4),

(b) [Repealed, 2011, c. 24, s. 55]

(c) the mailing of notice to the administrator of the registered pension plan under subsection 147.1(11),

(c.1) the sending of a notice to a promoter of a registered education savings plan under subsection 146.1(12.1),

(c.2) the mailing of notice to the administrator of the pooled registered pension plan under subsection 147.5(24), or

(d) the time the decision of the Minister to refuse the application for acceptance of the amendment to the registered pension plan or pooled registered pension plan was mailed, or otherwise communicated in writing, by the Minister to any person, as the case may be, or within such further time as the Court of Appeal or a judge thereof may, either before or after the expiration of those 30 days, fix or allow.

Section 188: Revocation tax

188(1) Deemed year-end on notice of revocation

If on a particular day the Minister issues a notice of intention to revoke the registration of a taxpayer as a registered charity under any of subsections 149.1(2) to (4.1) and 168(1) or it is determined, under subsection 7(1) of the *Charities Registration (Security Information) Act*, that a certificate served in respect of the charity under subsection 5(1) of that Act is reasonable on the basis of information and evidence available,

- (a) the taxation year of the charity that would otherwise have included that day is deemed to end at the end of that day;
- (b) a new taxation year of the charity is deemed to begin immediately after that day; and
- (c) for the purpose of determining the charity's fiscal period after that day, the charity is deemed not to have established a fiscal period before that day.

188(1.1) Revocation tax

A charity referred to in subsection (1) is liable to a tax, for its taxation year that is deemed to have ended, equal to the amount determined by the formula

$$A - B$$

where

A
is the total of all amounts, each of which is

- (a) the fair market value of a property of the charity at the end of that taxation year,
- (b) the amount of an appropriation (within the meaning assigned by subsection (2)) in respect of a property transferred to another person in the 120-day period that ended at the end of that taxation year, or
- (c) the income of the charity for its winding-up period, including gifts received by the charity in that period from any source and any income that would be computed under section 3 as if that period were a taxation year; and

B

is the total of all amounts (other than the amount of an expenditure in respect of which a deduction has been made in computing income for the winding-up period under paragraph (c) of the description of A), each of which is

- (a) a debt of the charity that is outstanding at the end of that taxation year,
- (b) an expenditure made by the charity during the winding-up period on charitable activities carried on by it, or
- (c) an amount in respect of a property transferred by the charity during the winding-up period and not later than the latter of one year from the end of the taxation year and the day, if any, referred to in paragraph (1.2)(c), to a person that was at the time of the transfer an eligible donee in respect of the charity, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the consideration given by the person for the transfer.

188(1.2) Winding-up period

In this Part, the winding-up period of a charity is the period that begins immediately after the day on which the Minister issues a notice of intention to revoke the registration of a taxpayer as a registered charity under any of subsections 149.1(2) to (4.1) and 168(1) (or, if earlier, immediately after the day on which it is determined, under subsection 7(1) of the *Charities Registration (Security Information) Act*, that a certificate served in respect of the charity under subsection 5(1) of that Act is reasonable on the basis of information and evidence available), and that ends on the day that is the latest of

- (a) the day, if any, on which the charity files a return under subsection 189(6.1) for the taxation year deemed by subsection (1) to have ended, but not later than the day on which the charity is required to file that return,
- (b) the day on which the Minister last issues a notice of assessment of tax payable under subsection (1.1) for that taxation year by the charity, and
- (c) if the charity has filed a notice of objection or appeal in respect of that assessment, the day on which the Minister may take a collection action under section 225.1 in respect of that tax payable.

188(1.3) Eligible donee

In this Part, an eligible donee in respect of a particular charity is a registered charity

- (a) of which more than 50% of the members of the board of directors or trustees of the registered charity deal at arm's length with each member of the board of directors or trustees of the particular charity;
- (b) that is not the subject of a suspension under subsection 188.2(1);
- (c) that has no unpaid liabilities under this Act or under the *Excise Tax Act*;

- (d) that has filed all information returns required by subsection 149.1(14); and
- (e) that is not the subject of a certificate under subsection 5(1) of the Charities Registration (Security Information) Act or, if it is the subject of such a certificate, the certificate has been determined under subsection 7(1) of that Act not to be reasonable.

188(2) Shared liability — revocation tax

A person who, after the time that is 120 days before the end of the taxation year of a charity that is deemed by subsection (1) to have ended, receives property from the charity, is jointly and severally, or solidarily, liable with the charity for the tax payable under subsection (1.1) by the charity for that taxation year for an amount not exceeding the total of all appropriations, each of which is the amount by which the fair market value of such a property at the time it was so received by the person exceeds the consideration given by the person in respect of the property.

188(2.1) Non-application of revocation tax

Subsections (1) and (1.1) do not apply to a charity in respect of a notice of intention to revoke given under any of subsections 149.1(2) to (4.1) and 168(1) if the Minister abandons the intention and so notifies the charity or if

(a) within the one-year period that begins immediately after the taxation year of the charity otherwise deemed by subsection (1) to have ended, the Minister has registered the charity as a charitable organization, private foundation or public foundation; and

(b) the charity has, before the time that the Minister has so registered the charity,

(i) paid all amounts, each of which is an amount for which the charity is liable under this Act (other than subsection (1.1)) or the Excise Tax Act in respect of taxes, penalties and interest, and

(ii) filed all information returns required by or under this Act to be filed on or before that time.

188(3) Transfer of property tax

Where, as a result of a transaction or series of transactions, property owned by a registered charity that is a charitable foundation and having a net value greater than 50% of the net asset amount of the charitable foundation immediately before the transaction or series of transactions, as the case may be, is transferred before the end of a taxation year, directly or indirectly, to one or more charitable organizations and it may reasonably be considered that the main purpose of the transfer is to effect a reduction in the disbursement quota of the foundation, the foundation shall pay a tax under this Part for the year equal to the amount by which 25% of the net value of that property determined as of the day of its transfer exceeds the total of all amounts each of which is its tax payable under this subsection for a preceding taxation year in respect of the transaction or series of transactions.

188(3.1) Non-application of subsection (3)

Subsection (3) does not apply to a transfer that is a gift to which subsection 188.1(11) or (12) applies

188(4) Transfer of property tax

If property has been transferred to a charitable organization in circumstances described in subsection (3) and it may reasonably be considered that the organization acted in concert with a charitable foundation for the purpose of reducing the disbursement quota of the foundation, the organization is jointly and severally, or solidarily, liable with the foundation for the tax imposed on the foundation by that subsection in an amount not exceeding the net value of the property.

188(5) Definitions

In this section,

“net asset amount”

« *montant de l'actif net* »

“net asset amount” of a charitable foundation at any time means the amount determined by the formula

$$A - B$$

where

A

is the fair market value at that time of all the property owned by the foundation at that time, and

B

is the total of all amounts each of which is the amount of a debt owing by or any other obligation of the foundation at that time;

“net value”

« *valeur nette* »

“net value” of property owned by a charitable foundation, as of the day of its transfer, means the amount determined by the formula

$$A - B$$

where

A

is the fair market value of the property on that day, and

B

is the amount of any consideration given to the foundation for the transfer.

189(6) Taxpayer to file return and pay tax

Every taxpayer who is liable to pay tax under this Part (except a charity that is liable to pay tax under section 188(1)) for a taxation year shall, on or before the day on or before which the taxpayer is, or would be if tax were payable by the taxpayer under Part I for the year, required to file a return of income or an information return under Part I for the year,

(a) file with the Minister a return for the year in prescribed form and containing prescribed information, without notice or demand therefor;

(b) estimate in the return the amount of tax payable by the taxpayer under this Part for the year; and

(c) pay to the Receiver General the amount of tax payable by the taxpayer under this Part for the year.

189(6.1) Revoked charity to file returns

Every taxpayer who is liable to pay tax under subsection 188(1.1) for a taxation year shall, on or before the day that is one year from the end of the taxation year, and without notice or demand,

(a) file with the Minister

(i) a return for the taxation year, in prescribed form and containing prescribed information, and

(ii) both an information return and a public information return for the taxation year, each in the form prescribed for the purpose of subsection 149.1(14); and

(b) estimate in the return referred to in subparagraph (a)(i) the amount of tax payable by the taxpayer under subsection 188(1.1) for the taxation year; and

(c) pay to the Receiver General the amount of tax payable by the taxpayer under subsection 188(1.1) for the taxation year.

189 (6.2) Reduction of revocation tax liability

If the Minister has, during the one-year period beginning immediately after the end of a taxation year of a person, assessed the person in respect of the person's liability for tax under subsection 188(1.1) for that taxation year, has not after that period reassessed the tax liability of the person, and that liability exceeds \$1,000, that liability is, at any particular time, reduced by the total of

(a) the amount, if any, by which

(i) the total of all amounts, each of which is an expenditure made by the charity, on charitable activities carried on by it, before the particular time and during the period (referred to in this subsection as the "post-assessment period") that begins immediately after a notice of the latest such assessment was sent and ends at the end of the one-year period

exceeds

(ii) the income of the charity for the post-assessment period, including gifts received by the charity in that period from any source and any income that would be computed under section 3 if that period were a taxation year, and

(b) all amounts, each of which is an amount, in respect of a property transferred by the charity before the particular time and during the post-assessment period to a person that was at the time of the transfer an eligible donee in respect of the charity, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the consideration given by the person for the transfer.

189(6.3) Reduction of liability for penalties

If the Minister has assessed a particular person in respect of the particular person's liability for penalties under section 188.1 for a taxation year, and that liability exceeds \$1,000, that liability is, at any particular time, reduced by the total of all amounts, each of which is an amount, in respect of a property transferred by the particular person after the day on which the Minister first assessed that liability and before the particular time to another person that was at the time of the transfer an eligible donee in respect of the particular person, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the total of

(a) the consideration given by the other person for the transfer, and

(b) the part of the amount in respect of the transfer that has resulted in a reduction of an amount otherwise payable under subsection 188(1.1).

189 (7) Minister may assess

Without limiting the authority of the Minister to revoke the registration of a registered charity or registered Canadian amateur athletic association, the Minister may also at any time assess a taxpayer in respect of any amount that a taxpayer is liable to pay under this Part.