

Registered Charity Designations In Canada

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Introduction

There are three types of registered charities in Canada as designated by the Canada Revenue Agency. Every registered charity is designated as a:

- charitable organization;
- public foundation, or
- private foundation.

The designation a charity receives depends on its structure, its source of funding, and its mode of operation.

To determine the designation of a registered charity, the CRA applies the following criteria:

Charitable Organization

- it is established as a corporation, a trust, or under a constitution;
- it has only charitable purposes;
- it primarily carries on its own charitable activities;
- it has more than 50% of its directors, trustees, or like officials dealing with each other at arm's lengthⁱ; and
- it generally receives its funding from a variety of arm's length donors.

Public Foundation

- it is established as a corporation or a trust;
- it has only charitable purposes;
- it generally gives more than 50% of its income annually to other qualified doneesⁱⁱ, usually other registered charities, but it may carry out some of its own charitable activities;
- more than 50% of its directors, trustees, or like officials deal with each other at arm's length; and
- it generally receives its funding from a variety of arm's length donors.

Private Foundation

- it is established as a corporation or a trust;
- it has only charitable purposes;
- it carries on its own charitable activities and/or it funds other qualified donees, usually other registered charities;

- 50% or more of its directors, trustees, or like officials do not deal with each other at arm's length; and/or
- more than 50% of its funding comes from a person or group of persons that control the charity in any way or make up more than 50% of the directors, trustees, or like officials of the charity.

Closing Note

When applying for charitable status, it is important to remember that a charity must fall into one of the three categories mentioned above. Otherwise, your charity will not qualify for charitable status under the *Income Tax Act*. Similarly, if the structure, source of funding, or the mode of operation of your registered charity changes such that it no longer fits under its current designation, you must reapply for charitable status.

ⁱ *Note:* At “arm's length” is a tax concept describing a relationship in which the parties are acting independently of each other. The opposite, not at arm's length, covers people acting in concert without separate interest, including individuals who are related to each other by blood, marriage, adoption, common-law relationships, or close business ties.

ⁱⁱ *Note:* A qualified donee is an organization that can issue official donation receipts for gifts it receives from individuals and corporations. It can also receive gifts from registered charities.

A qualified donee can be:

- a registered charity (including a registered national arts service organization);
- a registered Canadian amateur athletic association;
- a listed housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged;
- a listed Canadian municipality;
- a listed municipal or public body performing a function of government in Canada;
- a listed university outside Canada that is prescribed to be a university, the student body of which ordinarily includes students from Canada;
- a listed charitable organization outside Canada to which Her Majesty in right of Canada has made a gift;
- Her Majesty in right of Canada or a province; and
- the United Nations and its agencies.