



**Written Submission for the Pre-Budget Consultations
in Advance of the Upcoming 2026 Federal Budget**

By:

The Canadian Association of Gift Planners

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Contact:

Ruth MacKenzie

President & CEO

rmackenzie@cagp-acpdp.org

Recommendations

- 1.** That the June 23, 2022 amendments to the *Income Tax Act* (Canada) extending the anti-directed giving rule to registered charities be repealed.
- 2.** In the alternative, that paragraph 168(1)(f) of the *Income Tax Act* (Canada) be amended to add an exception for grants made by a registered charity that are qualifying disbursements.

The Canadian Association of Gift Planners (“CAGP”) is pleased to provide this written submission for consideration as part of the Standing Committee on Finance’s pre-budget consultation for the 2026 federal budget. We appreciate the opportunity to contribute our perspectives and recommendations to help shape Canada’s fiscal priorities.

Issue Overview

CAGP is committed to working collaboratively with government on a range of important statutory and policy matters relevant to the charitable sector.¹ For the purposes of this pre-budget submission, however, we have identified the following issue as our most urgent priority:

- (i) In alignment with the Canadian Bar Association’s submission dated March 5, 2026,² we wish to highlight the significant problems arising from the anti-directed giving rule in the amendments to the *Income Tax Act* (Canada) (the “ITA”), which took effect on June 23, 2022. These amendments have created considerable obstacles for charities and donors, as detailed throughout this submission.

What is the Anti-Directed Giving Rule

On its face, the anti-directed giving rule, found in paragraph 168(1)(f) of the ITA, is a provision that threatens the charitable status of a registered charity for accepting a gift that is “expressly or implicitly conditional” on the charity making a gift to a non-qualified donee.

This provision has been described by the Department of Finance as intended to prevent registered charities from being used as conduits for donors seeking to circumvent tax rules by, for example, claiming a tax receipt for a gift that, in reality, is directed toward a private or non-charitable interest. However, while the rule purports to target conduit arrangements, a plain reading of the language of paragraph 168(1)(f) leads to the conclusion that the actual effect of the provision is much broader and does not meaningfully address the risks it was intended to prevent. Instead, it creates significant obstacles for legitimate charitable activities and can result in revocation of charitable status, even when charities are not acting as conduits.

Problems with the Anti-Directed Giving Rule

The wording of the anti-directed giving rule is that charities are prohibited from accepting gifts that are “**expressly or implicitly** conditional” upon the charity making a gift to a specific non-qualified donee. Although this restriction appears straightforward on its face, in practice it introduces complex and nuanced compliance challenges. These challenges are so significant that they effectively prevent charities from being able to fundraise for, and ultimately fund, collaborations with non-qualified donees to advance legitimate charitable activities, even when such partnerships are structured to comply with broader regulatory requirements, without risking their charitable status.

To further clarify the challenges created by the anti-directed giving rule, we offer the following illustrative example:

¹ See letter dated July 22, 2025 publicly available on CAGP’s website: <https://www.cagp-acpdp.org/en/resource/government-relations-advocacy>.

² Publicly available on CBA’s website: <https://cba.org/Our-Impact/Submissions/Anti-Directed-Giving-Rule>.

- Consider a charity with a long-standing partnership with a local non-profit foodbank, which is a non-qualified donee.
- Donors naturally wish to support the charity, knowing their contributions will ultimately help the foodbank serve vulnerable members of the community.
- Prior to the introduction of the non-qualifying disbursement rules, the charity worked with the foodbank under an agency agreement, contract for service, or other arrangement demonstrating direction and control over the use of its funds. Once the qualifying disbursement rules were enacted, the charity began working with the foodbank, a trusted partner, under the qualifying disbursement rules.
- Because it is widely recognized that the charity directs funds to the foodbank, fundraising for and accepting donations with this intention exposes the charity to the risk of losing its charitable status under paragraph 168(1)(f) on the basis that donor funds are being accepted on the express and/or implicit condition that the charity fund the non-qualified donee foodbank.
- The charity is otherwise complying with the non-qualifying disbursement rules, but due to the wording of the anti-directed giving rule, there is no way to eliminate the risk to its charitable status. The only other option would be for the charity to work with the foodbank under the direction and control rules, although the charity has fully satisfied itself that it is possible to work with the foodbank in compliance with the qualifying disbursement rules. Working with the foodbank under the own activities rules when it is not necessary to do so results in a significantly higher time and cost investment for the charity and the non-profit foodbank. The donor's charitable gift is less impactful due to the higher cost of the funding arrangement.

As demonstrated by the example above, rather than safeguarding the charitable sector, the rule undermines collaboration, creating risks and inefficiencies that hinder charities from effectively serving their communities. This example is representative of what we are seeing and hearing from charities across Canada, and it is incredibly unfortunate. It is clear that the rule's unintended consequences outweigh the theoretical advantages, reinforcing the need for reform to support meaningful charitable work across Canada.

Recommendations

1. **We recommend that the June 23, 2022 amendments to the *Income Tax Act (Canada)* extending the anti-directed giving rule to registered charities be repealed.**

For the reasons outlined in this submission, CAGP unequivocally supports the removal of the June 23, 2022 amendments to paragraph 168(1)(f) of the ITA, which extend the anti-directed giving rule to registered charities.

2. **We recommend, in the alternative, that paragraph 168(1)(f) of the *Income Tax Act (Canada)* be amended to add an exception for grants made by a registered charity that are qualifying disbursements.**

In the alternative, we propose adding an exception for grants made by a registered charity that are "qualifying disbursements" as that term is defined under the ITA.

In this regard, paragraph 168(1)(f) would be amended as follows:

168 (1) 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, registered Canadian amateur athletic association or registered journalism organization, 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 charity,~~ in the case of a registered Canadian amateur athletic association or registered journalism organization, accepts a gift the granting of which was expressly or implicitly conditional on the ~~charity,~~ association or organization making a gift to another person, club, society, association or organization other than a qualified donee; ~~or~~
- g. **in the case of a registered charity, accepts a gift the granting of which was expressly or implicitly conditional on the charity making a gift, other than a gift that is a qualifying disbursement, to another person, club, society, association or organization.**

It is important to note that the ITA already contains anti-conduit provisions that enable the CRA to regulate charitable activities without creating unnecessary barriers to charitable giving. The imposition of additional unnecessary and restrictive rules targeting donor-level giving not only weakens the charitable sector, but also negatively impacts the broader Canadian economy and the many individuals who depend on charities partnering with non-profits in full compliance with the existing ITA rules. From a fiscal policy perspective, it is difficult to comprehend why Canada would introduce measures in the ITA that restrict charitable contributions at a time when more generosity is needed, not less, ultimately harming those who rely on the vital supports that charities provide.

Thank you for the opportunity to participate in the pre-budget consultation process and for considering these recommendations.

About CAGP

CAGP is a Canadian national, non-profit organization established in 1993. CAGP offers advanced education on philanthropy and gift planning to its 1,500 fundraiser and professional advisor members located in 16 chapters across Canada.

CAGP also promotes philanthropy by contributing technical expertise on topics related to Canada's legislative and policy environment. Many of the positive tax incentives related to charitable giving, such as the elimination of the capital gains tax on gifts of publicly listed securities in May 2006,

were achieved with the help of key constituents and partners, including CAGP.³ This change had an enormous impact on the charitable sector. As of 2019, publicly listed shares accounted for nearly \$1 billion in donations each year.⁴

³ For more information about CAGP and our areas of expertise, please visit our website at <https://www.cagp-acpdp.org/>.

⁴ The Impact of Elimination of Capitals Gains and What's Next (November 7, 2019), online *Association of Fundraising Professionals* <https://afpglobal.org/impact-elimination-capital-gains-and-whats-next>.