



**Written Submission for the Pre-Budget Consultations
in Advanced of the 2019 Budget**

By:

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Recommendations

1. That changes be made to the Income Tax Act, Section 153(1) to allow for the withholding of income tax to be waived when a donor/annuitant instructs the financial institution to make a charitable gift directly from a RRIF or RRSP to a Canadian registered charity or other qualified donee.
2. That the government eliminate capital gains tax on private company shares and real estate when the proceeds of the sale of those assets are donated to a charity.
3. That the government ensure that statistical information about the charitable and nonprofit sector is prioritized and funded by the Government of Canada and that it becomes a regular and permanent part of Statistics Canada's data program.
4. That the government implements the recommendations of the Panel on the Political Activities of Charities.

We are pleased to provide this submission to the Standing Committee on Finance for consideration in your pre-budget consultations in advance of the 2019 Budget.

Introduction

The Canadian Association of Gift Planners (CAGP) is a national, non-profit organization whose purpose is to champion the growth and development of strategic charitable gift planning in Canada. We do so by developing knowledge and providing education; building awareness and promoting philanthropy, locally and nationally; creating connections and facilitating partnerships; and engaging in national dialogues and influencing public policy.

Strategic charitable gift planning is a donor-centred process of planning current and future charitable gifts in a way that meets a donor's philanthropic goals and balances personal, family and tax considerations.

Our national membership is comprised of 1,200 charitable gift planners working in Canada's charitable sector as well as individuals from a variety of allied professions in the private sector, including law, trust and estate planning, accounting, life underwriting and financial planning. Our members adhere to a strict code of ethics.

Canada's 167,000 charities and nonprofits play a vital role in strengthening and building healthy, quality communities and are an important partner of the federal government in achieving its outcomes. In an ever-changing world the sector's innovations in health, the environment and social service provision help ensure that our country is equipped to meet the demands of tomorrow.

The charitable sector is also struggling in this evolving societal context. The number of donors is declining; demand for programs and services is increasing; and many are challenged to keep up with and adapt to emerging technology, and new ways of and opportunities for doing business. The proposed recommendations address these challenges and will strengthen the capacity of Canada's charities to adapt, evolve and continue to play its important role in Canadian society.

As a sector that employs more than two-million people in communities across the country and contributes more than 8% to the national GDP – more than both the automotive and retail sectors – it is an essential component of Canada's economic health, growth and prosperity, and is a crucial part of Canada's continuing competitiveness. We believe the recommendations we are bringing forward will help ensure it can continue to do so.

Recommendations

- 1. We recommend that changes be made to the Income Tax Act, Section 153(1) to allow for the withholding of income tax to be waived when a donor/annuitant instructs the financial institution to make a charitable gift directly from a RRIF or RRSP to a Canadian registered charity or other qualified donee.**

In addition to making simple cash gifts to Canadian charities, donors are increasingly integrating assets in their strategic giving plans. This is particularly the case with wealth

being held in RRSPs and RRIFs. We believe this recommendation is a simple amendment that will increase the efficiency of donors being able to make charitable gifts in Canada.

At the present time, if an individual wishes to direct that a charitable gift to a registered charity be made from their RRIF or their RRSP, the financial institution which holds the RRIF or RRSP must withhold tax, notwithstanding that as a result of the gift no tax will be owing. The donor/annuitant must file his or her tax return, report the gift, receive a tax refund and then, if desired, the donor/annuitant can remit the balance of the gift to the registered charity to complete the planned amount of the gift.

As you will appreciate, this complexity creates issues for charities in explaining the issue to a prospective donor, in receipting the gift and in ensuring that the donor's ultimate objective of making a charitable gift in a particular amount is achieved. If a donor directs the financial institution to pay the funds directly to a registered charity or other qualified donee, it seems unnecessary to require this complexity.

We recommend that changes be made to Section 153(1) of the *Income Tax Act* in order to permit withholding to be waived when a donor/annuitant instructs the financial institution to make the charitable gift directly from the RRIF or RRSP to a Canadian registered charity or other qualified donee. This instruction from a donor to a financial institution could be recorded by the creation of a form to document and confirm such gift.

2. We recommend that the government eliminate capital gains tax on private company shares and real estate when the proceeds of the sale of those assets are donated to a charity.

The elimination in 2006 of capital gains tax on gifts of listed securities has been enormously successful, resulting in over \$1-billion of donations of shares to Canada's vital charities every year. We recommend that this capital gains tax exemption be expanded to include gifts of two other significant capital assets – private company shares and real estate, when the cash proceeds of their sale are donated to charities.

It is estimated that this would result in an annual increase in charitable giving of \$200 million, and the tax revenue cost to the federal government from the foregone capital gains tax would be \$50-65 million, according to a presentation at a C.D. How Institute conference on strengthening charity finance in Canada.

Speaking on behalf of Canada's charities, we believe this proposed provision is an opportunity to significantly enhance donations to our charitable sector, further enabling their vital work to achieve their missions and build healthy vibrant communities. It would also strengthen the culture of giving in Canada by providing a mechanism whereby individual donors can minimize the personal impact of a tax event while simultaneously supporting a cause they care about. As small business owners play a large role in Canada's economy, the opportunity to convert those assets into charitable gifts is significant and would provide an innovative way to give back.

Concerns about valuation would be addressed by the requirements that the donors sell assets to an arm's-length party and donate the proceeds to a charity within 30 days of the closing of the sale.

These provisions were previously included in Budget 2016 but unfortunately reversed in the following year's budget. We urge the Committee to further consider its enactment in the Budget 2019.

3. We recommend that the government ensure that statistical information about the charitable and nonprofit sector is prioritized and funded by the Government of Canada and that it becomes a regular and permanent part of Statistics Canada's data program.

CAGP recommends that the government reinstate the collection of key data on the charitable and nonprofit sector by Statistics Canada that would enable better policy-making on the regulation and capacity building of the sector in Canada. This recommendation is broadly supported by organizations in the sector and would address common concerns that many charities have had with the lack of information on the economic contribution and employment profile of the charitable and nonprofit sector.

There is widespread frustration in the sector over the lack of useful and policy-relevant data pertaining to the sector. In its 2015 platform, the current government made a number of encouraging statements about data:

- "We will make decisions using the best data available..."
- "Responsible governments rely on sound data to make their decisions."
- "We will use accurate data to make good decisions."

The last systematic census of the sector was conducted in 2003, more than a decade ago, meaning that key policy decisions related to the charitable and nonprofit sector are being made on information prior to Canada's economic crisis.

The charitable and nonprofit sector is a very important contributor to Canadian economic growth and to our country's social well being. We wish to work in partnership with the federal government to develop our capacity to contribute to better policy development. This recommendation would lead to significant improvement in our ability to do our work on behalf of Canadian communities and to collaborate with government on mutual goals and objectives.

Imagine Canada, a national charitable organization that supports and speaks on behalf of the sector has developed comprehensive recommendations as to the type of sector-wide data that would assist governments and organizations in developing evidence-based policy.

We ask the Committee to support recommendations from Imagine Canada that \$1 million a year be allocated to Statistics Canada, for the purpose of gathering and disseminating data pertaining to charities, nonprofits, and social enterprises.

4. We recommend that the government implement the recommendations of the Panel on the Political Activities of Charities.

The Ministers of Finance and National Revenue were tasked in 2015 with carrying out legislative changes to clarify and reform the rules governing political activities by registered charities. Political activities refer, by and large, to charities' efforts to engage the public in seeking legislative and policy change at any level of government. Examples include

organizing petitions, letter-writing campaigns, publishing op-ed pieces, and holding public rallies.

Political activities do not include partisan support of, or opposition to, a political party or candidate for office. Charities have been clear that they want this prohibition retained.

In 2016, the Minister of National Revenue appointed a Consultation Panel to seek input and make recommendations on this issue. The Panel submitted its report to the Minister in March 2017. We strongly support the recommendations made by the Panel. To date there has been no formal response from the government.

In July, the Ontario Superior Court of Justice struck down the provisions of the *Income Tax Act* that limit charities' political activities, as violating the Charter of Rights and Freedoms. The government has until August 15 to file an appeal; as of making this submission we do not know whether the government intends to do so.

Regardless of whether the federal government appeals the *Canada Without Poverty* decision, the Consultation Panel recommendations represent a well considered and desirable way forward.

We ask the Committee to recommend that the government, specifically the Ministers of Finance and National Revenue, implement the recommendations made by the Consultation Panel on the Political Activities of Charities. There will be no ongoing cost to the government.

Thank you for your consideration of these recommendations.