

Treasurer's Chest: Charitable Purpose and Activities

The *Income Tax Act* (the Act) provides for the registration of organizations that are **charities**. As the Act does not define what is charitable, the Canada Revenue Agency (CRA) determines whether or not an organization qualifies as a charity at law by applying the common law: that is court decisions.

To be charitable at common law, an organization must have exclusively charitable purposes and carry on exclusively charitable activities that further these purposes.

- Purposes and objects are used interchangeably. Both refer to the way that an organization describes and identifies the reason(s) for which it was created i.e., **what** it intends to achieve.
- A charity's objects are set out in its governing document.
- Activities are the organization's programs - or **how** it will accomplish its purposes.

**When selecting a purpose or purposes
An organization must keep in mind these important factors**

Only purposes that fall within four specific headings or categories are charitable at common law.

These categories are:

- The relief of poverty
- The advancement of education
- The advancement of religion
- Other purposes beneficial to the community as a whole in a way which the law regards as charitable. The latter category identifies an additional group of particular purposes that have been held by the courts to be charitable at law.

An organization must meet a public benefit test.

An organization must show that its purposes and activities provide a **tangible benefit to the public** as a whole or a significant section of it. An organization that wishes to limit its beneficiaries unreasonably or offer a private advantage may not qualify for registration under the Act.

The following guidelines must be respected.

Exclusivity - A registered charity must have exclusively charitable purposes and activities. This means that a registered charity may not have any purposes that are not charitable. It also means that all the activities of the charity must further its charitable purposes.

Precision - To be eligible for registration, a charity must describe its purposes precisely so that each one is clear and restricts the organization to only charitable activities. Language that is broad and vague could include non-charitable purposes and allow for the pursuit of non-charitable activities, which would not meet the requirement of exclusivity.

Activities - The activities of the organization must directly further its charitable purpose(s). Activities gain their charitable character from the purposes that they are intended to further. As such, selecting purposes from this list is only one part in the application process. The activities of the organization must bear a relationship to its charitable purposes and must be a reasonable means of achieving them.

It is important for organizations to choose their purposes carefully and provide accurate and detailed descriptions of all the activities they will conduct to further each purpose chosen. Note: Intentionally making a false statement when applying for registration as a charity may result in the subsequent revocation of charitable

Model Objects

Model objects provide a non-exhaustive list of purposes that would be acceptable to the CRA. These purposes may be suitable for use by organizations that wish to apply to become registered charities or by organizations that are already registered, but wish to amend one or more of their purposes.

Why use the model objects?

If an organization uses a model object, CRA will usually not need to discuss the wording of the object with the organization. This may speed up the decision making processes because, in most cases, the CRA will only need to consider whether:

- The organization will deliver a public benefit;
- The proposed activities are charitable, will be carried out in a manner allowed by the Act, and will further one of the organization's objects; and the organization is appropriately set up.

Examples of model objects for each of the four categories are:

Relief of poverty

- ❖ To relieve poverty by providing basic amenities, including food, clothing and shelter to [specify e.g., the poor, needy, necessitous, underprivileged, low income, in financial need or of small/limited means].
- ❖ To relieve poverty by operating a food bank for the benefit of the poor.
- ❖ To provide and operate non-profit residential accommodation and incidental

Advancement of Education

- ❖ To advance education by establishing and operating schools.
- ❖ To educate the public by providing courses, seminars and workshops about [specify].
- ❖ To provide childbirth education classes that focus on issues of family-centered care, preparation for parenting and nutrition.
- ❖ To educate youths by providing leadership training programs and workshops.

Advancement of Religion

- ❖ To advance and teach the religious tenets, doctrines and observances associated with the [specify faith or religion] faith.
- ❖ To preach and advance the teachings of the [specify faith or religion] faith and the religious tenets, doctrines and observances associated with that faith.

- ❖ To establish, maintain and support a house of worship with services conducted in accordance with the tenets and doctrines of the [specify faith or religion] faith.

Other Purposes Beneficial to the Community

- ❖ To operate a youth centre which offers structured programs that are directed toward resolving specific problems faced by youth.
- ❖ To provide, administer and maintain a multi-use facility for the community of [specify community].
- ❖ To operate a drop-in centre for troubled youth including those with special needs, disabilities and behavioural problems that will provide educational, cultural, recreational and social activities in a supervised setting.

Other Considerations

Drafting the objects is only one part of creating the governing document for a charity. Careful consideration should also be given to drafting other parts of the governing document, such as power clauses, and to the requirements of all applicable federal and provincial legislation. In addition to the requirements under the Income Tax Act of Canada, there may be other applicable federal and provincial legislation that you should consider.