

---

# ***2014 Federal budget: How it affects you and the charitable and not-for-profit sector***

*February 12, 2014*

---

## ***In brief***

This *Tax Insights* considers proposals in Canada's February 11, 2014 federal budget that affect the charitable and not-for-profit sector.

---

## ***In detail***

### ***Charities and giving***

#### ***Donations of ecologically sensitive land***

##### ***Current rule***

Tax relief for donations of ecologically sensitive land, or easements, covenants and servitudes on that land, is claimable in:

- the year the donation is made, or
- any of the following five taxation years of the donor

##### ***Proposal***

The donation carry-forward period is extended from five years to ten for such donations made after February 10, 2014.

#### ***Donations of certified cultural property***

##### ***Current rule***

Donations of certified cultural property are measured at fair market value as determined by the Canadian Cultural Property Export Review Board for the purpose of determining the value of the donation.

##### ***Proposal***

The budget introduces a rule limiting the value of a certified cultural property donation to its cost amount to the donor if the property was acquired as part of a tax shelter gifting arrangement.

The proposed restriction applies to donations made after February 10, 2014.

#### ***Estate donations***

##### ***Proposals***

Donations made by a will, and those made by designation under a:

- registered retirement savings plan
- registered retirement income fund
- tax-free savings account, or
- life insurance policy

will no longer be deemed to be made by the individual immediately before the individual's death.

Charitable donations of gifts made as a consequence of the donor's death will be deemed to have been made by the individual's estate at the time the property is transferred to a qualified donee, if the transfer occurs within 36 months after death.

The trustee of the individual's estate will have the flexibility to allocate the available donation among:

- the taxation year of the estate in which the donation is made
- an earlier taxation year of the estate, and
- the last two taxation years of the individual

The proposals apply to donations made in the context of a death that occurs after 2015, providing greater flexibility for gifts made through a donor's will or as a consequence of a donor's death.

### **Charity tax compliance and electronic access**

#### **Proposals**

The federal government will provide funding to the Canada Revenue Agency (CRA) to implement a system to permit electronic filing of charity applications and annual T3010 registered charity information returns within the next five years.

Charities will be allowed to conduct certain aspects of their charitable lottery operations electronically, including electronic ticket sales and the online issuance of lottery tickets and receipts.

Amendments will be made to the *Criminal Code* to accommodate these changes.

### **State-supported terrorism**

#### **Proposals**

If a Canadian registered charity or a Canadian registered amateur athletic association accepts a donation after February 10, 2014, from a state (or a

state agency) that is considered to be a supporter of terrorism under the *State Immunity Act*, its application for registration can be refused or its existing registration can be revoked at the discretion of the Minister of National Revenue.

### **Public consultation for non-profit organizations (NPOs)**

The budget did not announce any specific measures that will affect the tax exemption criteria for non-profit organizations.

The federal government stated its concerns that certain organizations claiming income tax exemption as a non-profit organization were 'earning profits that are not incidental to carrying out the organization's non-profit purposes, making income available for the personal benefit of members or maintaining disproportionately large reserves.'

These concerns arose from the CRA's review of NPOs over the previous three and a half years under its NPO Risk Identification Project.

The federal government continues to review whether the income tax exemption and related reporting requirements for non-profit organizations remain properly targeted and provide sufficient transparency and accountability.

A consultation paper in respect of the income tax exemption requirements and related reporting requirements for non-profit organizations will be released for commentary.

The good news is that the federal government will exclude from its

review registered charities and amateur athletic associations, two groups of tax-exempt organizations that are already heavily regulated.

### **Consultation on social finance and social enterprise**

The federal government announced its continued work with leaders in the not-for-profit and private sectors to explore the potential for social finance initiatives and to examine the barriers to their success.

In December 2013, the Minister of Employment and Social Development created a new Ministerial Advisory Council on Social Innovation, which includes experts and practitioners in the fields of social finance and social enterprise.

### **GST/HST changes for the health care sector**

#### **Proposals**

Proposed changes relating to the health care sector include:

- expanding the existing exemption for training services that assist individuals with a disorder or disability to include the services of designing a training plan
- expanding the list of GST/HST exempt health care services to include acupuncture, or naturopathic services supplied by a naturopathic doctor, if rendered to an individual
- zero-rating eyewear specially designed to treat a defect of vision by electronic means if supplied on the written order of a physician or optometrist for use by a consumer named in the order

*Let's talk*

For a deeper discussion of the implications of these budget proposals, please contact your PwC advisor, or:

Brenda Lee-Kennedy

+1 (416) 218 1452

[brenda.lee-kennedy@ca.pwc.com](mailto:brenda.lee-kennedy@ca.pwc.com)

Audrey Diamant

+1 (416) 687 8933

[audrey.j.diamant@ca.pwc.com](mailto:audrey.j.diamant@ca.pwc.com)

**2014 budgets:** PwC will keep you up-to-date on tax changes in Canada's federal and provincial budgets.  
Go to [www.pwc.com/ca/budget](http://www.pwc.com/ca/budget)