



Key Terms and Definitions

The explanations that follow are provided to help charities fill out Form T3010B (09), *Registered Charity Information Return*, and, as such, are not comprehensive or exhaustive. For more information, refer to the Web addresses provided, where applicable, and/or the definitions of these terms in the *Income Tax Act*.

Accumulation of funds

A registered charity may request, in writing, the permission of the Canada Revenue Agency to put aside funds for a specific project while still meeting its disbursement quota. For more information, see Policy Commentary CPC-005, *Accumulation of Property*, available on our Web site at www.cra.gc.ca/tx/chrts/plcy/cpc/cpc-005-eng.html.

Agency agreement

A registered charity can formally enter into a contract with a person or group to act as its representative in carrying out specifically identified tasks on behalf of the charity. For more information, see Guide RC4106, *Registered Charities: Operating Outside Canada*, available on our Web site at www.cra.gc.ca/E/pub/tg/rc4106/README.html.

Cause-related marketing

Cause-related marketing (sometimes called social marketing) is a venture with a non-charitable partner to promote the sale of items or services on the basis that a portion of the revenues will be directed to a charity or charities.

Compensation (fees paid)

Compensation, for persons (employees) working full-time or part-time (see below) for a registered charity, includes salaries, wages, commissions, bonuses, fees, and honoraria, plus the value of taxable and non-taxable benefits.

Control of a corporation

Under the *Income Tax Act*, public and private foundations are not allowed to acquire control of any corporation. However, a foundation that acquires control of a corporation in the fiscal period **will not be considered to have acquired control** unless it had bought or otherwise acquired for consideration more than 5% of the issued shares of any class of the capital stock of the corporation.

Control usually means that the foundation owns, or the foundation and persons not dealing with it at arm's length own, more than 50% of a corporation's issued share capital with full voting rights.

For more information about control of a corporation, see Interpretation Bulletin IT-64R4, *Corporations: Association and Control*, at www.cra.gc.ca/E/pub/tp/it64r4-consolid/it64r4-consolid-e.html.

Debts

Under the *Income Tax Act*, the Minister may revoke the registration of a public or private foundation where the foundation has incurred debts since June 1, 1950, other than: debts for current operating expenses; debts incurred in connection with the purchase and sale of investments; and debts incurred in the course of administering charitable activities.

Disbursement quota

The disbursement quota is the minimum amount a registered charity has to spend on charitable activities and/or gifts to qualified donees to keep its registered status. In general, it is determined through an expenditure test based on tax-receipted gifts and amounts received from other registered charities in the previous fiscal period. The value of enduring property spent in the fiscal period or transferred to qualified donees, as well as certain other properties, must also be considered. The purpose of the disbursement quota is to ensure that registered charities actively use their tax-assisted donations to help others in accordance with their charitable purposes.

Eligible amount of gift

This is the amount by which the fair market value of the gifted property exceeds the amount of an advantage, if any, in respect of the gift. The advantage is generally the total value of all property, services, compensation, or other benefits that a person is entitled to receive as partial consideration for, in gratitude for, or in any other way related to, the gift. Services provided to the registered charity are not considered gifts because services are not property. Pledges are not considered gifts until the donor honours them. For more information, see Guide RC4108, *Registered Charities and the Income Tax Act*, available on our Web site at www.cra.gc.ca/E/pub/tg/rc4108/README.html.

Employees

Employees are individuals who are hired under an employment contract to perform specific duties under the management of the charity. The earnings from employment contracts in Canada are considered employment income and are subject to Canada Pension Plan, Employment Insurance, and income tax deductions.

Enduring property

Enduring property is generally excluded from the charity's disbursement quota until the charity spends or transfers some or all of it. The amount spent or transferred must then be included, for the year it was spent, when calculating the disbursement quota requirement.

Some examples of enduring property include: bequests or gifts of inheritance, 10-year gifts, and 0-to-5-year gifts received by a charitable organization from another registered charity. For a more comprehensive explanation of enduring property, see Guide T4033B, *Completing the Registered Charity Information Return*, available on our Web site at www.cra.gc.ca/tx/chrts/formspubs/menu-eng.html.

Financial information

If any of the following applies to your charity, you must complete Schedule 6 of Form T3010B, *Registered Charity Information Return*. Do not complete Section D.

1. The charity's revenue exceeds \$100,000 – this is the total of **all** revenue received, including tax-receipted gifts, income from related business activities, government funding, etc.
2. The amount of all assets not used in charitable programs exceeds \$25,000 – this may include, for example, cash on hand and in bank accounts, stocks, bonds, GICs, mutual funds, and land and buildings not used directly in charitable activities or administration.
3. The charity currently has permission to accumulate funds during this fiscal period. A registered charity that has permission to accumulate funds will have received this permission in writing from the Canada Revenue Agency. For more information, see Policy Commentary CPC-005, *Accumulation of Property*, available on our Web site at www.cra.gc.ca/tx/chrts/plcy/cpc/cpc-005-eng.html.
4. The charity has spent or transferred enduring property during this fiscal period. For more information on enduring property, see "Enduring property" above, as well as Form T4033B, *Completing the Registered Charity Information Return*, available on our Web site at www.cra.gc.ca/tx/chrts/formspubs/menu-eng.html.

Full-time (permanent) position

A full-time (permanent) position refers to continuous service in an office or position. An employee should be considered full-time (permanent) if he or she works, throughout the year, all or substantially all of the typically scheduled hours of work established for persons in that class of employees.

Joint venture

A registered charity can decide to pool its resources with other entities that may not be qualified donees in order to establish and operate a charitable program. The charity will be considered to be carrying on its own activities provided it is an active partner exercising a degree of control that is at least proportionate to the resources it provides to the venture. In these situations, the Canada Revenue Agency strongly recommends that the charity put a formal agreement in place as evidence that it retains direction and control over its resources, and is an active participant in a joint venture that directly furthers its charitable purpose.

Like official

A like official is a person who has governing responsibilities for the registered charity that are similar to those of a member of the governing board or a trustee. This should be interpreted broadly to include anyone who controls and manages the administration of the registered charity. For example, religious leaders often have some governing authority and would be considered like officials.

Non-qualified investment

A non-qualified investment is a share, right to acquire a share, or debt owing to a private foundation by a person who does not deal at arm's length with the foundation. Non-qualified investments may give rise to tax payable by the debtor if the private foundation receives interest or dividends on them falling short of an amount based on the prescribed rate.

Non-qualifying security

In general terms, a non-qualifying security is:

- an obligation (such as a promissory note) from a donor, or the donor's estate, or any person or partnership not dealing at arm's length with the donor or the donor's estate;
- a share in a corporation that the donor or the donor's estate does not deal with at arm's length;
- any other security issued by the donor, or the donor's estate, or by any person or partnership not dealing at arm's length with the donor or the donor's estate.

The securities and obligations described above do not include those listed on a designated stock exchange. For more information, see Guide T4033B, *Completing the Registered Charity Information Return*, available on our Web site at www.cra.gc.ca/tx/chrts/formspubs/menu-eng.html.

Non-resident donors

When a donor residing outside of Canada has donated more than \$10,000, the donation must be reported on Schedule 4 of Form T3010B (09), *Registered Charity Information Return*, unless the donor meets certain legislated criteria.

The *Income Tax Act* offers certain protections with respect to the identity of a donor making a contribution to a registered charity where the donor is a Canadian citizen, a person employed in Canada, a person or business carrying on business in Canada, or a person or business that has disposed of taxable Canadian property. Donations from donors who meet any of these criteria should **not** be reported on Schedule 4.

However, when a gift is received by a charity from any donor, individual or otherwise, who does not meet any of these criteria, the charity must report to the Canada Revenue Agency the identity of the donor, the amount of the gift, and whether the donor is an individual, organization, or government body.

To satisfy this reporting obligation, charities should ensure that they obtain sufficient information to complete Schedule 4 of Form T3010B (09), *Registered Charity Information Return*.

Ontario Corporations Act Annual Return

Form RC232, *Ontario Corporations Information Act Annual Return*, and Form RC232-WS, *Director/Officer Worksheet and Ontario Corporations Information Act Annual Return*, apply only to registered charities that are incorporated, continued, or amalgamated in the province of Ontario, and subject to the *Ontario Corporations Act*.

Registered charities subject to the *Ontario Corporations Act* can file a pre-populated Form RC232-WS (included in the Registered Charity Information Return package), and file it with their returns. If a charity files Form RC232-WS with its Form T3010B, it does not have to complete Form T1235 (09), *Directors/Trustees and Like Officials Worksheet*.

If, for any reason, a charity cannot or chooses not to complete Form RC232-WS, it may elect to use Form RC232. However, in this case, it must also complete and submit Form T1235 (09).

Part-time (part-year) position

If any employee of the registered charity does not meet the requirements listed above for a full-time (permanent) position, refer to that employee as filling a part-time (part-year) position.

Qualified donee

Qualified donees are organizations that can, under the *Income Tax Act*, issue official tax receipts for gifts that individuals or corporations make to them. See the back of Form T1236 (09), *Qualified Donees Worksheet/Amounts Provided to Other Organizations*, for a list of qualified donees. In addition to the donees listed there, proposed legislation includes municipal or public bodies performing a function of government as a qualified donee for any gifts made after May 8, 2000.

Right to acquire shares

A right to acquire shares is a right under which a registered charity is entitled, either immediately or in the future and either absolutely or contingently, to purchase or otherwise receive any class of shares.

Share

A share is a share or fraction of a share of the capital stock of a corporation. A share of the capital stock of a corporation includes a share of the capital of a cooperative corporation (within the meaning assigned by subsection 136(2) of the *Income Tax Act*) and a share of the capital of a credit union.

Specified gift

Specified gifts under the *Income Tax Act* allow for the transfer of gifts from one registered charity to another registered charity. The transfer amount will not increase the recipient charity's disbursement quota for the year, nor can the donor charity use the specified gift to satisfy its own disbursement quota. However, the recipient charity may subsequently have to consider the specified gift when determining the average value of property not used directly in charitable activities or administration. A gift becomes a specified gift if the donor charity identifies it as such in its return for the year and informs the recipient charity that it is a specified gift. Registered charities can also transfer specified gifts of enduring property. Please see the definition of "Enduring property" above for more information.

Subordinate position

A charity may be in a subordinate position to a parent organization. For example, a registered charity with its own governing documents may be, at least in some respects, in a subordinate position to a head body. The head body usually has policies that govern the charitable programs the charity delivers and that regulate its administrative and financial affairs. It may also require dues from the subordinate charity. The subordinate charity could also be an internal division, which is an internal branch, section, or other division of a registered charity. An internal division does not have its own governing documents.

Tax-receipted non-cash gifts (gifts-in-kind)

Non-cash gifts, or gifts-in-kind, are gifts of property. They cover items such as artwork, equipment, securities, and cultural and ecological property. A contribution of service, or a contribution of time, skills, or effort, does not constitute a gift of property. Therefore, it does not qualify as a gift or a gift-in-kind for the purposes of issuing official donation receipts.

Ten-year gift

A registered charity can receive gifts subject to a donor's written trust or direction that the registered charity hold the gifts for at least 10 years. These gifts are one form of enduring property. See the definition of "Enduring property" above. For more information, see Guide RC4108, *Registered Charities and the Income Tax Act*, available on our Web site at www.cra.gc.ca/E/pub/tg/rc4108/README.html.