

Conservative government steps up scrutiny of charities' political activities

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The Conservative government has stepped up its scrutiny of the political activities of charities, adding fresh money for more audits, and casting its net well beyond the environmental groups that have opposed its energy policies.

Canada Revenue Agency, ordered in 2012 to audit political activities as a special project, now has also targeted charities focused on foreign aid, human rights, and even poverty.

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The tax agency has also been given a bigger budget – \$5-million more through to 2017 – and is making the special project a permanent part of its work.

With 52 political-activity audits currently underway, some stretching out two years and longer, charities say they've been left in limbo, nervous about speaking out on any issue lest they provoke a negative ruling from the taxman.

And their legal bills are rising rapidly – in some cases adding \$100,000 to already strained budgets – as they try to navigate often-complex demands from CRA auditors.

“It's nerve-racking,” said Leilani Farha, executive director of Canada Without Poverty, a small charity based in Ottawa that had to turn over internal emails and other documents to auditors looking for political activities.

“We've been under audit for more than two years, and it just goes on and on, with no communication. ... It's a huge drain on the resources of our organization.”

The blitz began with the 2012 federal budget, shortly after several cabinet ministers – Joe Oliver, now finance minister, among them – labelled environmental groups as radicals and money launderers.

The groups, able to attract donations by virtue of their charitable status, have sharply opposed the Harper government's oilsands and pipelines policies.

The government tightened rules and initially earmarked some \$8-million over two years for CRA to create a special team of auditors to closely scrutinize the political activities of charities.

A landmark policy statement from 2003 allows charities to spend up to 10 per cent of their resources on political activities, such as advocating changes in government policies. Partisan activity – endorsing a candidate or party – has always been forbidden and remains so.

As CRA got new money for these audits, EthicalOil.org, a staunch supporter of Canada's energy industry and founded by current Stephen Harper aide Alykhan Velshi, issued a series of formal complaints to the agency about the political activities of environmental groups.

The initial wave of audits targeted just such groups, such as the David Suzuki Foundation, Tides Canada, Equiterre, and Environmental Defence – all of whom are still awaiting outcomes. The CRA readily acknowledges that complaints are taken into account when deciding which groups to audit.

But the circle has widened to include other charities that have also been burrs under the government's saddle, including Amnesty International and the United Church of Canada's Kairos charity, run with 10 other religious organizations to promote human rights.

Revenue Minister Kerry-Lynne Findlay rejects any claim that the government is using the tax agency as a weapon against its opponents, saying the initiative is simply about good stewardship over taxpayer dollars.

"The rules regarding charities and political activities are long-standing. The CRA has a legal responsibility to ensure that charitable dollars, donated by charitable Canadians, are used for charitable purposes," she said.

"CRA audits occur at arm's length from the government and are conducted free of any political interference. Our government is committed to ensuring that our tax system is fair for all Canadians."

The tax agency acknowledges it has been auditing the political activities of a variety of charities whose work focuses on animal welfare, poverty, education, religion, health, human rights and others.

One group – Physicians for Global Survival, an anti-war organization – was stripped of its charitable status in 2012 for violating rules on political activities, though that audit started before the latest blitz.

The tax agency will not comment on specific audits, their outcome, or even confirm they are taking place. In February, however, it said it expected to resolve about six other audits with education letters and compliance agreements by March.

The vast majority of these political audits remain in process, hanging like a sword of Damocles over their nervous targets.

“It’s costly to them and stressful,” said Harvey McKinnon, a Vancouver-based fundraiser who has worked with non-profits for 35 years.

“The Harper government attack on non-profits is unprecedented. I essentially see it as a bullying tactic.”

A chill has descended even over some charitable groups not currently under an auditor’s microscope, McKinnon warned.

“There’s so much fear out there, nobody wants to be involved in (political activity) because all of a sudden they’re potentially audited and an ‘enemy.’” Many groups under audit declined to speak to The Canadian Press, other than confirming a few basic details.

“It’s a difficult space to operate in,” said Tim Gray, executive director of Environmental Defence, which has so far spent an estimated \$100,000 on related legal bills.

Environmental Defence is widely seen in the charity community as being at imminent risk of losing its charitable status, but Gray said no such CRA notice has been received. The audit, meanwhile, continues.

Gareth Kirkby, a graduate student at Victoria’s Royal Roads University, interviewed leaders at 16 charities currently under audit for their political activities, offering them anonymity to protect them from possible retribution. About half were environmental groups; the rest were in social services, international development and other areas.

His MA thesis, accepted last month, identified what he called an “advocacy chill.”

“The interview data demonstrates that the government is now, in effect or by design, ‘muffling’ or ‘silencing’ the contribution of charities to public debates by ‘distracting’ them with CRA audits,” his study concludes.

The current crop of political-activity audits has prompted a sharp rebuke from the Canadian Council of Churches, which in April wrote directly to the prime minister about the “chilling effect of threats to revoke the charitable status of organizations that draw attention to policies that harm our world.”

Similarly, Lawyers’ Rights Watch Canada wrote to a United Nations group about what it calls the “shrinking space for dissent in Canada.”

“One particularly troubling trend is the selective targeting of organizations by Canadian revenue authorities to strip certain organizations of their charitable status,” the group wrote to the UN Human Rights Council in May.

Canada Revenue Agency officials, meanwhile, say they’re simply doing their jobs as mandated by government.

And Richard Bridge, a charities lawyer in Middleton, N.S., with some 200 clients, said he’s seen no evidence the tax agency has itself become politicized.

“I have confidence in their professional integrity,” Bridge said in an interview. “At the end of the day, they’re going to do the right thing.”

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