

News / Canada

Foreign-aid charities join together to challenge Canada Revenue Agency audits

A dozen international aid groups say new demands during audits ordered by the Harper government are draining them of resources badly needed overseas.



Philip Slayton, president of Pen Canada, a charity for freedom of expression, is one of several charities under audit by the Canadian Revenue Agency since July 2014 for their political activities. Pen Canada represents more than 1,000 writers and supporters including Canadian authors Margaret Atwood and Yann Martel.

By: Dean Beeby The Canadian Press, Published on Sun Aug 10 2014

OTTAWA—Some international aid charities are joining forces to challenge the Canada Revenue Agency's increased scrutiny of the sector, saying onerous new demands are draining them of resources that are badly needed overseas.

A dozen such groups conferred last week about a joint strategy to present to agency officials next month, a reversal from the last two years, when many charities refrained from speaking out for fear of aggravating the taxman.

The new initiative is being quarterbacked by the [Canadian Council for International Co-operation](#), representing some 70 groups who funnel charity dollars abroad to alleviate poverty and defend human rights.

The move is a belated reaction to a wave of political-activity audits ordered by the Harper government in 2012, but which only began to hit the international aid sector in the second year after several environmental groups were swept up in the first round.

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The dozen charities, many of whom are undergoing a political-activities audit themselves, agreed during a conference call to send a delegation to meet directly with senior Canada Revenue Agency officials. They drew up a short list of pressing issues, which is now being reviewed by the council's lawyers.

The Canada Revenue Agency has built a team of 15 auditors specifically to audit the political activities of select charities. Some 52 audits are underway or concluded, with eight more expected to be launched by 2016, drawing on a special \$13.4-million fund.

"The situation is negative and it's very worrying," Julia Sanchez, executive director of the council, said in an interview.

"The big concern that we've had for a long time, and which continues now, is the implicit questioning of civil society's . . . capacity to advocate and do political work. That is a huge concern for us."

Charities can devote up to 10 per cent of their resources to political, though not partisan, activities, but definitions are vague and open to interpretation.

The first wave of audits targeting environmental groups followed public comments from key cabinet ministers, who vilified the sector as "radical" and money-launderers, especially those opposing the government's energy and pipeline priorities.

Revenue Minister Kerry-Lynne Findlay has repeatedly said no direction is provided to the arm's-length CRA about which charities to audit, and the initiative is simply to provide accountability.

The head of the charities directorate, Cathy Hawara, said political-activity audits are spread fairly by geography and by the type of charity, whether religious, educational, anti-poverty or other. She says her office gets no direction from the minister on which charities to target.

Critics, however, say many of the targeted charities have been outspoken critics of the Harper government, and that the audits have given rise to "advocacy chill" as some groups self-censor for fear of losing charitable status.

Sanchez says the political-activity audits are just one element of a deteriorating relationship with the Canada Revenue Agency. She cited the case of Oxfam Canada, which was required by CRA officials to alter its mission statement to no longer refer to the prevention of poverty, only its alleviation.

"That's a narrow and outdated definition of what tackling poverty actually means," she said.

The tax agency this year also demanded that a small Vancouver charity, [CoDevelopment Canada](#), translate every Spanish document it receives from its partners in Latin America into French or

English, even taxi receipts.

Sanchez said international-aid charities work in more than 200 official languages overseas and that such a requirement applied broadly would be a “huge amount of work.”

“We’ve never done that before in our sector . . . All of a sudden this comes up,” she said.

New CRA rules also compel charities to direct and control all programs abroad that are funded by their Canadian dollars, a demand that is out of step with modern foreign-aid practices that seek to empower local groups rather than dictate to them.

“It’s difficult to reconcile the way we work with our partners nowadays, with the way we are expected to command and control every penny that goes overseas,” Sanchez said.

Foreign-aid charities in Canada are also required to report on the political activities of their partner organizations even in countries with weak human rights protections, a demand that can put lives at risk, she added.

“Often we are working with people who are at risk in the countries that they’re working in precisely because they are advocating for respect of human rights,” she said.

“So (we’re) exposing those partners to public scrutiny because our government wants a whole bunch of detail on exactly what they’re doing.”

The council is also gathering information on the costs its members incur as some audits stretch for more than two years, with repeated demands for detailed paperwork.

Sanchez says the group hopes to have an initial meeting with the Canada Revenue Agency next month to raise a short-list of issues and “rebuild a relationship with them.”

Under the microscope

Some Canadian charitable organizations under recent audit for their political activities. (Revenues and percentages based on the groups’ most recent filings with Canada Revenue Agency. Rules limit spending on political activities to no more than 10 per cent of all expenses, with partisan activities banned altogether):

Pen Canada, Toronto

Charity for freedom of expression, 2011-2012 revenues of \$311,000; 0 per cent of expenses for political activities.

Audit began in July 2014, includes political activities. Continues.

Pembina Foundation, Calgary

Environmental charity, 2013 revenues of \$716,000; five per cent of expenses for political activities.

Audit began in December 2013, includes political activities. Continues.

Subject of formal complaint by Ethical Oil to Canada Revenue Agency in April 2013 regarding political activities.

Tides Canada Foundation, Vancouver

Environmental foundation, 2012 revenues of \$16.3 million; 0 per cent of expenses for political activities.

Audit began in 2011, includes political activities. Continues.

Subject of formal complaint by Ethical Oil to Canada Revenue Agency in August 2012 regarding political activities.

Tides Canada Initiatives Society, Vancouver

Environmental charity, 2012 revenues of \$13.2 million; 2 per cent of expenses for political activities.

Audit began in 2011, includes political activities. Continues.

Subject of formal complaint by Ethical Oil to Canada Revenue Agency in August 2012 regarding political activities.

David Suzuki Foundation, Vancouver

Environmental charity, 2012-2013 revenues of \$9.9 million; 5 per cent of expenses for political activities.

Audit began in May 2013, including into political activities. Continues.

Subject of several formal complaints by Ethical Oil to Canada Revenue Agency, starting April 2012, regarding political activities.

Ecology Action Centre, Halifax

Environmental charity, 2012-13 revenues of \$1.9 million; four per cent of expenses for political activities.

Audit began fall 2012, including into political activities. Completed earlier this year with charitable status intact.

Canada Without Poverty, Ottawa

Social-justice charity, 2012-2013 revenues of \$378,000; 3 per cent of expenses for political activities.

Audit began in fall of 2011, expanded to include political activities in 2012. Continues.

Equiterre, Montreal

Environmental charity, 2012 revenues of \$4.7 million; 1 per cent of expenses for political activities.

Audit began January 2013, including into political activities. Continues.

CoDevelopment Canada Association, Vancouver

International aid (Latin America focus) charity, 2013 revenues of \$1.3 million; 4 per cent of expenses for political activities.

Political activities audit began 2013, concluded January 2014 with requirement the group must henceforth translate all paperwork from Spanish into English or French.

United Church of Canada, including Kairos, Toronto

Religious charity, 2013 revenues of \$45.1 million, of which \$2.2 million was for Kairos; 1.1 per cent expenses for all political activities, and 4.5 per cent for political activities at Kairos alone.

Audit began in fall 2013, including into political activities. Continues.

Environmental Defence Canada Inc., Toronto

Environmental charity, 2012-2013 revenues of \$3.8 million; 5 per cent of expenses for political activities.

Audit began in 2011, expanded in 2012 to include political activities. Continues.

Subject of formal complaint by Ethical Oil to Canada Revenue Agency in March 2012 regarding political activities.

Canadian Centre for Policy Alternatives, Ottawa

Public-policy charity, 2012 revenues of \$5.3 million; 0 per cent of expenses for political activities.

Audit began in October 2013. Continues.

Amnesty International Canada, Ottawa

Human-rights charity, 2012 revenues of \$11.8 million; one per cent of expenses for political activities.

Audit began in December 2012, including into political activities. Continues.