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FINANCIAL POST

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Charities that don't flout rules have nothing to fear from CRA audit

By Terence Corcoran

Here's a question for former PEN president, Ms. Atwood: Since when has freedom of expression been dependent on charitable status?

Environmental groups, international activist organizations and think tanks left and right have all been subject to tax audit by federal tax officials.

Why the CRA's crackdown on charities may be reasonable¹

Hank Bulmash: The crucial message of the current government's campaign has nothing to do with this government alone. It is a reminder that our charitable status is a privilege and not a right. It is a privilege granted by CRA, an arm of the government, and as such we and other charitable organizations will always exist subject to the scrutiny of those in power in Ottawa. *Keep reading*².

But hell hath no fury like journalists and writers who feel that their precious right to an unconditional free ride might be encumbered, which totally explains why members of the Canadian media intelligentsia, or at least the left-wing of it, are in full fury over the news that PEN Canada, a registered charity, is to be audited by the Canadian Revenue Agency.

According to its official motto, PEN Canada is an association of Canadian writers that "envisions a world where writers are free to write, readers are free to read, and freedom of expression prevails."

On a world scale, Canada would rank at or near the top of any PEN freedom ratings on the freedom to read and write. But now that CRA is auditing PEN to make sure it is not in breach of its legal status as a charity, Canada is allegedly in the grip of the Harper government's freedom-killing, Putin-like campaign against free expression. Columnists, oped writers and editorialists are falling over themselves in search of the appropriate killer comparisons.

PEN has become "the little charity in the crosshairs of the Harper government," the audit linked to "official censorship" that poses a risk that "we will be living in an Orwellian world where alternative views are considered 'thought crimes' - if we aren't, in some corners of Ottawa, already."

That last bit, from a *Toronto Star* editorial, is as absurd a stretch on the PEN audit as you can get. More moderately,

author Margaret Atwood, a past president of PEN, tweeted about the Harper Tories: "Why does freedom of expression threaten them?"

But here's a question for Ms. Atwood: Since when has freedom of expression been dependent on charitable status? Charitable organizations are artificial creations of governments that allow givers to fund - at taxpayer expense - organizations engaging in charitable activities as defined by the government.

To make sure the rules of charities are followed, and that the charities do not engage in excessive political and other restricted activities, the government conducts audits.

PEN should be no exception to the audit process, although the moralizing pundits supporting PEN seem to think charitable status gives PEN and other especially green charities a blank cheque to do whatever they want with the money they collect from other taxpayers via deductions.

The current CRA audits of PEN or environmental groups such as the David Suzuki Foundation, the Tides Foundation and Environmental Defence pose no threat to these organizations-unless, of course, they have been flouting the rules on political spending or engaging in financial manipulation of their various income sources.

In PEN's case, it seems unlikely that rules have been broken. The top item on PEN's current blog site is a commentary by chartered accountant Hank Bulmash, the association's former treasurer. Writing in PEN's annual report, Mr. Bulmash calmly reviewed the CRA audit process and defended it as "a reminder that our charitable status is a privilege and not a right...We and other charitable organizations will always exist subject to the scrutiny of those in power in Ottawa."

"This is not unjust," writes Mr. Bulmash, "at least not in principle. It's the way the world works."

That's sound advice totally ignored by the parade of sensation-mongering writers, journalists and environmental activists who have been trying to turn Ottawa's legitimate government overview of charities into totalitarian-style attempts to muzzle dissent.

Whether all of the green political activist groups are as safe as PEN under the CRA audits remains to be seen.

Here's a question for Ms. Atwood: Since when has freedom of expression been dependent on charitable status?

An anonymous post on the Environmental Defence blog last week, bylined "Dr. Dawg," seemed to protest a little too much about the audits underway at Environmental Defence and other green groups. In the past, ED officials have been active policy lobbyists and players in election campaigns. During a 2011 Ontario election campaign, the group used an 8-year-old girl named Penelope to campaign in favour of the ruling Liberal party.

Dr. Dawg appears to lack research skills. He said "It appears, and by no coincidence, that the Knights of Columbus and the Fraser Institute, both of which wade frequently into politics, have been spared a visit from the Grand Inquisitor." In fact, Niels Veldhuis, president of the Fraser Institute, has in the past said that his group has been audited three times in the last 40 years.

As I have said in the past, PEN and environmental groups have no special reason to complain about or fear audits. Either they are compliant with the law or they are not. If they are, CRA will go away. If not, they may lose their charitable status, which is hardly the end of their freedom of speech or ability to take on the government on any issue.

All it means is that taxpayers will no longer be called on to support their causes. In that event, nothing will prevent them from soliciting funds from donors who share their green and political passions regardless of whether or not they receive a charitable tax receipt, which is essentially a government subsidy.

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