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## Problem with charities isn't their politics, it's their generous tax credit

By Andrew Coyne

*Charities will squawk at the impact this would have on private donations, which only highlights how disconnected from actual charity the whole...*

It has been no summer of love for Canada's charities. A number of prominent charitable groups, among them PEN Canada, Environmental Defence Canada, Amnesty International Canada and the David Suzuki Foundation, have faced audits by the Canada Revenue Agency; the rest, it seems, are up in arms about it.

Because so many of those who have publicly identified themselves as being under audit (the CRA is prevented by privacy laws from naming them) have agendas that, shall we say, contrast with that of the Conservative government, the accusations have been quick to follow. The CRA, it is claimed, is being used to settle scores with the government's critics. A "chill" is said to have settled on the right of advocacy groups, or as they like to call themselves, "civil society," to speak freely.

To date precisely zero evidence has been produced to back up the vendetta charge, which the CRA vehemently denies. (I happen to know of three charities that might be described as right-leaning who have been audited.) Nevertheless, charities are concerned the CRA's newfound zeal to enforce the tax laws, even if impartially applied, will unduly restrict their ability to do their work.

As a condition of their preferred tax status - tax-free in their own right, they also benefit from the charitable tax credit claimable by their donors - charities face certain limits on their freedom to engage in "political activities." Overt partisanship is forbidden altogether. Broader advocacy on behalf of political causes is permitted, provided it takes up no more than 10% of a group's total resources (higher limits apply to smaller groups).

The interpretive questions to which this gives rise are obvious. Though the CRA's published definition is clear enough - a political activity is "any activity that tries to change, retain, or oppose a law, decision, or policy of any government" - it seems equally clear that charities have been allowed rather more of the benefit of the doubt in past years than under the current crackdown.

As the executive director of Environmental Defence, Tim Gray, told *Embassy*, the Ottawa foreign-policy weekly, "a lot of the things that we do, that we talk about - in terms of preventing toxins in the environment, preventing climate change - their view of these is that they're inherently political." In a much-reported incident last month, Oxfam Canada was told its professed goal of "preventing poverty" also crossed the "political" line.

To which the only sensible answer is: *of course* they're political. It's preposterous to pretend otherwise. You can't "prevent climate change" without changing the policy of a good many governments, and you can't talk about the issue without at least implicitly raising questions of policy. Indeed, they should be political. Any organization concerned with poverty reduction that did not advocate for the sorts of policies it believed would reduce it would arguably be shirking its responsibilities, and no government should be able to tell them they can't.

But the government isn't telling them they can't. It's only saying they can't do so and still claim charitable tax status. This also seems perfectly sensible. You can't let just anyone call themselves a charity. Otherwise you'd soon have political parties using them to get around the campaign finance laws, among other scams. As it is, there are more than 85,000 charities registered with the CRA, many with very odd-sounding mandates.

There would seem to be no way out of this. As long as charities benefit from a special tax status, governments will inevitably be involved in deciding what is charitable activity, and what is not - decisions that are arbitrary at best, and biased at worst. And you will force advocacy groups to pretend they are not doing what they manifestly are: trying to influence public policy.

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Sorry, did I say there was no way out? There is in fact a very simple solution: take away the charitable tax designation - not selectively, based on their ability to dance on the head of a CRA pin, but across the board, outright. If people want to donate to charities, let them do so on their own dime, without the tax benefit. And let charities raise funds on the strength of their own cause, not the lure of a tax break.

It is the charitable tax status itself, not any alleged attempts to evade its rules, that corrupts the definition of charity. I always understood the word to mean that you give of your own resources - not that you conscript others into giving on your behalf. Yet that is the practical effect of the tax credit. Charities like to advertise that "your donation of \$400 will only cost you \$200," or whatever it is, after all the various federal and provincial tax credits are factored in. Who do you suppose is ponying up the rest? Every other taxpayer, that's who, many of whom might be violently opposed to the cause in question.

Abolishing the charitable tax credit would not only spare charities the indignity of having the CRA poking through their sock drawers, but end what amounts to the privatization of decisions about public spending. Charities will squawk at the impact this would have on private donations, which only highlights how venal - how disconnected from actual charity - the whole business has become. You do not, as a rule, get a tax credit for volunteering your time to your local charity, something that is in rather more fixed supply. Why should millionaires be compensated for giving up something they would hardly miss?

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*Disclosure: I sit on the board of two registered charities, neither one of which, I think it is safe to say, would endorse these sentiments.*

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