



THE CANADIAN
BAR ASSOCIATION
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Via email: tony.manconi@cra-arc.gc.ca; stephane.poitras@cra-arc.gc.ca

Tony Manconi, Director General
Stephane Poitras, Director, Assessment, Determination and Monitoring Division
Charities Directorate
Canada Revenue Agency
13th Floor, Tower A, Place de Ville
320 Queen Street
Ottawa, ON K1R 5A3

Dear Mr. Manconi and Mr Poitras:

Re: Online Filing of Application for Registered Status T2050

I am writing on behalf of the Canadian Bar Association's Charities and Not-for-Profit Law Section (CBA Section) concerning issues our members are experiencing with the Canada Revenue Agency Charities Directorate's recent move to online filing of applications for registered status.

The CBA is a national association representing over 36,000 jurists, including lawyers, notaries, law teachers and law students across Canada. The CBA's mandate includes seeking improvements in the law and the administration of justice. The CBA Section has members across Canada practising in all areas of charities and not-for-profit law and in every size of practice, from large national firms to small and solo practitioners.

We would like to begin by commending the Charities Directorate for moving to an online format for both Form T2050, Application to Register a Charity Under the Income Tax Act, and Form T3010, Registered Charity Information Return. Unfortunately, members of the CBA Section have experienced significant difficulties using the online system and the new T2050. We also appreciate the efforts of the Charities Directorate to assist with these difficulties and its decision to continue to permit filing the old T2050 in paper format while issues with the online system and the new T2050 are being resolved.

At present, we believe that the new online filing system is overly complicated and creates significant risks for both charities and the Charities Directorate. The CBA Section recommends that you consider placing a temporary hold on use of the new T2050 and its online filing until a formal testing group can be established to work with the Charities Directorate on use of the new T2050

and the process by which it is filed online. We offer three examples to illustrate why we suggest that the new system be placed on hold until the bugs can be worked out.

1. An applicant must have an RR number from the CRA, rather than an RC number, to apply for charitable status online. However, a charity typically receives an RR number after it is registered. The number is used to issue charitable donation receipts and to identify the charity to the CRA and the public. Issuing a temporary RR number to permit organizations to apply creates a risk that organizations could use that number to issue charitable tax receipts before the Charities Directorate reviews and approves the organizations' applications for charitable registration. This is an unnecessary risk arising from the online application process and could lead to problems for the charitable sector if individuals who would abuse the system learn of a process for getting an RR number before an organization is registered. We suggest this is not a prudent approach, but it appears the only way an application can be filed is if a temporary RR number is issued.
2. Related to the application itself, section H on the new T2050 asks for information about charges for goods and services. Of course, charities may charge for services in several scenarios, for example, for charitable services. They may also charge for goods or services they sell through a related business or as part of their fundraising activities. When Section H is completed, it generates a series of questions that relate to fundraising. These questions are inappropriate for organizations selling goods or services either as a charitable service or a related business. We understand that these questions lead to the calculation of a fundraising ratio. Again, this calculation could distort and contradict other information given to CRA in the context of the application.
3. The new T2050 does not appear to allow representatives to print the application as filled out online to review and confirm with their clients that the information is accurate. As lawyers, we have a professional duty to provide diligent service to our clients. To meet this duty, we should ensure that we are properly fulfilling clients' instructions and would commonly review completed T2050s with them before submitting the form to the CRA. As well, lawyers need to be able to track and save different versions of the draft application noting changes made by the lawyers and their clients for practice and record purposes.

Before an online system is introduced to the public, appropriate testing of the online T2050 and other forms must take place. Members of the CBA Section Executive would gladly participate in a pilot process to test the new T2050 online and provide input to CRA to resolve any inconsistencies or difficulties before CRA requires the new T2050 and online system to be used.

We look forward to hearing back from you once you have had an opportunity to consider this suggestion.

Yours truly,

(original letter signed by Nadia Sayed for Susan Manwaring)

Susan Manwaring
Chair, CBA Charities and Not-for-Profit Law Section