
LETTER FROM THE EDITOR

Susan Manwaring

THE COMPREHENSIVE ARTICLE FEATURED IN THIS ISSUE OF *The Philanthropist* discusses the availability of tax-exempt status for organizations that are not registered charities but, rather, are nonprofits established for social welfare, civic improvement, pleasure or recreation, or for any other purpose except profit. This topic has become increasingly relevant in the last few years because the Canada Revenue Agency (CRA) has been reviewing the operations of organizations that claim a tax exemption under paragraph 149(1)(1) of the *Income Tax Act* (Canada). As confirmed by the authors, “This article has not attempted to identify, let alone critique, the policy reasons that support the tax exemptions in favour of not-for-profit corporations.” Rather, it analyzes current developments in the application of the provision and, in particular, reviews current administrative pronouncements by CRA on when it should be available to organizations claiming an exemption from tax.

Paragraph 149(1)(1), or earlier versions of it, has existed in its current form for decades, without any significant changes. The types of organizations that claim this tax exemption range from private clubs and trade associations to local soccer and hockey associations, professional associations, and many others. In other words, there are many categories of organizations that claim they are organized for a purpose other than profit and that, therefore, the revenue they generate should be exempt from tax. The Government of Canada has considered this issue important enough to commission a research project on whether these organizations truly should be tax exempt.

This government project has led to concern among organizations currently claiming the tax exemption that the rules might change. This article highlights that the CRA’s recent policy developments reflect a shift in its view as to when organizations should be eligible for the tax exemption. The authors argue that current CRA views are not consistent with existing case law or prior CRA policy.

SUSAN MANWARING provides both specialized tax and general counsel advice to charities and not-for-profit organizations across Canada and internationally. She advises on establishing charities and non-profit organizations and works with them to address their operational and governance concerns. She is knowledgeable in the law relating to charitable expenditures, social enterprise and social finance and day-to-day questions of charities, and is regularly called upon to advise on compliance and taxation matters under the *Income Tax Act* (Canada), as well as other relevant provincial tax regulations.

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