

BUDGET 2022

Key Regulatory Changes Announced for Philanthropy

In the Government of Canada's Budget 2022 and its supplementary information released late last week, we have noted and welcomed progress on several key priorities that are relevant to PFC members and our wider philanthropic network.

PFC made several recommendations in its pre-budget consultation submission based on extensive research and the largest consultation in the 20-year history of the organization. In particular, we advocated for a disbursement quota increase to 5 per cent in order to balance avoiding both capital accumulation and capital erosion, addressing the data deficit facing the charitable sector, and amending the Income Tax Act to help ensure more charitable dollars reach equity-seeking communities. You can see our full submission [here](#).

MEMBER ADVISORY



DISBURSEMENT QUOTA

Most notably for our sector, the Government of Canada announced in Budget 2022 a rate increase in the disbursement quota from 3.5 to 5 per cent for charities with assets over \$1M. PFC has expressed its support for this increase.

In the budget, the government announced that changes to the disbursement quota will be effective starting with charities' fiscal periods beginning on or after January 1, 2023. In speaking with representatives involved in the policymaking related to this announcement, PFC confirmed that charities are going to be expected to ensure that their disbursement rate is an average of 5% in 2023 and in 2024. This means that if in 2023 a charity's disbursement is lower than 5%, it can make up difference in 2024 (or apply any carry over in last five years, if it exists, as has always been the case).

In the lead up to Budget 2022, PFC recommended to government that any increase in the disbursement quota be reviewed every five years to ensure that it remains widely sustainable for stakeholders and that it promotes philanthropic impact. We were pleased to see that in Budget 2022, the government announced that a review of the new disbursement quota rate would take place after five years.

As recommended in our submission, the review should reflect inflation and actual returns for responsible investment portfolios.

Another Budget 2022 announcement of note is that the Canada Revenue Agency will be directed to improve the collection of information from charities, including whether charities are meeting their disbursement quota, and on information related to investments and donor-advised funds held by charities.

PFC has expressed support for this announcement in increasing transparency. A fully functioning framework between governments and charities must be transparent, data-driven, and evidence-based to fully assess the magnitude, nature and diversity of initiatives supported by our sector. The current data reporting system falls short and needs significant improvement – without creating unnecessary administrative burden. In speaking with government officials on this announcement, it was made clear that nothing has been decided yet about how this will be operationalized but that there is a recognition that new measures are needed without creating undue administrative burden on charities (both funders and grantees).



CHARITABLE PARTNERSHIPS

Together with our colleagues across the network and the wider charitable and non-profit sector, PFC has recommended changes to the rules that govern the way that charities are able to partner with and provide funds to non-charities.

We were pleased to see the proposal in Budget 2022 to amend the Income Tax Act to allow charities to provide resources to organizations that are not qualified donees, provided that certain requirements designed to ensure accountability are met.

The Budget explicitly notes that the government intends to implement the spirit of bill S-216, The Effective and Accountable Charities Act, proposed legislation we fully support. The changes outlined in the bill would allow charities to collaborate with other organizations more efficiently, toward greater impact in both local and international communities that have long been underfunded. The proposed changes would eliminate the requirement for charities to exercise “direction

and control” when providing resources to “non-qualified donees”, such as non-profit organizations, and would allow a charity to make a transfer to a non-qualified donee, so long as the charity takes reasonable steps to ensure that the transferred resources are used exclusively for charitable purposes.

While it is still unknown what requirements will need to be met prior to resource disbursements, the announcement in Budget 2022 is a very encouraging step forward on one of the sector’s key policy priorities. We look forward to learning more and working with policymakers concerning the important details of how the government’s proposal will be implemented to ensure efficiency and effectiveness.

OTHER BUDGET ANNOUNCEMENTS OF NOTE

Budget 2022 includes several other announcements that will impact our sector and those charities and organizations we partner with.

These include:

- \$50 million in additional funding for the Supporting Black Canadian Communities Initiative, which aims to build the capacity of Black-led and Black-serving organizations
- Increased aid, including military aid, to Ukraine and reiteration of the previously announced new immigration streams for Ukrainian refugees
- \$625 million for an Early Learning and Child Care Infrastructure Fund
- An additional \$190.5 million investment for the Indigenous Community Support Fund to help Indigenous communities and organizations mitigate the ongoing impacts of COVID-19
- Funding to support the new Special Representative on Combating Islamophobia
- \$29.6 million to support the co-development of an Indigenous Climate Leadership Agenda
- \$85 million to support the new Anti-Racism Strategy and National Action Plan on Combating Hate
- \$100 million to support the implementation of the Federal LGBTQ2+ Action Plan
- \$272.6 million to support the implementation of an employment strategy for persons with disabilities through the Opportunities Fund
- Approximately \$10B in Budget 2022 is geared toward housing, including a Rapid Housing Initiative, direct financial support to renters, efforts to make affordable housing greener, funding for Canada's homelessness strategy and research on community responses to homelessness



Philanthropic
Foundations
Canada

Fondations
Philanthropiques
Canada

WHAT'S NEXT

We anticipate that there will be additional technical information in briefing documents provided in the coming months which will provide greater details on all of these announcements.

The House of Commons will now proceed to its April two-week parliamentary break, giving ministers and government MPs ample opportunity to hit the road and make echo announcements on key funding initiatives that impact program delivery for their respective departments and agencies. When they return to the House, they'll be pressed by the opposition through the end of the session in June, with debate focusing on the Budget. We can anticipate the budget to pass with NDP support given the Supply and Confidence Agreement, and how the Liberals have delivered on key items under that including funding critical to expanding access to dental care.



ADDITIONAL ANALYSIS FROM PFC PARTNERS

Carters: [Federal Budget 2022: Impact on Charities and Not-for-profits](#)

Community Foundations of Canada: [Federal Budget 2022: Analysis for Community Foundations](#)

Equality Fund: [Some thoughts on #Budget2022 \(Twitter thread\)](#)

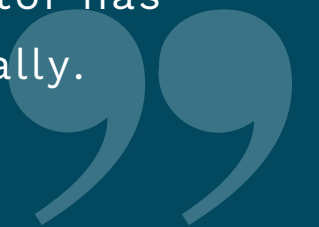
Imagine Canada: [Budget 2022: Step Forward and New Opportunities for Collaboration with the Nonprofit and Charitable Sector](#)

Miller Thomson: [Highlights for the Charitable and NPO Sector](#)



Budget 2022 includes announcements concerning multiple policy issues and measures that PFC and others in our community have been working with the government, key stakeholders, and partners across the sector to advance. We are very pleased that progress has been achieved on a number of fronts, especially with regard to the disbursement quota, data and reporting for charities, and charitable partnerships with non-qualified donees.

We are especially heartened that the Government of Canada increasingly recognizes the importance of improving the regulatory frameworks affecting Canada's foundations, charities and non-profits, and the deep impact our sector has on diverse communities across Canada and internationally.



JEAN-MARC MANGIN
PRESIDENT & CEO