

## *CRA Guidance and CED Activities: “It’s now clearer, grey is ok!”*

### BACKGROUND

The recent Guidance for Community Economic Development (CED) Activities and Charitable Registration released in July, 2012 by the Canada Revenue Agency demonstrates the federal government’s recognition and deepening understanding of the evolving role of CED, social enterprise, social finance and related activities emerging in Canada to address complex economic and social issues.

The new Guidance is of particular significance to registered charities, non-profits and social enterprises (as defined in the Guidance), currently involved in CED activities, as it addresses and clarifies many of the areas of confusion created under the earlier CRA guidelines released in 1999 entitled “Registered Charities: Community Economic Development Programs.”

### DEFINING CED ACTIVITIES

The purpose of the new Guidance is to provide clarification as to the circumstances that organizations carrying on CED activities may be eligible for charitable registration under the Income Tax Act (Canada). It broadly defines CED activities as those that involve “improving economic opportunities and social conditions of an identified community.”<sup>1</sup>

### USE OF PERMISSIVE LANGUAGE

Of most significance is the use of permissive language in setting out the definition, scope and boundaries for CED activities permitted in Canada, namely:

- “CED activities **generally** fall into five areas: activities that relieve unemployment; grants and loans; program-related investments; social businesses for individuals with disabilities; and community land trusts”.
- “Organizations that carry out CED activities **may** be eligible for charitable registration under the *Income Tax Act* (Canada) if all their activities further charitable purposes.”
- “CED activities **may** further charitable purposes that: relieve poverty, advance education; or benefit the community in other ways the law regards as charitable.”

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<sup>1</sup> As a point of interest, in Appendix A, CRA draws directly from Canadian Community Economic Development Network’s (CCEDNet) website for further definition clarification.

The CRA's choice of language is of tremendous importance. If your organization is comfortable working within the subtle guidelines of "*may*" and "*generally*", then CRA has opened up the possibilities for you to pursue a range of CED activities that further charitable purposes. The other part of the CRA policy is the scope of charitable activities. "The following are examples of charitable purposes that can be furthered by CED activities:

- relieving poverty by relieving unemployment of the poor;
- advancing education by providing employment-related training; and
- benefiting the community in a way the law regards as charitable by:
- relieving unemployment of individuals who are unemployed or facing a real prospect of imminent unemployment and are shown to need assistance; [Footnote 2]
- relieving conditions associated with disability;
- improving socio-economic conditions in areas of social and economic deprivation; and
- promoting commerce or industry."

Combine the CED activities with the CRA charitable activities and then you have the realm of opportunity.

One could also say that CRA is actually providing the capacity for charities to innovate and function within a framework of their specified charitable purpose, rather than providing a set of specific, pre-defined commandments and rules. Since every possible CED activity cannot be pre-judged, the principles of meeting charitable purposes are the guiding rule.

If all of an organization's activities and purposes do not fit within the Guidance parameters, then it's "simple" enough – the organization cannot be registered as a charity or do the activities under their charity. But that doesn't mean those activities cannot be done through another non-charitable entity - whether for-profit, non-profit or co-operative.

**What do we take away from this Guidance? In short, it's now clearer, grey is ok!**

Easy view of the matrix of CED and CRA Activities:

<b>Charitable Activities</b>	<b>CED Activities</b>
Relieving poverty by relieving unemployment of the poor	Activities that relieve unemployment
Advancing education by providing employment-related training	Grants and loans
Relieving unemployment of individuals who are unemployed or facing a real prospect of imminent unemployment and are shown to need assistance	Program-related investments
Relieving conditions associated with disability	Social businesses for individuals with disabilities
Improving socio-economic conditions in areas of social and economic deprivation	Community land trusts
Promoting commerce or industries	

## FUTURE BLOG POSTS

*This article is the first in a series of blog posts analyzing the new CRA Guidance on Community Economic Development Activities and Charitable Registration, and its impact on organizations carrying on CED activities. It is intended to be a brief introduction and overview of the Guidance, and its objectives.*

*Stay tuned for future posts, where we will examine in further detail some of the specific CED activities outlined in the Guidance, including Program-Related Investments for charitable foundations, and permitted micro-finance, loan and lending activities. We will look also at charities across the country that “fit” within the new parameters, including SEED Winnipeg, MOMENTUM in Calgary, EMBERS in Vancouver, and the Learning Enrichment Foundation in Toronto.*

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