



October 7, 2025

**REGISTERED MAIL**

Aaron Hadida  
National Director  
Herut Canada Charitable Foundation  
[REDACTED]

BN: 714293479 RR0001

Case number: [REDACTED]

Dear Aaron Hadida:

**Subject: Notice of intention to revoke**

We are writing with respect to the audit of Herut Canada Charitable Foundation (the Foundation) conducted by the Canada Revenue Agency (CRA). In our letter dated January 28, 2025, (copy enclosed) the CRA confirmed that the Foundation had been selected for an audit for the period from January 1, 2021, to December 31, 2022. The CRA advised in our letter dated March 10, 2025, (copy enclosed) that it was expanding the audit period to include the fiscal periods ending December 31, 2023, and December 31, 2024 as the Foundation was inactive during the 2022 fiscal period.

In our letter dated June 9, 2025, (copy enclosed) the CRA invited the Foundation to respond to the findings of the audit, specifically, to explain why its registration should not be revoked in accordance with subsection 168(1) of the *Income Tax Act*. Our letter informed the Foundation that, as it had not submitted its books and records as required, the CRA was unable to conduct an audit of its operations to determine if it was in compliance with subsections 230(2) and 149.1(1) of the Act. The letter stated that if the Foundation chose to respond, it was to do so within 30 days of the date of that letter. In addition, the Foundation was advised that if it chose not to respond or failed to provide adequate records, the CRA may issue a notice of intention to revoke its charitable registration in the manner described in subsection 168(1) of the Act.

On July 10, 2025, the Foundation submitted its bank statements for the fiscal years 2023 and 2024. During a telephone conversation on that date, Director Aaron Hadida stated that he had further documents to submit, and that he would contact the CRA on July 14, 2025, to state when he would send the remaining documents. As of the date of this Notice, neither Aaron Hadida, nor [REDACTED] the authorized representative, have submitted additional documents or contacted the CRA regarding the submission of additional documents.

- 2 -

We also acknowledge that the Foundation submitted a letter to the CRA dated February 28, 2025, in which it stated that one of its directors, Aaron Hadida, [REDACTED]. The Foundation's letter further clarified [REDACTED].

[REDACTED] We note that the Foundation's Form T3010, *Registered Charity Information Return* for the 2023 and 2024 fiscal periods, lists its website as <http://herutcanada.ca>. Our review of that website indicates that it may not be the Foundation's website but rather appears to be the website of a separate entity, Herut Canada. Due to the Foundation's failure to provide adequate records to the CRA, we were unable to conduct a meaningful audit of the Foundation's operations. As such, while we acknowledge the Foundation's representations, the limitations in conducting the audit included the inability to determine the nature, scope, or existence of any relationship that may exist between the Foundation and the organizations in question.

The representations provided in the Foundation's letter dated February 28, 2025, and the bank statements provided on July 10, 2025, do not constitute adequate records that would allow the CRA to conduct a meaningful audit of the Foundation's operations. As such, the Foundation has failed to comply with subsection 230(2) of the Act to maintain adequate books and records. Further, the CRA is unable to verify that the Foundation carried on any charitable activities in furtherance of any charitable purposes, as no records were provided to substantiate the use of resources. As such, the Foundation failed to demonstrate that it meets the requirements of subsection 149.1(1) of the Act, that it devote all of its resources to its own charitable activities or to making qualifying disbursements.

### **Conclusion**

The audit by the CRA found that the Foundation is not complying with the requirements set out in the Act. In particular, it was found that the Foundation failed to maintain proper books and records and, as a result, we were unable to verify that the Foundation devotes resources to charitable activities. This non-compliance constitutes a serious breach of the requirements for registration. For these reasons, it is our position that the Foundation no longer meets the requirements for charitable registration.

Consequently, for the reasons mentioned in our letter dated June 9, 2025, and pursuant to subsection 168(1) and 149.1(4) of the Act, we hereby notify you of our intention to revoke the registration of the Foundation. By virtue of subsection 168(2) of the Act, the revocation will be effective on the date of publication of the following notice in the *Canada Gazette*:

Notice is hereby given, pursuant to paragraphs 168(1)(b), 168(1)(e), and subsection 149.1(4) of the *Income Tax Act*, that I propose to revoke the registration of the charity listed below and that by virtue of paragraph

- 3 -

168(2)(b) thereof, the revocation of registration is effective on the date of publication of this notice in the *Canada Gazette*.

<b>Business number</b>	<b>Name</b>
714293479RR0001	Herut Canada Charitable Foundation Dorval, QC

We informed the Foundation in our letter dated June 9, 2025, that the CRA was proposing to revoke the Foundation's registration as a charity under subsection 149.1(2) of the Act, in that "The Minister may, in the manner described in section 168, revoke the registration of a charitable organization for any reason described in subsection 168(1)". We further informed you, that the CRA may, after the expiration of 30 days from the date of the mailing of the notice, publish a copy of the notice in the *Canada Gazette*, and on the date of that publication, the Organization's registration would be revoked.

While subsection 149.1(2) of the Act is in reference to registered charities that are designated as charitable organizations, as the Foundation is designated as a private foundation, the correct reference is subsection 149.1(4) of the Act. However, as subsection 149.1(4) of the Act states, "The Minister may, in the manner described in section 168, revoke the registration of a private foundation for any reason described in subsection 168(1)", the Foundation's non-compliance with subsections 230(2) and 149.1(1) of the Act, as identified during the audit, remain reasons to revoke its charitable registration.

As the CRA has decided to revoke the Foundation's registration, the Minister will publish a copy of this notice in the *Canada Gazette* immediately after the expiration of **30 days** from the date of mailing pursuant to paragraph 168(2)(b) of the Act.

Should the Foundation choose to object to this notice of intention to revoke its registration in accordance with subsection 168(4) of the Act, a written notice of objection, with the Foundation's business number, the reasons for objection and all relevant facts, must be filed within **90 days** from the day this letter was mailed. The notice of objection must be sent to:

Assistant Commissioner  
Appeals Intake Centre  
Post Office Box 2006, Station Main  
Newmarket ON L3Y 0E9

However, please note that even if the Foundation files a notice of objection with the CRA Appeals Branch, this will not prevent the CRA from publishing the notice of revocation in the *Canada Gazette* immediately after the expiration of 30 days from the date of mailing of this notice.

The Foundation has the option of filing an application with the Federal Court of Appeal (FCA), as indicated in paragraph 168(2)(b) of the Act, to seek an order staying publication of the notice of revocation in the *Canada Gazette*. The FCA, upon reviewing this application, may extend the 30-day period during which the CRA cannot publish a copy of the notice.<sup>1</sup>

A copy of the relevant provisions of the Act concerning revocation of registration, including appeals from a notice of intention to revoke registration, can be found in Appendix A, attached.

### **Consequences of revocation**

As of the effective date of revocation:

- a) the Foundation will no longer be exempt from Part I tax as a registered charity and **will no longer be permitted to issue official donation receipts**. This means that gifts made to the Foundation would not be allowable as tax credits to individual donors or as allowable deductions to corporate donors under subsection 118.1(3) and paragraph 110.1(1)(a) of the Act respectively;
- b) by virtue of section 188 of the Act, the Foundation will be required to pay a tax within one year from the date of the notice of intention to revoke. This revocation tax is calculated on Form T2046, Tax Return where Registration of a Charity is revoked. Form T2046 must be filed, and the tax paid, on or before the day that is one year from the date of the notice of intention to revoke. The relevant provisions of the Act concerning the tax applicable to revoked charities can also be found in Appendix A. Form T2046 and the related Guide RC4424, Completing the Tax Return where Registration of a Charity is revoked, are available on our website at [canada.ca/charities-giving](http://canada.ca/charities-giving);
- c) the Foundation will no longer qualify as a charity for purposes of subsection 123(1) of the *Excise Tax Act*. As a result, the Foundation may be subject to obligations and entitlements under the *Excise Tax Act* that apply to entities other than charities that may result in significant changes in how the Foundation calculates its Goods and Services Tax/Harmonized Sales Tax (GST/HST) to be collected, input tax credits, and rebate entitlements. If you have any questions about your GST/HST obligations and entitlements, please go to [canada.ca/gst-hst](http://canada.ca/gst-hst) or call GST/HST Rulings at 1-888-830-7747 (Quebec) or 1-800-959-8287 (rest of Canada).

### **Reminder**

We advise that subsection 150(1) of the Act requires that every corporation (other than a corporation that was a registered charity throughout the year) file a return of income with

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<sup>1</sup> Unless an order from the FCA is issued extending the 30-day period, the Minister will publish the notice of revocation in the *Canada Gazette* after the 30-day period has elapsed.

- 5 -

the Minister in the prescribed form, containing prescribed information, for each taxation year. The return of income must be filed without notice or demand.

Yours sincerely,

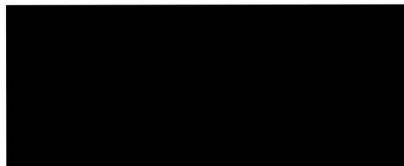
*Sharmila P. Khare*

Sharmila Khare  
Director General  
Charities Directorate

Enclosures

- CRA letter dated June 9, 2025
- Appendix A, Relevant provisions of the Act

c.c.:



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The CRA collects personal information in order to administer or enforce the Act and related programs and activities. The CRA may use or disclose the information it collects to administer or enforce other federal acts that provide for the imposition and collection of a tax or duty. In addition, collected information may also be disclosed to other federal, provincial, territorial, or foreign government institutions to the extent authorized by law. Failure to provide information requested by the CRA may result in the assessment of interest and/or penalties, or other compliance enforcement actions. Under the *Privacy Act*, individuals have a right of protection, access to, and correction of, their personal information, or to file a complaint with the Privacy Commissioner of Canada with respect to the handling of their personal information. Please refer to Personal Information Bank CRA PPU 200 on Information about Programs and Information Holdings at [canada.ca/cra-information-about-programs](http://canada.ca/cra-information-about-programs) or [canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/access-information-privacy-canada-revenue-agency/info-source-appendix.html](http://canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/access-information-privacy-canada-revenue-agency/info-source-appendix.html).



Canada Revenue  
Agency

Agence du revenu  
du Canada

June 9, 2025

Aaron Hadida  
National Director  
Herut Canada Charitable Foundation  
[REDACTED]

BN: 714293479 RR0001

Case number: [REDACTED]

Dear Aaron Hadida:

**Subject: Audit of Herut Canada Charitable Foundation**

This letter is further to the audit of Herut Canada Charitable Foundation (the Foundation) conducted by the Canada Revenue Agency (CRA). The audit relates to the operations of the Foundation for the period from January 1, 2021, to December 31, 2024.

The CRA has identified specific areas of non-compliance with the provisions of the *Income Tax Act* (the Act) and/or the *Income Tax Act Regulations* (the Regulations) in the following areas, which are identified below:

AREAS OF NON-COMPLIANCE		
	Issue	Reference
1.	Failure to maintain and/or provide adequate books and records	149.1(2), 230(2), 168(1)(b), 168(1)(e), 188.2(2)(a)
2.	Failure to devote resources to charitable activities carried on by the Foundation itself	149.1(1), 149.1(2), 168(1)(b)

This letter describes the areas of non-compliance identified by the CRA relating to the legislative and common law requirements that apply to registered charities and which may be subject to sanctions under the Act. This letter also offers the Foundation an opportunity to respond and present additional information and explain why a sanction should not be applied and/or its registered status should not be revoked.

Registered charities must comply with the law, failing which financial penalties and/or suspensions may be applicable pursuant to sections 188.1 and/ or 188.2 of the Act. These include suspension of the Foundation's authority to issue official donation receipts and suspension of its status as a "qualified donee". While the purpose of a sanction is to

- 2 -

provide an alternative to revocation, notice may still be given of our intention to revoke in the manner described in section 168 of the Act.

### **Background**

The CRA advised the Foundation in a telephone call on January 28, 2025, that it had been selected for an audit of its fiscal periods ending December 31, 2021, and December 31, 2022.

Subsequently, we issued a letter dated January 30, 2025, (copy enclosed), which confirmed the audit period and listed all the documentation and information that the Foundation was required to submit to allow us to conduct the audit. In the letter we also advised the Foundation that it was to submit all the required documentation and information within 30 days of the date of the letter.

As the Foundation was inactive for the fiscal year ending December 31, 2022, we issued another letter dated March 10, 2025, (copy enclosed), in which we informed the Foundation of the addition of the 2023 and 2024 fiscal years to the audit period. In this second letter we again informed the Foundation of the requirement to submit all the required documentation and information for the audit period, which now includes the 2021, 2022, 2023, and 2024 fiscal periods.

On March 3, 2025, we spoke with the Foundation and scheduled the initial interview to occur on March 14, 2025. However, the Foundation twice requested that it be rescheduled, first to March 19, 2025, then to April 22, 2025. The interview occurred on April 22, 2025; however, it was not completed as the Foundation had to leave prior to its scheduled conclusion.

Finally, between January 30, 2025, and May 12, 2025, the CRA either contacted, or made multiple attempts to contact the Foundation, regarding the submission of the required documents and information.<sup>1</sup> The Foundation stated on April 24, 2025, that they would need a few more days to put everything together and on May 6, 2025, the Foundation stated that it would submit the required documents and information by May 13, 2025. As of the date of this letter we have not been provided with the documents and information required to conduct the audit.

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<sup>1</sup> The CRA called the director, Aaron Hadida (A. Hadida), on April 23, 2025, April 24, 2025, April 29, 2025, April 30, 2025, May 2, 2025, May 6, 2025, and May 12, 2025 and the Foundation's representative, [REDACTED] April 30, 2025, May 2, 2025, May 5, 2025, and May 12, 2025. The CRA spoke to A. Hadida on April 24, 2025, May 2, 2025 and May 6, 2025, [REDACTED] on April 30, 2025, May 2, 2025, May 5, 2025 and May 12, 2025, [REDACTED] on May 6, 2025 as well as [REDACTED] on May 6, 2025 and May 12, 2025, regarding submitting the required documentation and information. On April 23, 2025, May 2, 2025, and May 12, 2025, the CRA left voice mail messages regarding the submission of the required documentation and information. On April 29, 2025, and April 30, 2025, the CRA attempted to contact A. Hadida but was unable to leave a message as A. Hadida stated [REDACTED]

## Identified areas of non-compliance

### 1. Failure to maintain adequate books and records

#### Legislation

Subsection 230(2) of the Act requires that registered charities maintain adequate books and records<sup>2</sup> of account, at an address in Canada registered with the CRA, containing information in such form as will enable the Minister to determine whether there are grounds for the revocation of its registration under the Act. Failure to maintain adequate books and records in accordance with the requirements of the Act is itself sufficient reason for the CRA to revoke an organization's charitable registration.<sup>3</sup>

Subsection 231.1(1) of the Act permits an authorized person to inspect, audit, or examine the books and records of a taxpayer, as well as any document of the taxpayer, or of any other person that relates, or may relate, to the information that is, or should be, contained in the books and records of the taxpayer, or to any amount payable by the taxpayer under the Act.

In order to meet these requirements, a charity's books and records must allow the CRA to verify the charity's revenues and expenses, as well as any official donation receipts it may have issued. Further, the Act requires that a charity's records contain such information so as to allow the CRA to determine whether the charity's activities continue to be charitable at law.

The requirement relating to the maintenance of books and records, and books of account, is based on several court decisions, which have held, among other things, that:

- the onus is on the registered charity to prove that its charitable status should not be revoked.<sup>4</sup>
- a registered charity must maintain, and make available to the CRA at the time of an audit, meaningful books and records, regardless of its size or resources. It is not sufficient to supply the required books and records at some later date.<sup>5</sup>
- paragraph 168(1)(e) of the Act provides that the Minister may propose to revoke registration of a charitable organization if it fails to comply with, or contravenes, any of sections 230 to 231.5 of the Act, and the Federal Court of Appeal has

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<sup>2</sup> Subsection 248(1) of the Act defines a record in the following way: "record includes an account, an agreement, a book, a chart or table, a diagram, a form, an image, an invoice, a letter, a map, a memorandum, a plan, a return, a statement, a telegram, a voucher, and other thing containing information, whether in writing or in any other form."

<sup>3</sup> *College Rabbinique de Montreal Oir Hachaim D'Tash v. Canada (Minister of Customs and Revenue Agency)* 2004 FCA 101, and *Ark Angel Foundation v. Canada (National Revenue)* 2019 FCA 21.

<sup>4</sup> *The Canadian Committee for the Tel Aviv Foundation v. Canada* 2002 FCA 72.

<sup>5</sup> *ibid.* See also *The Lord's Evangelical Church of Deliverance and Prayer of Toronto v. Canada* 2004 FCA 397.

- 4 -

determined that non-compliance with section 230(2) of the Act is a proper basis upon which the Minister may issue such a notice.<sup>6</sup>

- Paragraph 188.2(2)(a) of the Act provides that the Minister may suspend the authority of a registered charity to issue official donation receipts for one year if it fails to comply with or contravenes any of sections 230 to 231.5 of the Act.
- the requirement to keep proper books and records is foundational and non-compliance with the requirement is sufficient to justify revocation.<sup>7</sup>

While paragraph 230(2) of the Act does not explicitly set out the types of books and records that a registered charity is required to maintain, which could therefore lead to a technical failure to comply with the Act,<sup>8</sup> given the significant privileges that flow from registration as a charitable organization under the Act, the Minister must be able to monitor the continuing entitlement of charitable organizations to those privileges. In that regard, the Federal Court of Appeal has held that there exists a serious obligation for registered charities to maintain adequate books and records,<sup>9</sup> and that material or significant and/or repeated, non-compliance with the requirements of subsection 230(2) of the Act constitutes sufficient grounds for revocation.<sup>10</sup>

Additionally, if a registered charity has not complied with paragraph 230(2) of the Act, it may be subject to a suspension of its qualified donee status for one year under paragraph 188.2(2)(a), which states that:

The Minister may give notice by registered mail to a person referred to in any of paragraphs (a) to (c) of the definition qualified donee in subsection 149.1(1) that the authority of the person to issue an official receipt referred to in Part XXXV of the Income Tax Regulations is suspended for one year from the day that is seven days after the day on which the notice is mailed

- (a) if the person contravenes any of sections 230 to 231.5

### **Audit Findings**

The Foundation has failed to provide the required books and records for the CRA to conduct the audit, requested in our letters dated January 30, 2025, and March 10, 2025, and during our telephone conversations between January 30, 2025, and May 12, 2025. Consequently, the CRA is unable to conclude that the Foundation has maintained adequate books and records as required by subsection 230(2) of the Act.

<sup>6</sup> *Opportunities for the Disabled Foundation v. Canada (National Revenue)* 2016 FCA 94; and *Ark Angel Foundation v. Canada (National Revenue)* 2019 FCA 21.

<sup>7</sup> *Jaamiah Al Uloom Al Islamiyyah Ontario v. Canada (National Revenue)* 2016 FCA 49, paragraph 15; and *Ark Angel Foundation v. Canada (National Revenue)* 2019 FCA 21, paragraph 43.

<sup>8</sup> *Prescient Foundation v. Canada (National Revenue)* 2013 FCA 120; and *Ark Angel Foundation v. Canada (National Revenue)* 2019 FCA 21, paragraph 37.

<sup>9</sup> *Humane Society of Canada for the Protection of Animals and the Environment v. Canada (National Revenue)* 2015 FCA 178, paragraph 80.

<sup>10</sup> *Ark Angel Foundation v. Canada (National Revenue)* 2019 FCA 21, paragraph 43.

- 5 -

The Foundation's failure to provide the required documentation has not allowed the CRA to verify the information reported in the Foundation's Form T3010, *Registered Charity Information Return(s)* for the fiscal periods ended December 31, 2021, December 31, 2022, December 31, 2023, and December 31, 2024. As a result, the CRA is unable to determine whether the Foundation exercised due care with respect to its books and records and whether it has been compliant with the requirements of subsection 230(2) of the Act.

### **In summary**

Based on the above, it is our view that it appears the Foundation failed to maintain adequate books and records, or to make records available to the CRA during our audit, as required by subsection 230(2) of the Act. Under paragraph 168(1)(e) of the Act, the registration of a charity may be revoked if it fails to comply with or contravenes subsection 230(2) of the Act. For these reasons, it appears there are grounds for revocation of the Foundation's charitable status.

### **Suspension proposed**

In addition, as it is our view that the Foundation failed to comply with subsection 230(2) of the Act, under paragraph 188.2(2)(a) of the Act, the Minister may suspend the Foundation's authority to issue official donation receipts for one year.

## **2. Failure to devote resources to charitable activities carried on by the Foundation itself**

### **Legislation**

Subsection 149.1(1) of the Act defines a charitable organization, which reads in part as:

**charitable organization**, at any particular time, means an organization, whether or not incorporated,  
(a) constituted and operated exclusively for charitable purposes,  
(a.1) all the resources of which are devoted to charitable activities carried on by the organization itself or to making qualifying disbursements<sup>11</sup> [...]

To comply with the requirement that a registered charity devote all of its resources to charitable activities the Act allows a registered charity to use its resources (funds, personnel, and property) inside or outside Canada in only two ways:

- for its own charitable activities – undertaken by the charity itself under its continued supervision, direction and control;<sup>12</sup> and

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<sup>11</sup> See Subsection 149.1(1) of the *Income Tax Act* for a definition of qualifying disbursement.

<sup>12</sup> Canadian Committee for the Tel Aviv Foundation v. Canada, 2002 FCA 72 (CanLII) at para 31.

- 6 -

- for making qualifying disbursements through gifting to qualified donees<sup>13</sup> or granting<sup>14</sup> to non-qualified donees (grantee organizations)<sup>15</sup> as defined in the Act.

### **Audit Findings**

As noted above, the Foundation has failed to provide the required books and records as requested in our letters dated January 30, 2025, and March 10, 2025, for the CRA to conduct an audit. As a result, the CRA is unable to determine whether the Foundation is compliant with the Act in that it devotes all of its resources to its own charitable activities, or made qualifying disbursements as required by subsection 149.1(1) of the Act.

### **In summary**

Accordingly, it is our view that the Foundation's failure to provide the required books and records results in its failure to demonstrate that it meets the requirements of subsection 149.1(1) of the Act that it devote all of its resources to its own charitable activities or to making qualifying disbursements. For this reason, it appears there may be grounds for revocation of the Foundation's charitable status under paragraph 168(1)(b) of the Act.

### **Conclusion**

For the reasons provided above, it appears there are sufficient grounds to revoke the Foundation's registration as a charity under subsection 149.1(2), for the reasons given in paragraphs 168(1)(b) and 168(1)(e) of the Act.

### **The Foundation's options:**

#### **a) Respond**

If the Foundation chooses to respond, send written representations and any additional information regarding the findings outlined above **within 30 days** from the date of this letter to the address below. After considering the response, we will decide on the appropriate course of action. The possible actions include:

- no compliance action;
- issuing an educational letter;
- resolving the issues through a Compliance Agreement;

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<sup>13</sup> See Subsection 149.1(1) of the *Income Tax Act* for a list of qualified donees.

<sup>14</sup> A grant includes both monetary and non-monetary resources. A charity's resources include all its physical and financial resources. For example, this includes its staff, intellectual property, and real property.

<sup>15</sup> As defined in Subsection 149.1(1) of the *Income Tax Act*, a grantee organization includes a person, club, society, association or organization or prescribed entity, but does not include a qualified donee.

- 7 -

- applying penalties or suspensions or both, as described in sections 188.1 and 188.2 of the Act; or
- issuing a notice of intention to revoke the registration of the Foundation in the manner described in subsection 168(1) of the Act.

**b) Do not respond**

The Foundation may choose not to respond. In that case, we may issue a notice of intention to revoke the registration of the Foundation in the manner described in subsection 168(1) of the Act.

The Act provides the Minister the discretion to revoke a charity's registration, with section 168 of the Act describing the manner in which the Minister may do so. In accordance with subsection 168(1) of the Act, when proposing to revoke, the charity is given notice by registered mail of the Minister's intention to revoke the charity's registration. The charity's registration is not revoked until a copy of the notice is published in the *Canada Gazette*. Paragraph 168(2)(b) of the Act allows the Minister to publish the notice in the *Canada Gazette* any time after the expiration of **30 days** from the date of the mailing of the notice.


After considering the Foundation's response to this letter, the Minister may decide to exercise her authority to revoke its charitable registration. If so, the Minister will issue a notice of intention to revoke the Foundation's registration and will indicate that the Minister intends to publish the notice in the *Canada Gazette* immediately after the expiration of **30 days** from the date of the mailing of the notice.

If you appoint a third party to represent you in this matter, please send us a written authorization with the party's name, contact information, and clearly specify the appropriate access granted to the party to discuss the file with us. For more information on how to authorize a representative, go on our website at [canada.ca/en/revenue-agency/services/forms-publications/forms/aut-01](http://canada.ca/en/revenue-agency/services/forms-publications/forms/aut-01).

If you have any questions, please contact the undersigned at the telephone number listed below. My team leader, Robert Bill, may also be reached at 514-229-0589.

- 8 -

Yours sincerely,

  
Alexandra Sararu  
Audit Division  
Montreal TSO

Telephone: 438-334-8534

Address: 305 Rene-Levesque Boul. West, Montreal QC H2Z 1A6

## Enclosures

- CRA letter dated January 30, 2025
- CRA letter dated March 10, 2025

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The CRA collects personal information in order to administer or enforce the Act and related programs and activities. The CRA may use or disclose the information it collects to administer or enforce other federal acts that provide for the imposition and collection of a tax or duty. In addition, collected information may also be disclosed to other federal, provincial, territorial, or foreign government institutions to the extent authorized by law. Failure to provide information requested by the CRA may result in the assessment of interest and/or penalties, or other compliance enforcement actions. Under the *Privacy Act*, individuals have a right of protection, access to, and correction of, their personal information, or to file a complaint with the Privacy Commissioner of Canada with respect to the handling of their personal information. Please refer to Personal Information Bank CRA PPU 200 on Information about Programs and Information Holdings at [canada.ca/cra-information-about-programs](http://canada.ca/cra-information-about-programs) or [canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/access-information-privacy-canada-revenue-agency/info-source-appendix.html](http://canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/access-information-privacy-canada-revenue-agency/info-source-appendix.html).



January 30, 2025

Aaron Hadida  
National Director  
Herut Canada Charitable Foundation  
[REDACTED]

BN: 714293479 RR0001

Case number: [REDACTED]

Dear Aaron Hadida:

**Subject: Audit confirmation**

Further to our telephone conversation on January 28, 2025, this letter confirms that Herut Canada Charitable Foundation (the Foundation) has been selected for an audit by the Canada Revenue Agency (CRA), under the *Income Tax Act*, for the fiscal periods ending **December 31, 2021** and **December 31, 2022**. The audit will be conducted virtually, and as agreed to, we will have a virtual interview [REDACTED] in March 2025. I will contact you during the first week of March to schedule the exact day and time for the virtual interview. An email with an invitation to the interview will be sent to the address that you provided after we discuss and establish the day and time of the virtual interview.

For the audit to start without delay, we require the Foundation to provide us with the documents specified in the enclosed list. The requested documents must be sent to my attention, within **30 days** of the date of this letter, electronically or by mail at the address below. Please be advised that additional documents may be requested during the audit.

Providing all of the requested information as early as possible in the audit helps to ensure a timely audit. Well-kept records and co-operation reduce the time it takes to complete an audit.

If the Organization's books and records are in electronic format, you or your authorized representative can submit them through the My Business Account (MyBA) or Represent a Client online portals. These CRA services offer a secure, quick and easy way to access the Organization's information online and do tasks such as:

- submitting documents online;
- completing and filing your Form T3010, Registered Charity Information Return;
- updating and managing account information, including authorizing a third party representative; and,
- sending and receiving correspondence.

In order to submit the requested documentation electronically, use the following case number: [REDACTED]

If you or your representative have not registered for MyBA or Represent a Client and would like to do so, please go to [canada.ca/cra-login-services](http://canada.ca/cra-login-services). For more information on how to submit documents, go to [canada.ca/cra-submit-documents-online](http://canada.ca/cra-submit-documents-online).

Please note that the confidentiality provisions of the Act restrict us to discussing the issues in this letter with an individual authorized with the Canada Revenue Agency.

You can authorize a third party to represent the Foundation online using the Authorize my representative service in MyBA so they will have instant access to the Foundation's information and the online services to easily manage the account. You can also fill in and send to me Form AUT-01, Authorize a Representative for Access by Phone and Mail. This will allow your representative to discuss the information with us during the audit. For more information on how to authorize a representative, go on our website at [canada.ca/taxes-representative-authorization](http://canada.ca/taxes-representative-authorization).

To help you understand your rights with the CRA, please read the Taxpayer Bill of Rights at [canada.ca/taxpayer-rights](http://canada.ca/taxpayer-rights). The Bill is a set of 16 rights confirming that the CRA will serve taxpayers with a high degree of accuracy, professionalism, courtesy, and fairness.

Please refer to the audit process for charities to understand what to expect during the audit. Go to [canada.ca/cra-video-gallery](http://canada.ca/cra-video-gallery), select Charities video gallery, and then The audit process for charities.

For more information registered charities and their obligations under the *Income Tax Act*, visit our website at [canada.ca/charities-giving](http://canada.ca/charities-giving) .

If you have any questions, you can contact me at 438 334 8534. My team leader, Robert Bill, may also be reached at 514 229 0589.

Yours sincerely,



Alexandra Sararu  
Audit Division  
Montreal TSO  
Address: 305 Rene-Levesque Boul. West, Montreal QC H2Z 1A6

Enclosures

List of required documents

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The CRA collects personal information in order to administer or enforce the Act and related programs and activities. The CRA may use or disclose the information it collects to administer or enforce other federal acts that provide for the imposition and collection of a tax or duty. In addition, collected information may also be disclosed to other federal, provincial, territorial, or foreign government institutions to the extent authorized by law. Failure to provide information requested by the CRA may result in the assessment of interest and/or penalties, or other compliance enforcement actions. Under the *Privacy Act*, individuals have a right of protection, access to, and correction of, their personal information, or to file a complaint with the Privacy Commissioner of Canada with respect to the handling of their personal information. Please refer to Personal Information Bank CRA PPU 200 on Information about Programs and Information Holdings at [canada.ca/cra-information-about-programs](http://canada.ca/cra-information-about-programs) or [canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/access-information-privacy-canada-revenue-agency/info-source-appendix.html](http://canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/access-information-privacy-canada-revenue-agency/info-source-appendix.html).

## List of Documents

Name of Charity: Herut Canada Charitable Foundation

Years to be audited: **Fiscal periods ending December 31, 2021 and December 31, 2022**

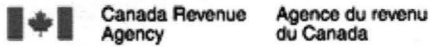
**In order to expedite the audit, please have available the following documentation at the commencement of the audit. This list is non-exhaustive, and additional information may be requested during the audit.**

### **Financial**

1. The Charity's **books and records** for the above-noted fiscal periods (2021 and 2022) including:
  - ❖ financial statements;
  - ❖ general ledger;
  - ❖ trial balance;
  - ❖ bank statements;
  - ❖ all adjusting journal entries and reconciliation
2. For **cash gifts**:
  - ❖ a listing of donation receipts issued in the format (receipt #, donor, date and amount) for the above-noted fiscal periods with the total reconciled to the financial statements and the T-3010 (**Line 4500** of the Information Return);
3. For gifts in kind:
  - ❖ a listing of donation receipts issued for the above-noted fiscal periods, providing a description of the gift, name and address of appraiser of the property/gift if an appraisal of the property/gift was completed;
  - ❖ If an appraisal of the property/gift was not completed, please provide details as to how the fair market value of the gift was determined;
4. Copies of all T4/T4A slips and T4 Summaries for the taxation years ending 2021 and 2022.

### **Objects and activities**

1. A copy of the organization's governing documents **and all amendments made thereto**.
2. **Details of the organization's programs and activities** in respect to its purposes and mandate, supported by information and documentation in respect to such things as:
  - ❖ Annual Reports and Minutes (for the fiscal period reviewed to date of audit)
  - ❖ Conferences, Workshops, Research and Education-related papers and reports, etc.
3. Details of future projects and related activities, if any. Where possible, please provide a copy of any business plan.



March 10, 2025

Aaron Hadida  
National Director  
Herut Canada Charitable Foundation  
[REDACTED]

BN: 714293479 RR0001

Case number: [REDACTED]

Dear Aaron Hadida:

**Subject: Audit confirmation - addition to the audit period**

Further to our telephone conversation on March 10 2025, this letter confirms the addition of the fiscal periods ending **December 31, 2023** and **December 31, 2024** to the audit period for Herut Canada Charitable Foundation (the Foundation) by the Canada Revenue Agency (CRA), under the *Income Tax Act*.

For the audit to start without delay, we require the Foundation to provide us with the documents specified in the enclosed list for all the fiscal periods ending **December 31, 2021, December 31, 2022, December 31, 2023** and **December 31, 2024**.

Providing all of the requested information as early as possible in the audit helps to ensure a timely audit. Well-kept records and co-operation reduce the time it takes to complete an audit.

In order to submit the requested documentation electronically, use the following case number: [REDACTED]

To help you understand your rights with the CRA, please read the Taxpayer Bill of Rights at [canada.ca/taxpayer-rights](https://canada.ca/taxpayer-rights). The Bill is a set of 16 rights confirming that the CRA will serve taxpayers with a high degree of accuracy, professionalism, courtesy, and fairness.

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If you have any questions, you can contact me at 438-334-8534. My team leader, Robert Bill, may also be reached at 514-229-0589.

**Canada**

Yours sincerely,



Alexandra Sararu  
Audit Division  
Montreal TSO  
Address: 305 Rene-Levesque Boul. West, Montreal QC H2Z 1A6

Enclosures  
List of required documents

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## List of Documents

Name of Charity: Herut Canada Charitable Foundation

Years to be audited: **Fiscal periods ending December 31, 2021 to December 31, 2024**

**In order to expedite the audit, please have available the following documentation at the commencement of the audit. This list is non-exhaustive, and additional information may be requested during the audit.**

### **Financial**

1. The Charity's **books and records** for the above-noted fiscal periods (2021 to 2024) including:
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  - ❖ general ledger;
  - ❖ trial balance;
  - ❖ bank statements;
  - ❖ all adjusting journal entries and reconciliation
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  - ❖ Conferences, Workshops, Research and Education-related papers and reports, etc.
3. Details of future projects and related activities, if any. Where possible, please provide a copy of any business plan.

**Qualified Donees**

**149.1 (1) Definitions**

**charitable foundation** means a corporation or trust that is constituted and operated exclusively for charitable purposes, no part of the income of which is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settlor thereof, and that is not a charitable organization

**charitable organization**, at any particular time, means an organization, whether or not incorporated,

(a) constituted and operated exclusively for charitable purposes,

(a.1) all the resources of which are devoted to charitable activities carried on by the organization itself or to making qualifying disbursements,

(b) no part of the income of which is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settlor thereof,

(c) more than 50% of the directors, trustees, officers or like officials of which deal at arm's length with each other and with

(i) each of the other directors, trustees, officers and like officials of the organization,

(ii) each person described by subparagraph (d)(i) or (ii), and

(iii) each member of a group of persons (other than Her Majesty in right of Canada or of a province, a municipality, another registered charity that is not a private foundation, and any club, society or association described in paragraph 149(1)(l)) who do not deal with each other at arm's length, if the group would, if it were a person, be a person described by subparagraph (d)(i), and

(d) that is not, at the particular time, and would not at the particular time be, if the organization were a corporation, controlled directly or indirectly in any manner whatever

(i) by a person (other than Her Majesty in right of Canada or of a province, a municipality, another registered charity that is not a private foundation, and any club, society or association described in paragraph 149(1)(l)),

(A) who immediately after the particular time, has contributed to the organization amounts that are, in total, greater than 50% of the capital of the organization immediately after the particular time, and

(B) who immediately after the person's last contribution at or before the particular time, had contributed to the organization amounts that were, in total, greater than 50% of the capital of the organization immediately after the making of that last contribution, or

(ii) by a person, or by a group of persons that do not deal at arm's length with each other, if the person or any member of the group does not deal at arm's length with a person described in subparagraph (i)

**qualified donee**, at any time, means a person that is

- (a) registered by the Minister and that is
  - (i) a housing corporation resident in Canada and exempt from tax under this Part because of paragraph 149(1)(i) that has applied for registration,
  - (ii) a municipality in Canada,
  - (iii) a municipal or public body performing a function of government in Canada that has applied for registration,
  - (iv) a university outside Canada, the student body of which ordinarily includes students from Canada, that has applied for registration, or
  - (v) a foreign charity that has applied to the Minister for registration under subsection (26),
- (b) a registered charity,
  - (b.1) a registered journalism organization,
- (c) a registered Canadian amateur athletic association, or
- (d) Her Majesty in right of Canada or a province, the United Nations or an agency of the United Nations.

#### **149.1 (2) Revocation of registration of charitable organization**

The Minister may, in the manner described in section 168, revoke the registration of a charitable organization for any reason described in subsection 168(1) or where the organization

- (a) carries on a business that is not a related business of that charity;
- (b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it that are qualifying disbursements, amounts the total of which is at least equal to the organization's disbursement quota for that year; or
- (c) makes a disbursement, other than
  - (i) a disbursement made in the course of charitable activities carried on by it, or
  - (ii) a qualifying disbursement.

#### **149.1 (3) Revocation of registration of public foundation**

The Minister may, in the manner described in section 168, revoke the registration of a public foundation for any reason described in subsection 168(1) or where the foundation

- (a) carries on a business that is not a related business of that charity;
- (b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it that are qualifying disbursements, amounts the total of which is at least equal to the foundation's disbursement quota for that year;
- (b.1) makes a disbursement, other than

- (i) a disbursement made in the course of charitable activities carried on by it, or
  - (ii) a qualifying disbursement;
- (c) since June 1, 1950, acquired control of any corporation;
- (d) since June 1, 1950, incurred debts, other than debts for current operating expenses, debts incurred in connection with the purchase and sale of investments and debts incurred in the course of administering charitable activities; or
- (e) at any time within the 24 month period preceding the day on which notice is given to the foundation by the Minister pursuant to subsection 168(1) and at a time when the foundation was a private foundation, took any action or failed to expend amounts such that the Minister was entitled, pursuant to subsection 149.1(4), to revoke its registration as a private foundation.

#### **149.1 (4) Revocation of registration of private foundation**

The Minister may, in the manner described in section 168, revoke the registration of a private foundation for any reason described in subsection 168(1) or where the foundation

- (a) carries on any business;
- (b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it that are qualifying disbursements, amounts the total of which is at least equal to the foundation's disbursement quota for that year;
  - (b.1) makes a disbursement, other than
    - (i) a disbursement made in the course of charitable activities carried on by it, or
    - (ii) a qualifying disbursement;
- (c) has, in respect of a class of shares of the capital stock of a corporation, a divestment obligation percentage at the end of any taxation year;
- (d) since June 1, 1950, incurred debts, other than debts for current operating expenses, debts incurred in connection with the purchase and sale of investments and debts incurred in the course of administering charitable activities.

#### **149.1 (4.1) Revocation of registration of registered charity**

The Minister may, in the manner described in section 168, revoke the registration

- (a) of a registered charity, if it has entered into a transaction (including a gift to another registered charity) and it may reasonably be considered that a purpose of the transaction was to avoid or unduly delay the expenditure of amounts on charitable activities;
- (b) of a registered charity, if it may reasonably be considered that a purpose of entering into a transaction (including the acceptance of a gift) with another registered charity to which paragraph (a) applies was to assist the other registered charity in avoiding or unduly delaying the expenditure of amounts on charitable activities;
- (c) of a registered charity, if a false statement (as defined in subsection 163.2(1)) was made in circumstances amounting to culpable conduct (as defined in subsection 163.2(1)) in the furnishing of information for the purpose of obtaining registration of the charity;

(d) of a registered charity, if it has in a taxation year received a gift of property (other than a designated gift) from another registered charity with which it does not deal at arm's length and it has expended, before the end of the next taxation year, in addition to its disbursement quota for each of those taxation years, an amount that is less than the fair market value of the property, on charitable activities carried on by it or by way of gifts are qualifying disbursements to qualified donees or grantee organizations, with which it deals at arm's length;

(e) of a registered charity, if an ineligible individual is a director, trustee, officer or like official of the charity, or controls or manages the charity, directly or indirectly, in any manner whatever; and

(f) of a registered charity, if it accepts a gift from a foreign state, as defined in section 2 of the State Immunity Act, that is set out on the list referred to in subsection 6.1(2) of that Act.

#### **149.1(4.2) Revocation of registration of Canadian amateur athletic association**

The Minister may, in the manner described in section 168, revoke the registration of a registered Canadian amateur athletic association

(a) for any reason described in subsection 168(1);

(b) if the association carries on a business that is not a related business of that association;

(c) if an ineligible individual is a director, trustee, officer or like official of the association, or controls or manages the association, directly or indirectly, in any manner whatever; or

(d) if the association accepts a gift from a foreign state, as defined in section 2 of the State Immunity Act, that is set out on the list referred to in subsection 6.1(2) of that Act.

#### **Revocation of Registration of Certain Organizations and Associations**

##### **168 (1) Notice of intention to revoke registration**

The Minister may, by registered mail, give notice to a person described in any of paragraphs (a) to (c) of the definition *qualified donee* in subsection 149.1(1) that the Minister proposes to revoke its registration if the person

(a) applies to the Minister in writing for revocation of its registration;

(b) ceases to comply with the requirements of this Act for its registration;

(c) in the case of a registered charity, registered Canadian amateur athletic association or registered journalism organization, fails to file an information return as and when required under this Act or a regulation;

(d) issues a receipt for a gift otherwise than in accordance with this Act and the regulations or that contains false information;

(e) fails to comply with or contravenes any of sections 230 to 231.5; or

(f) in the case of a registered charity, registered Canadian amateur athletic association or registered journalism organization, accepts a gift the granting of which was expressly or implicitly conditional on the charity, association or organization making a gift to another person, club, society, association or organization other than a qualified donee.

### **168 (2) Revocation of Registration**

If the Minister gives notice under subsection (1) to a registered charity, to a registered Canadian amateur athletic association or to a registered journalism organization,

(a) if it has applied to the Minister in writing for the revocation of its registration, the Minister shall, forthwith after the mailing of the notice, publish a copy of the notice in the Canada Gazette, and on that publication of a copy of the notice, the registration is revoked; and

(b) in any other case, the Minister may, after the expiration of 30 days from the day of mailing of the notice, or after the expiration of such extended period from the day of mailing of the notice as the Federal Court of Appeal or a judge of that Court, on application made at any time before the determination of any appeal pursuant to subsection 172(3) from the giving of the notice, may fix or allow, publish a copy of the notice in the Canada Gazette, and on that publication of a copy of the notice, the registration is revoked.

### **168 (4) Objection to proposal or designation**

A person may, on or before the day that is 90 days after the day on which the notice was mailed, serve on the Minister a written notice of objection in the manner authorized by the Minister, setting out the reasons for the objection and all the relevant facts, and the provisions of subsections 165(1), (1.1) and (3) to (7) and sections 166, 166.1 and 166.2 apply, with any modifications that the circumstances require, as if the notice were a notice of assessment made under section 152, if

(a) in the case of a person that is or was registered as a registered charity or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(2) to (4.1), (6.3), (22) and (23);

(b) in the case of a person that is or was registered as a registered Canadian amateur athletic association or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(4.2) and (22); or

(c) in the case of a person described in any of subparagraphs (a)(i) to (v) of the definition *qualified donee* in subsection 149.1(1), that is or was registered by the Minister as a qualified donee or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(4.3) and (22).

### **172 (3) Appeal from refusal to register, revocation of registration, etc.**

Where the Minister

(a) confirms a proposal or decision in respect of which a notice was issued under any of subsections 149.1(4.2) and (22) and 168(1) by the Minister, to a person that is or was registered as a registered Canadian amateur athletic association or is an applicant for registration as a registered Canadian amateur athletic association, or does not confirm or vacate that proposal or decision within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal or decision,

(a.1) confirms a proposal, decision or designation in respect of which a notice was issued by the Minister to a person that is or was registered as a registered charity, or is an applicant for registration as a registered charity, under any of subsections 149.1(2) to (4.1), (6.3), (22) and (23) and 168(1), or does not confirm or vacate that proposal, decision or designation within 90

days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal, decision or designation,

(a.2) confirms a proposal or decision in respect of which a notice was issued under any of subsections 149.1(4.3), (22) and 168(1) by the Minister, to a person that is a person described in any of subparagraphs (a)(i) to (v) of the definition *qualified donee* in subsection 149.1(1) that is or was registered by the Minister as a qualified donee or is an applicant for such registration, or does not confirm or vacate that proposal or decision within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal or decision,

(b) refuses to accept for registration for the purposes of this Act any retirement savings plan,

(c) refuses to accept for registration for the purposes of this Act any profit sharing plan or revokes the registration of such a plan,

(d) [Repealed, 2011, c. 24, s. 54]

(e) refuses to accept for registration for the purposes of this Act an education savings plan,

(e.1) sends notice under subsection 146.1(12.1) to a promoter that the Minister proposes to revoke the registration of an education savings plan,

(f) refuses to register for the purposes of this Act any pension plan or gives notice under subsection 147.1(11) to the administrator of a registered pension plan that the Minister proposes to revoke its registration,

(f.1) refuses to accept an amendment to a registered pension plan,

(g) refuses to accept for registration for the purposes of this Act any retirement income fund,

(h) refuses to accept for registration for the purposes of this Act any pooled pension plan or gives notice under subsection 147.5(24) to the administrator of a pooled registered pension plan that the Minister proposes to revoke its registration, or

(i) refuses to accept an amendment to a pooled registered pension plan,

the person described in paragraph (a), (a.1) or (a.2), the applicant in a case described in paragraph (b), (e) or (g), a trustee under the plan or an employer of employees who are beneficiaries under the plan, in a case described in paragraph (c), the promoter in a case described in paragraph (e.1), the administrator of the plan or an employer who participates in the plan, in a case described in paragraph (f) or (f.1), or the administrator of the plan in a case described in paragraph (h) or (i), may appeal from the Minister's decision, or from the giving of the notice by the Minister, to the Federal Court of Appeal.

### **180 (1) Appeals to Federal Court of Appeal**

An appeal to the Federal Court of Appeal pursuant to subsection 172(3) may be instituted by filing a notice of appeal in the Court within 30 days from

(a) the day on which the Minister notifies a person under subsection 165(3) of the Minister's action in respect of a notice of objection filed under subsection 168(4),

(b) [Repealed, 2011, c. 24, s. 55]

(c) the mailing of notice to the administrator of the registered pension plan under subsection 147.1(11),

- (c.1) the sending of a notice to a promoter of a registered education savings plan under subsection 146.1(12.1),
- (c.2) the mailing of notice to the administrator of the pooled registered pension plan under subsection 147.5(24), or
- (d) the time the decision of the Minister to refuse the application for acceptance of the amendment to the registered pension plan or pooled registered pension plan was mailed, or otherwise communicated in writing, by the Minister to any person,
- as the case may be, or within such further time as the Court of Appeal or a judge thereof may, either before or after the expiration of those 30 days, fix or allow.

## **Tax and Penalties in Respect of Qualified Donees**

### **188 (1) Deemed year-end on notice of revocation**

If on a particular day the Minister issues a notice of intention to revoke the registration of a taxpayer as a registered charity under any of subsections 149.1(2) to (4.1) and 168(1), it becomes a listed terrorist entity or it is determined, under subsection 7(1) of the of the Charities Registration (Security Information) Act, that a certificate served in respect of the charity under subsection 5(1) of that Act is reasonable on the basis of information and evidence available,

- (a) the taxation year of the charity that would otherwise have included that day is deemed to end at the end of that day;
- (b) a new taxation year of the charity is deemed to begin immediately after that day; and
- (c) for the purpose of determining the charity's fiscal period after that day, the charity is deemed not to have established a fiscal period before that day.

### **188 (1.1) Revocation tax**

A charity referred to in subsection (1) is liable to a tax, for its taxation year that is deemed to have ended, equal to the amount determined by the formula

$$A - B$$

where

A is the total of all amounts, each of which is

- (a) the fair market value of a property of the charity at the end of that taxation year,
- (b) the amount of an appropriation (within the meaning assigned by subsection (2)) in respect of a property transferred to another person in the 120-day period that ended at the end of that taxation year, or
- (c) the income of the charity for its winding-up period, including gifts received by the charity in that period from any source and any income that would be computed under section 3 as if that period were a taxation year; and

**B** is the total of all amounts (other than the amount of an expenditure in respect of which a deduction has been made in computing income for the winding-up period under paragraph (c) of the description of A), each of which is

- (a) a debt of the charity that is outstanding at the end of that taxation year,
- (b) an expenditure made by the charity during the winding-up period on charitable activities carried on by it, or
- (c) an amount in respect of a property transferred by the charity during the winding-up period and not later than the latter of one year from the end of the taxation year and the day, if any, referred to in paragraph (1.2)(c), to a person that was at the time of the transfer an eligible donee in respect of the charity, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the consideration given by the person for the transfer.

### **188 (1.2) Winding-up period**

In this Part, the winding-up period of a charity is the period

- (a) that begins immediately after the earliest of the days on which
  - (i) the Minister issues a notice of intention to revoke the registration of the charity under any of subsections 149.1(2) to (4.1) and 168(1),
  - (ii) the charity becomes a listed terrorist entity, and
  - (iii) it is determined under subsection 7(1) of the Charities Registration (Security Information) Act, that a certificate served in respect of the charity under subsection 5(1) of the Act is reasonable on the basis of information and evidence available, and
- (b) that ends on the day that is the latest of
  - (i) the day, if any, on which the charity files a return under subsection 189(6.1) for the taxation year deemed by subsection (1) to have ended, but not later than the day on which the charity is required to file that return,
  - (ii) the day on which the Minister last issues a notice of assessment of tax payable under subsection (1.1) for that taxation year by the charity, and
  - (iii) if the charity has filed a notice of objection or appeal in respect of that assessment, the day on which the Minister may take a collection action under section 225.1 in respect of that tax payable.

### **188 (1.3) Eligible donee**

In this Part, an eligible donee in respect of a particular charity is

- (a) a registered charity
  - (i) of which more than 50% of the members of the board of directors or trustees of the registered charity deal at arm's length with each member of the board of directors or trustees of the particular charity,

- (ii) that is not the subject of a suspension under subsection 188.2(1),
- (iii) that has no unpaid liabilities under this Act or under the Excise Tax Act,
- (iv) that has filed all information returns required by subsection 149.1(14), and
- (v) that is not the subject of a certificate under subsection 5(1) of the Charities Registration (Security Information) Act or, if it is the subject of such a certificate, the certificate has been determined under subsection 7(1) of that Act not to be reasonable; or

(b) a municipality in Canada that is approved by the Minister in respect of a transfer of property from the particular charity.

### **188 (2) Shared liability – revocation tax**

A person who, after the time that is 120 days before the end of the taxation year of a charity that is deemed by subsection (1) to have ended, receives property from the charity, is jointly and severally, or solidarily, liable with the charity for the tax payable under subsection (1.1) by the charity for that taxation year for an amount not exceeding the total of all appropriations, each of which is the amount by which the fair market value of such a property at the time it was so received by the person exceeds the consideration given by the person in respect of the property.

### **188 (2.1) Non-application of revocation tax**

Subsections (1) and (1.1) do not apply to a charity in respect of a notice of intention to revoke given under any of subsections 149.1(2) to (4.1) and 168(1) if the Minister abandons the intention and so notifies the charity or if

- (a) within the one-year period that begins immediately after the taxation year of the charity otherwise deemed by subsection (1) to have ended, the Minister has registered the charity as a charitable organization, private foundation or public foundation; and
- (b) the charity has, before the time that the Minister has so registered the charity,
  - (i) paid all amounts, each of which is an amount for which the charity is liable under this Act (other than subsection (1.1)) or the Excise Tax Act in respect of taxes, penalties and interest, and
  - (ii) filed all information returns required by or under this Act to be filed on or before that time.

### **188 (3) Transfer of property tax**

Where, as a result of a transaction or series of transactions, property owned by a registered charity that is a charitable foundation and having a net value greater than 50% of the net asset amount of the charitable foundation immediately before the transaction or series of transactions, as the case may be, is transferred before the end of a taxation year, directly or indirectly, to one or more charitable organizations and it may reasonably be considered that the main purpose of the transfer is to effect a reduction in the disbursement quota of the foundation, the foundation shall pay a tax under this Part for the year equal to the amount by which 25% of the net value of that property determined as of the day of its transfer exceeds the total of all amounts each of

which is its tax payable under this subsection for a preceding taxation year in respect of the transaction or series of transactions.

**188 (3.1) Non-application of subsection (3)**

Subsection (3) does not apply to a transfer that is a gift to which subsection 188.1(11) or (12) applies.

**188 (4) Joint and several, or solidary, liability – tax transfer**

If property has been transferred to a charitable organization in circumstances described in subsection (3) and it may reasonably be considered that the organization acted in concert with a charitable foundation for the purpose of reducing the disbursement quota of the foundation, the organization is jointly and severally, or solidarily, liable with the foundation for the tax imposed on the foundation by that subsection in an amount not exceeding the net value of the property.

**188 (5) Definitions** – In this section,

**net asset amount** of a charitable foundation at any time means the amount determined by the formula

$$A - B$$

where

**A** is the fair market value at that time of all the property owned by the foundation at that time, and

**B** is the total of all amounts each of which is the amount of a debt owing by or any other obligation of the foundation at that time;

**net value** of property owned by a charitable foundation, as of the day of its transfer, means the amount determined by the formula

$$A - B$$

where

**A** is the fair market value of the property on that day, and

**B** is the amount of any consideration given to the foundation for the transfer.

**189 (6) Taxpayer to file return and pay tax**

Every taxpayer who is liable to pay tax under this Part (except a charity that is liable to pay tax under section 188(1)) for a taxation year shall, on or before the day on or before which the taxpayer is, or would be if tax were payable by the taxpayer under Part I for the year, required to file a return of income or an information return under Part I for the year,

- (a) file with the Minister a return for the year in prescribed form and containing prescribed information, without notice or demand therefor;
- (b) estimate in the return the amount of tax payable by the taxpayer under this Part for the year; and
- (c) pay to the Receiver General the amount of tax payable by the taxpayer under this Part for the year.

**189 (6.1) Revoked charity to file returns**

If the registration of a taxpayer as a registered charity has been revoked (and subsection 188(2.1) does not apply to the taxpayer), the taxpayer shall, on or before the day that is one year from the end of the taxation year referred to in paragraph 188(1)(a), and without notice or demand,

- (a) file with the Minister
  - (i) a return for the taxation year, in prescribed form and containing prescribed information, and
  - (ii) both an information return and a public information return for the taxation year, each in the form prescribed for the purpose of subsection 149.1(14); and
- (b) estimate in the return referred to in subparagraph (a)(i) the amount of tax payable by the taxpayer under subsection 188(1.1) for the taxation year; and
- (c) pay to the Receiver General the amount of tax payable by the taxpayer under subsection 188(1.1) for the taxation year.

**189 (6.2) Reduction of revocation tax liability**

If the Minister has, during the one-year period beginning immediately after the end of a taxation year of a person, assessed the person in respect of the person's liability for tax under subsection 188(1.1) for that taxation year, has not after that period reassessed the tax liability of the person, and that liability exceeds \$1,000, that liability is, at any particular time, reduced by the total of

- (a) the amount, if any, by which
  - (i) the total of all amounts, each of which is an expenditure made by the charity, on charitable activities carried on by it, before the particular time and during the period (referred to in this subsection as the "post-assessment period") that begins immediately after a notice of the latest such assessment was sent and ends at the end of the one-year period

exceeds

  - (ii) the income of the charity for the post-assessment period, including gifts received by the charity in that period from any source and any income that would be computed under section 3 if that period were a taxation year, and
- (b) all amounts, each of which is an amount, in respect of a property transferred by the charity before the particular time and during the post-assessment period to a person that was at the time of the transfer an eligible donee in respect of the charity, equal to the amount, if any, by which

the fair market value of the property, when transferred, exceeds the consideration given by the person for the transfer.

**189 (6.3) Reduction of liability for penalties**

If the Minister has assessed a particular person in respect of the particular person's liability for penalties under section 188.1 for a taxation year, and that liability exceeds \$1,000, that liability is, at any particular time, reduced by the total of all amounts, each of which is an amount, in respect of a property transferred by the particular person after the day on which the Minister first assessed that liability and before the particular time to another person that was at the time of the transfer an eligible donee described in paragraph 188(1.3)(a) in respect of the particular person, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the total of

- (a) the consideration given by the other person for the transfer, and
- (b) the part of the amount in respect of the transfer that has resulted in a reduction of an amount otherwise payable under subsection 188(1.1).

**189 (7) Minister may assess**

Without limiting the authority of the Minister to revoke the registration of a registered charity or registered Canadian amateur athletic association, the Minister may also at any time assess a taxpayer in respect of any amount that a taxpayer is liable to pay under this Part.