



March 13, 2012

Office of the President and  
Chief Executive Officer

Cabinet du président  
et chef de la direction

The Honourable Gail Shea, P.C., M.P.  
Minister of National Revenue  
Canada Revenue Agency  
875 Heron Road  
Ottawa, ON K1A 0L5

Dear Minister:

I am writing to request your intervention in a situation arising from the Revenue Agency's examination of not-for profit entities. I believe an error has been made that imperils the reputation of the agency and is damaging many organizations that perform valuable services throughout Canada.

As you will know, for the past 18 months CRA has been examining not-for profit entities, attempting to understand their activities and sources of revenue. Legislative guidance in this area is very limited and not-for profit organizations – such as the Canadian Chamber of Commerce – acknowledge the challenges faced by the Agency in this matter.

More than ninety associations are members of the Canadian Chamber, and we recently convened a meeting of our members so that we could all hear from Agency officials about the purpose and outstanding issues of this inquiry. The Agency's representatives affirmed that no conclusions have yet been reached regarding the application of the Act to the complex activities now carried on by not-for profits.

Our concern is not with the examination, but with the lack of communications about its purpose and with the Agency's practice of issuing "education letters" to organizations which have been audited under this process. Although the Agency has often stated that "no conclusions have been reached," these letters inform the organizations that they are in breach of the Act, and urge them to make adjustments in their activities to comply.

The Agency appears to be unaware of the impact of such letters. Not-for profit organizations typically are governed by Boards of Directors composed of unpaid volunteers. Their reaction to such a message, with its implication of liability, is understandably negative. Many will resign their positions. At the

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least, organizations will be compelled to increase, significantly, their expenditures on directors' insurance.

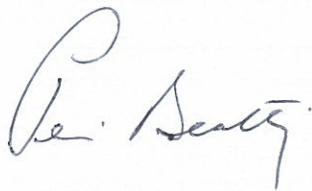
Also important to recognize is the impact on the organizations of its members' perception of such a letter noting a breach in compliance. Some of the issues raised by the Agency create impossible dilemmas for boards of directors. For example, Agency personnel have suggested the possibility that all activities of a not-for profit should be non profitable, which flies in the face of the current practices of virtually all our association members. In our view it is inappropriate for the Agency to make these kinds of suggestions in advance of any Parliamentary debate about modernizing the legislation.

I urge you to direct the Agency to refrain from issuing these education letters, and withdraw those which have been issued to date. It is inappropriate for the Agency to give guidance – especially with such implications, while simultaneously insisting that no conclusions have been reached as yet. Modernizing the Act as it pertains to not-for profits is likely to be an extensive exercise. Until Cabinet has authorized changes, I urge you to ensure the Agency remains neutral as it examines this issue.

Minister, the almost 1,500 audits of not-for-profit organizations are creating widespread anxiety within the sector, which relies extensively on volunteer boards and provides important services to Canadians. I strongly urge CRA to communicate the purpose, methodology, and progress of this program to the members of this sector.

As we offered during our meeting, we would be pleased to work with you along with our members and offer our assistance with your information gathering exercise.

Sincerely,



Perrin Beatty  
President and Chief Executive Officer

c.c. Linda Lizotte-MacPherson, Commissioner and Chief Executive  
Officer of the Canada Revenue Agency