

Donation programs under CRA review

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According to the CRA, some of the current donation programs and gifting initiatives are being advertised as "unique or valuable tax saving opportunities."

In these donation arrangements, the taxpayer makes a cash donation to a registered charity and becomes a beneficiary of a trust. The taxpayer receives property as a distribution from the trust and donates it to another registered charity, receiving donation receipts for the total of the cash and the alleged fair market value of the property. "Typically, the total cash paid by the investor is about 30 percent of the amount on the donation receipts," states the CRA.

Foster said taxpayers can expect to have these donations reassessed, and likely disallowed, but it will take time before the participating taxpayers find out.

"CRA is currently making reassessments on 2003 donation tax programs," said Foster, noting that the CRA generally has three years from the date of assessment to reassess taxpayers, and these audits can take over a year to complete.

For the 2003 tax year, about 1,800 taxpayers have been audited to date with some \$66 million in donations disallowed. CRA generally reduces the amount of the gift to no more than the cash paid by the taxpayer. In many cases, it is reduced to less than that.



Paul Foster

"In some cases it is reduced to nil, when the donation is not a true gift," states the CRA.

The CRA also reminds taxpayers that tax shelter numbers assigned to charities are used for identification purposes only, and "do not guarantee that taxpayers are entitled to receive the proposed tax benefits." Rather, the registration numbers enable the CRA to identify all tax shelters and their participants. "The CRA reviews all tax shelters to ensure that the tax benefits being claimed meet the requirements of the Income Tax Act."

If the donation is disallowed, the taxpayer must also pay interest on any tax owing, Foster said, "and if it is determined to be a sham, it's not even a donation."

A CRA representative echoed Foster's concerns over certain tax shelter gifting arrangements.

"If it sounds too good to be true, it probably is," said Pat Kisil, the CRA's communications manager for Ontario, speaking of some

tax shelter schemes that result in a tax refund larger than your donation.

Kisil said "red flags should go up" if taxpayers obtain receipts greater than the actual cash donated.

"It is buyer beware," Kisil said, noting that reassessments were "more than likely" for the donations. "Absolutely, there are some monetary consequences," she said.

Kisil said some "buy-low, donate-high" donation programs have been tested in the courts.

On April 20, 2006, the Supreme Court of Canada announced that it would not hear the taxpayers' appeals of the decisions of the Federal Court of Appeal (FCA) in the cases of Frank Klotz and Quinn, Tolley and Nash. These decisions involved buy-low, donate-high arrangements in which the taxpayers purchased artworks and donated them to charities, who issued donation receipts for three or four times the donors' costs. The FCA held that the value of the donations was limited to the amount of cash that the taxpayers paid for the artworks.

In addition, proposed amendments to the Income Tax Act announced by the Department of Finance on December 5, 2003, limit donations made under tax shelters and other arrangements to a maximum of the donor's out-of-pocket costs.

"We are still uncovering schemes," said Kisil, noting that despite the favourable legislative

developments for the CRA, some donation arrangements continue to be promoted.

Representatives of a donation program operating in Ontario confirmed that taxpayers are open to reassessments for a period of three years, but dismissed the CRA's warnings as "scare tactics."

"There is a risk it will be reassessed in the three years, but that's a risk for any donation," said Carol Braund, an authorized representative of the Canadian Humanitarian Trust (CHT) Donation Program, which deals in pharmaceuticals for worldwide humanitarian assistance.

Under the CHT program, participants may take part in a gifting trust arrangement that can provide them with a total donation receipt of almost four times greater than their out-of-pocket costs. In an example given by CHT, a cash donation of \$10,780 can result in a total donation receipt of \$40,180, resulting in a tax credit of \$18,644.

Braund said that CHT was prepared to defend its legitimacy, if challenged by the CRA.

"We'd have to go to court," she said.

Documents from CHT state that a \$500,000 defence fund has been established and will be maintained until Nov. 30, 2010, to be used in defence of any CRA reassessment or other action related to the CHT donation program.

911 calls.

The free, multilingual service will be available 24 hours a day, seven days a week.

"This means people providing services will be able to provide services better and people needing them will receive them," said Leamington Deputy Mayor Rob Schmidt.

Council will be seeking a \$200,000 grant from the province to get the project underway.

The cost to the county is expected to be around \$38,000 for the first year, with an estimated \$116,676 for 2008.

About 70 per cent of the annual costs to operate the system will be shared by the county and the City of Windsor.

A goal to have 211 available across Canada by 2011 has been set by service providers.

County budget approved

Actual increase lower than estimate

BY DANIEL SCHWAB

Essex County Council approved its 2007 budget Feb. 21, revising its previous estimate that residents with homes valued at \$200,000 would be hit with a 1.9 per cent tax increase.

Instead, the \$115.9 million budget outlined a 1.8 per cent increase in the county levy, amounting to an added \$13.85 per year for most homeowners.

About \$62.2 million in taxes will be raised through the budget, an increase of around \$2.1 million from last year.

Some budget highlights include an investment of about an extra \$1 million toward county roads, increasing a previous annual

pledge of nearly \$5 million.

Also included was a \$1.2 million increase in transportation services. There are plans to improve eight bridges and nine road projects.

211 service approved

Despite concerns from the principal of a consulting company, Essex County Council approved plans to launch a 211 information service.

The service, expected to be implemented later this year, was outlined to council Feb. 21 by the United Way/Centraide of Windsor Essex County.

The three-digit phone number will connect callers to non-emergency services,

including social, health and government agencies in their area.

Cottam resident and consulting company principal Keith Macnab, told council about his concerns regarding an endorsement of the service.

"I am asking council to keep in mind that any requests for approval or endorsement of a 211 service provider which includes request for funding by county council could impact county departmental budgets in a time when there are competing priorities for existing services," Macnab said.

But council agreed that there are advantages to the system, including a possible reduction in misdirected

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