

# Fact Sheet

## Be an informed donor

Charities play a very important role in Canadian society. As a donor, it is important to be informed and make wise decisions about your donations. Unfortunately, there are people who pretend to raise money for charity but keep the donations for their personal gain. Do your homework and gather some important facts before you make any donations.

## How can you become an informed donor?

- Gather as much information as possible on the charity and ask for any background documentation, annual reports, and budget information.
- Find out how much of your donation will go to charitable activity.
- Never give out personal information.
- Only **charities registered under the *Income Tax Act*** can issue official donation receipts.
- To verify if a charity is registered under the *Income Tax Act*, and to access its annual information return, please visit the **Charities Directorate Web page** or call our bilingual toll-free number at 1-888-892-5667.

## Before making a donation, beware of...

- High-pressure solicitors who want you to contribute immediately. Don't give in to pressure. Take the time to review your objectives and your donation budget. Remember that you are entitled to say "no" and that you do not need to justify your decision.
- Someone who calls you or knocks at your door and thanks you for a pledge you do not remember making. This tactic is often used to create a false sense of familiarity and lure you into believing that your previous donation made a positive difference in your community, when in fact, you never gave money to this fraudulent organization.
- Names that "sound" like well-known charities, but that are not quite the same. Scam artists will not hesitate to use similar wording, logos and graphics to make you believe you are giving to a national, well-known charitable organization.



## **What is the CRA's involvement with charities?**

The CRA registers qualifying organizations as charities, gives technical advice on operating a charity, and handles audit and compliance activities.

Registered charities are required to file an annual return with the CRA, part of which is available to the public, and must meet certain requirements of the *Income Tax Act* concerning their expenditures and activities.

## **What are the advantages of being a registered charity under the *Income Tax Act*?**

There are two basic advantages of being a registered charity:

- Registration under the *Income Tax Act* allows an organization to issue official receipts for gifts received. This reduces the individual donor's income tax payable, and it reduces the taxable income of a corporate donor.
- Once the organization is registered, it is exempt from paying income tax (under Part I of the *Income Tax Act*).

Charitable donations are a critical source of funding for many worthwhile causes. The Canada Revenue Agency (CRA) is fully committed to creating an environment where Canadians can donate with confidence, knowing that the money they give will be used for the purpose for which it is intended.

For more information on registered charities, please visit the **Charities Directorate** Web page on the **CRA Web site** or call our bilingual toll-free number at 1-888-892-5667.