



SEP 15 2014

REGISTERED MAIL

Attention: [REDACTED]

BN: 89110 6841RR0001
File #: 0744540

**Subject: Notice of Intention to Revoke
Theanon Charitable Foundation**

Dear [REDACTED]:

I am writing further to our letter dated January 17, 2013 (copy enclosed), in which you were invited to submit representations as to why the registration of Theanon Charitable Foundation (the Organization) should not be revoked in accordance with subsection 168(1) of the *Income Tax Act* (the Act).

We have now reviewed and considered your written response dated March 15, 2013. However, notwithstanding your reply, our concerns with respect to the Organization's non-compliance with the requirements of the Act for registration as a charity have not been alleviated. Our position is fully described in Appendix "A".

Additionally, as per our letter of March 24, 2014, we have considered the Organization's request for voluntary revocation and we are not in a position to grant your request due to the seriousness of the non-compliance revealed during our audit.

Conclusion

It is our position that during the audit period, the Organization did not comply with the requirements set out in the *Income Tax Act*. In particular, it was found that the Organization failed to devote resources to charitable purposes by making gifts to non-qualified donees and providing undue benefits, carrying on an unrelated business, issuing donation receipts that were not in accordance with the Act and/or its Regulations and failing to maintain adequate books and records.

The audit found that the Organization participated in tax planning arrangements which were designed to confer undue benefits on the parties involved. In 2005, the Organization, along with three other charities, participated in two corporate farm sale

arrangements where shares of the corporations were purchased for \$6.7 million. The corporations' assets, of equivalent value, were then donated to the Organization and the other participating charities who in turn issued official donation receipts. The corporations used the official donation receipts obtained to offset the capital gain taxes otherwise payable on the sale of their shares. Subsequent to the donations, the shares declined substantially in value leaving the Organization and the other charities with a minimal profit or participation fee. It is the position of the Canada Revenue Agency (CRA) that the transfers for which the official receipts were issued did not legally qualify as gifts and that the Organization operated for the non-charitable purpose of facilitating the tax planning arrangements for a participation fee.

Furthermore, the Organization acquired control, other than by donation, of a corporation which is not permitted for charitable foundations such as the Organization. Additionally, the Organization acquired fifty-six lots for residential development and sale which we do not consider to be a related business as it is not linked or subordinate to its charitable purposes.

For all of these reasons, and for each reason alone, it is the position of the CRA that the Organization no longer meets the requirements necessary for charitable registration and should be revoked in the manner described in subsection 168(1) of the Act.

Consequently, for each of the reasons mentioned in our letter dated January 17, 2013 I wish to advise you that, pursuant to subsection 168(1) and 149.1(3) of the Act, I propose to revoke the registration of the Organization. By virtue of subsection 168(2) of the Act, 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)(d) and 168(1)(e), subsection 149.1(1), and paragraphs 149.1(3)(a) and 149.1(3)(c) of the Income Tax Act, that I propose to revoke the registration of the organization listed below and that the revocation of registration is effective on the date of publication of this notice.

Business Number	Name
891106841RR0001	Theanon Charitable Foundation Vancouver BC

Should you wish to object to this notice of intention to revoke the Organization's registration in accordance with subsection 168(4) of the Act, a written Notice of Objection, which includes 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 should be sent to:

Tax and Charities Appeals Directorate
Appeals Branch
Canada Revenue Agency
250 Albert Street
Ottawa ON K1A 0L5

A copy of the revocation notice, described above, will be published in the *Canada Gazette* after the expiration of 90 days from the date this letter was mailed. The Organization's registration will be revoked on the date of publication, unless the CRA receives an objection to this Notice of Intention to Revoke within this timeframe.

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

Consequences of Revocation


As of the effective date of revocation:

- a) the Organization 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 Organization would not be allowable as tax credits to individual donors or as allowable deductions to corporate donors under subsection 118.1(3), or paragraph 110.1(1)(a), of the Act, respectively.
- b) by virtue of section 188 of the Act, the Organization 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 prescribed form T-2046, *Tax Return Where Registration of a Charity is Revoked* (the Return). The Return 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 "B". Form T-2046 and the related Guide RC-4424, *Completing the Tax Return Where Registration of a Charity is Revoked*, are available on our Web site at www.cra-arc.gc.ca/charities;
- c) the Organization will no longer qualify as a charity for purposes of subsection 123(1) of the *Excise Tax Act*. As a result, the Organization may be subject to obligations and entitlements under the *Excise Tax Act* that apply to organizations other than charities. If you have any questions about your Goods and services tax/harmonized sales tax (GST/HST) obligations and entitlements, please call GST/HST Rulings at 1-800-959-8287.

Finally, I wish to 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 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,

A handwritten signature in black ink, appearing to read 'Cathy Hawara', with a long horizontal flourish extending to the right.

Cathy Hawara
Director General
Charities Directorate

Attachments:

- CRA letter dated January 17, 2013;
- Representation letter dated March 15, 2013;
- Appendix "A", Comments on Representations; and
- Appendix "B" Relevant Provisions of the Act

c.c.: Blake Bromley, Director
Theanon Charitable Foundation
Suite 1250, 1500 West Georgia St,
Vancouver BC V6G 2Z6