



Harmony Foundation of Canada PO Box 50022, Unit 15, 1594 Fairfield Road, Victoria, BC, Canada V8S1G1
Telephone 250.380.3001 Email harmonyfdn@outlook.com Web www.harmonyfdn.ca

Reinvigorating Canadian Charities: A Call for Greater Fairness, Flexibility, and Future Readiness

Pre-Budget Submission to the House of Commons Standing Committee on Finance

Chaired by the Hon. Karina Gould - karina.gould@parl.gc.ca

Attn. Ms. Danielle Widmer - fina@parl.gc.ca

Executive Summary

Canada's charitable sector contributes significantly to our economy, health, and well-being, yet it is being stifled by outdated regulations, inequitable treatment, and declining support even as demands on charities increase. This brief proposes six key reforms to strengthen Canadian charities and ensure they remain viable partners in advancing the public good.

COVID-19 exposed how current rules leave charities vulnerable and ill-equipped to weather crises. Corporations, on the other hand, were able to survive with the help of subsidies, tax credits, and a regulatory regime that allows them to carry assets forward for unforeseen economic disruption and major crises. The time has come to recognize the vital contributions of charities and create the environment needed for their success, just as we do for business and politics.

1. Recognize the Value of Charities to Canadian Society and the Economy

While giving is voluntary under law, it is a moral responsibility in any just society that aspires to care for the vulnerable, a healthy environment, good education and healthcare, and a peaceful world. Charities do more than deliver services, they build compassion, inclusivity and civic responsibility.

- Over 170,000 registered charities and nonprofits employ more than 2.5 million Canadians (StatsCan, 2022).

- Charities generate 8.1% of Canada’s GDP (Imagine Canada).
- They deliver essential services often more efficiently, responsively, and with greater cultural and geographic sensitivity than government or for-profit institutions. They also mobilize millions of volunteers, building civic capacity and a culture of engagement:
 - **Food security:** local food banks and meal programs serve communities rapidly and at low administrative cost.
 - **Healthcare support:** hospital foundations fund life-saving equipment and research not covered by public budgets.
 - **Mental health services:** community-based counseling programs fill service gaps with culturally sensitive, accessible care.
 - **Environmental protection:** conservation charities protect habitats and species with limited funding and high volunteer mobilization.
 - **Healthy communities:** volunteers provide invaluable labour and expertise for community activities, concerts, sporting and cultural events, clean-ups, and tree plantings.
 - **Crisis response:** charities often deliver frontline disaster relief more nimbly than federal or provincial systems.
 - **Support for children and seniors:** charities deliver school breakfast programs, after school tutoring, elder companionship, and essential home care where government programs fall short.

Recommendation: Recognize the charitable sector as an essential economic pillar deserving of targeted investment and a modernized and more supportive regulatory regime. Create a federal fund to strengthen Canadian-based charities and recognize them as core partners in delivering public goods.

2. Reform Restrictive Charitable Regulations

- Charities face strict disbursement quotas and limited ability to retain a portion of tax-receipted donations for future use. This hinders long-term planning and financial resilience.

- During COVID-19, this left many charities without reserves and unable to respond to crisis-driven revenue declines, even as demand for services rose. Many were unable to survive.
- By contrast, corporations may retain revenue and build reserves without penalty.

Recommendation:

- Amend CRA regulations to allow charities to retain a portion of tax-receipted donations as emergency reserves.
 - Provide flexibility in the disbursement quota to ensure long-term financial stability and program continuity.
 - Permit charities to create reserve funds to strengthen their response capacity especially in rural, remote, and underserved communities.
-

3. Address the Lack of Generosity from Large Corporations and Foreign Companies

- Many corporations treat giving as a branding opportunity rather than a social responsibility. Far too often, charity is reduced to a marketing strategy, with brand exposure valued more than social impact.
- The emphasis on recognition over results leads to what I call sprinkling. It might be better for promotional purposes but not society to give \$100 to each of one thousand charities than \$25,000 to each of four organizations with the best results-based proposals. I call this practice "logo-gratification."
- Foreign platforms like Amazon, Airbnb, and Hotels.com generate billions in revenue from Canada but contribute little or nothing to charities.
- Giants like Costco Canada, with \$31 billion in annual sales, lack transparent, proportional giving. Home Depot is another example.
- A largely overlooked consequence of NAFTA was the hollowing out of corporate leadership and charitable decision making in Canada. General Electric, once a generous contributor in Canada, was largely lost as donation decisions moved to head office in Connecticut.
- Head office communities and countries now benefit most from corporate giving. Senior executives want to be seen in a positive light, especially in their own communities. As a result, smaller communities and countries receive less than an equitable share.

Recommendation:

- Introduce a minimum community reinvestment threshold for corporations earning over a specified annual revenue in Canada.
 - Require foreign companies to report Canadian charitable giving as part of tax filings.
 - Expect foreign companies, even online providers, to abide by Canadian consumer law if they operate here.
 - Use government subsidies and tax credits to support growth in places like Prince George, Regina, Brandon, Moncton, and Trois-Rivières—not only Toronto, Vancouver, and Calgary.
 - As we ask Canadian citizens to give generously, corporations operating in Canada should meet a clearly defined standard of community reinvestment responsibility.
-

4. End Government Competition with Charities for Corporate Sponsorship

Governments increasingly solicit private funds for projects like expos, Canada Day events, trade pavilions, and park signage.

- These compete directly with charities for corporate sponsorships. Government restricts how charities fundraise yet competes for the same limited pool of corporate giving, diverting resources from food banks, health programs, youth services, and the environment.
- Corporations should give out civic responsibility, not for appearances or access.

Recommendation:

- Review all federal and provincial fundraising activities to ensure they do not divert limited corporate giving from the charitable sector.
 - Prohibit tax-deductibility for corporate donations to promotional government events.
 - Government should only solicit corporate funds when serving a compelling public good.
-

5. Stop Treating Sponsorships of Mega-Events as Charity

- Sponsorships for events like the Olympics, FIFA World Cup, and Formula 1 are promotional, not philanthropic.
- Yet, these receive tax benefits meant for real charitable gifts.

Recommendation:

- Amend the Income Tax Act to:
 - Distinguish between charitable gifts and marketing expenses.
 - Exclude tax deductibility for sponsorships of commercial, sporting, or entertainment events misclassified as charitable donations.
-

6. Correct the Tax Credit Disparity Between Charities and Political Parties

- Canadians receive far more generous tax credits for political donations than for charitable giving:
 - \$400 political donation = \$300 credit.
 - \$400 charitable donation = \$100 credit.
- This sends the wrong message, that privileges political fundraising over food security, mental health, and the care of our elders.

Recommendation:

- Increase the charitable tax credit to match or exceed that for political donations.
 - Eliminate preferential treatment for political giving.
-

Closing Statement

Canada's charitable sector is indispensable. It provides core services, reaches marginalized populations, responds rapidly in emergencies, represents Canadian values abroad, and builds civic engagement. These are outcomes government and business alone cannot deliver.

Over a career of more than 50 years working in Canada and abroad it has been my honour and privilege to work with many outstanding people from all sectors and political parties to support Indigenous communities, refugees, prisoners of conscience, the homeless, rural development and to protect public health and the environment, We made a difference because we sought solutions rather than scapegoats,

One of the finest people I've worked with was Allan Taylor, former Chairman of the Royal Bank of Canada. He said: "Don't treat the charities you support as ships passing in the night, build lasting relationships." That spirit must now guide Canada's public policy.

We must reward corporations that form sustained partnerships grounded in long-term community investment, not short-term branding. And we must hold accountable those that don't give back. Fairness should not be optional.

We must find ways to restore public participation in philanthropy and volunteerism.

I often ask leaders to consider: if a polluted, crime-ridden city, lacking green space, filled with impoverished, unhealthy, poorly educated people, without clean water, good hospitals, or hope for the future, is that a place that they aspire to build businesses and raise families, of course not. Yet without meaningful support for the charitable sector, this is the risk we are taking, impoverishing our communities and country.

Charities are among the most cost-effective tools to prevent these outcomes and to promote a just, healthy, resilient society. One that Canadians can be proud to be part of.

I look forward to working with you to adopt these six reforms as part of the next federal budget process. The charitable sector has waited a long time for greater fairness and flexibility to allow them to do their work more effectively.

Thank you to Chairperson Gould and the distinguished members of the *Standing Committee on Finance* for considering these recommendations.

"We possess the means to create a world where everyone can live free of hunger and discrimination, and obtain the healthcare, education, and opportunity to reach their full potential, while ensuring that human development does not squeeze other forms of life to extinction."

Michael Bloomfield

Michael Bloomfield
Founder and Executive Director
Harmony Foundation of Canada
June 19, 2025