



**Written Submission for the Pre-Budget
Consultations in Advance of the Upcoming
Federal Budget**

By: ARPA Canada

**To: the House of Commons Standing
Committee on Finance**

List of Recommendations

- **Recommendation 1:** That the government maintain the “advancement of religion” as a charitable purpose under the *Income Tax Act*.
- **Recommendation 2:** That the government maintain the charitable tax status of pro-life pregnancy care centres.
- **Recommendation 3:** That the government simplify and enhance the charitable tax credit by applying the top marginal income tax rate of 33% to all charitable donations.
- **Recommendation 4:** That the government not transform the charitable tax credit into a charitable tax deduction as part of its modernization of charitable tax rules.

Background

In the [Spring Economic Update](#), the government promised to modernize tax rules for charities. While the explanation given was short, it recognized the positive role that charitable giving plays in our society: “The Government of Canada’s tax incentives for charitable giving aim to mobilise private capital for public needs, creating an attractive environment for donors while supporting affordability, social security and our communities across the country. The government recognises that the charitable sector, and non-governmental organisations, are an important driver for the Canadian economy, create well-paying jobs and supplement the social safety net.”

This is a welcome departure from recommendations in the previous [Pre-Budget Consultation in Advance of the 2025 Budget](#), which proposed stripping certain types of organizations of their charitable tax status. Recommendation 429 recommended that the government “no longer provide charitable status to anti-abortion organizations.” Recommendation 430 recommended that the budget “amend the Income Tax Act to provide a definition of a charity which would remove the privileged status of ‘advancement of religion’ as a charitable purpose.”

We are thankful that neither recommendation was implemented in the 2025 Budget and that Finance Committee Chair Karina Gould eventually [distanced the government](#) from this recommendation. Both pro-life pregnancy care centres and religious institutions deserve to retain their charitable status.

A Short History and Benefits of Charitable Organizations

A variety of institutions have been considered charitable under English common law for centuries. The English *Charitable Uses Act* of 1601 recognized four basic charitable purposes: (1) the relief of poverty, (2) the advancement of education, (3) the advancement of religion, and (4) other purposes beneficial to the community. This classification was upheld in the *Pemsel* (1891) decision from the English House of Lords 290 years later. Neither the *Income Tax Act* nor any other statute in Canada defines charitable purpose. The *Income Tax Act* simply defines charities or charitable organizations as “constituted and operated exclusively for charitable purposes,” leaving the definition of charitable purposes to the received common law tradition.

This tradition reflects the broad – but very important – recognition of the independence and beneficial nature of charities. Modern society has empowered the individual and expanded the scope of government, often at the expense of civil society organizations that strengthen the social fabric. A weak civil society leaves individuals atomized. An ever-expanding, impersonal government bureaucracy is incapable of meeting all its citizens' needs. A lively and diverse civil society fills the missing middle, connecting people and relieving needs that commercial enterprises or public institutions cannot meet well.

Preserving the Charitable Status of Pregnancy Care Centres

Pro-life pregnancy care centres serve such a function. Pregnancy is hard. Pregnant women need communal support, especially when pregnancy is unplanned. For some women with limited familial or social networks, support comes from a local pregnancy care centre. Approximately 138 pregnancy care centres are registered charities in Canada, including 81 centres affiliated with [Pregnancy Care Canada](#). In 2023, the Pregnancy Care Canada network alone helped more than 48,000 women, providing counselling services, baby supplies, prenatal classes, parenting programs, online resources, and post-abortion care. Such assistance clearly fits the charitable purposes of relieving poverty and other purposes beneficial to the community. All of this assistance is only possible through donations of time and money by Canadians across the country.

Previous calls to revoke the charitable tax status of pregnancy care centres ignore the benefits that these centres provide to women. At root, calls to revoke their charitable status are ideologically motivated attempts to marginalize a pro-life view with which they disagree.

Preserving the Charitable Status of Religious Institutions

Religious institutions in Canada provide tangible benefits to communities as well. Nearly [40% of all charities in Canada](#) list the advancement of religion as their charitable purpose. But the advancement of religion includes far more than just providing religious services for its members. These religious charities provide critical economic, social, and spiritual aid to members of their broader communities.

As the Association for Reformed Political Action (ARPA), we work with various Reformed Christian churches and parachurch organizations across Canada. These Reformed Christian organizations provide all sorts of tangible benefits to communities in Canada and abroad. They donate meals to at-risk youth and homeless populations, host community dinners, prepare breakfasts for first responders, organize local disaster relief efforts, donate Christmas hampers for youth overseas, help foster parents with respite care, mentor new moms, provide free child and youth summer programs, set up cold weather shelters for homeless populations, open cooling stations for vulnerable populations during severe heat, send youth on short-term mission trips to rebuild homes and schools, visit and sing at seniors' homes, participate in community events, sponsor and support refugees, help impoverished community members pay their bills, and provide counselling services.

A study by Cardus, their [Halo project](#), estimates that for every dollar a religious congregation spends, the broader community receives \$3.39 in various benefits. That adds up to approximately \$18.2 billion of socio-economic benefit per year from Canadian religious charities. The benefits that religious communities provide are over 10 times the cost to the government of charitable tax exemptions and credits. In the final analysis, rather than governments subsidizing religious institutions, religious institutions subsidize their communities.

Revoking the charitable status of religious institutions could be devastating. Revenue Canada [states](#) that if charitable status is revoked, the charity must transfer all their assets – such as any money in its bank accounts or its buildings – to an eligible donee. If such assets are not donated to another eligible donee, the charity faces a 100% revocation tax, forfeiting its assets to the government.

Either situation would involve a massive redistribution of wealth (likely in the range of hundreds of billions of dollars) from religious institutions to non-religious institutions. Such a move gravely violates the spirit of the fundamental freedoms of religion and association in a free and democratic society such as Canada.

Incentivizing More Charitable Giving

Rather than stripping charitable status from religious organizations or pregnancy care centres, the government should encourage charitable giving in its modernization of tax rules.

Tax incentives signal that donating to charity is a commendable social activity, a form of altruism that is important in a thriving democracy. Charitable giving in Canada has been [declining for years](#). Only about 16.8% of Canadians donated to charities in 2023, down from 21.9% in 2013. And the amount being donated is also falling. While 0.55% of all personal income was donated to charity in 2013, only 0.52% was donated in 2023, with a mean household donation of around \$500.

From 1988-2015, the charitable tax credit followed a fairly simple two-tiered formula: a credit calculated at the lowest marginal tax rate (15% by 2015) for the first \$200 and the highest marginal tax rate (29% by 2015) for donations over \$200. This system was complicated in 2016 by the addition of a new highest income tax bracket of 33% on income over \$200,000 (\$258,482 by 2026) and a corresponding addition of a third tier of charitable tax credit of 33% on donations from income in the highest income tax bracket.

Current Charitable Tax Credit	Enhanced Charitable Tax Credit – Option 1	Enhanced Charitable Tax Credit – Option 2	Enhanced Charitable Tax Credit – Option 3
15% on donations up to \$200	29% on donations from income below the top income tax bracket	15% on donations up to \$200	33% on all donations, regardless of size or income level
29% on donations in excess of \$200 from income below the top income tax bracket		33% on donations in excess of \$200	
33% on donations from income in the top income tax bracket	33% on donations from income in the top income tax bracket		

This three-tier system could be simplified and enhanced by 1) eliminating the first tier of the credit and applying a credit of 29% for all donations from income below the top income tax bracket, 2) eliminating the second tier of the credit and applying a credit of 33% for all

donations above \$200, or 3) eliminating the first two tiers and applying a credit of 33% to all donations. We recommend the latter.

Most other G7 countries depend on charitable tax deductions rather than credits, allowing individuals to deduct their charitable contributions from their taxable income. This effectively makes the tax relief equal to the individual's top marginal tax rate. We recommend that the government *not* adopt this framework, as it would reduce incentives to give at a time when charitable giving is already declining. To illustrate, most individuals receive a 29% tax credit on most of their donations (those in excess of \$200 from income below the top income tax bracket). However, [at least 83%](#) of Canadians with employment income had a top marginal tax rate of only 15%-20.5% in 2024. In other words, the charitable tax credit for most Canadians significantly exceeds their marginal income tax rate. Switching to a deduction from taxable income and thus applying the top marginal tax rate would reduce the generosity of our charitable tax incentives.

Conclusion

In its modernization of tax rules for charities, the government should maintain the existing definition of charitable purpose and increase charitable tax credits.

The government should continue to disregard the Finance Committee's previous recommendations to remove charitable status from pregnancy care centres and religious institutions. Pregnancy care centres and religious institutions provide abundant tangible benefits to their communities, benefits that would be greatly reduced or eliminated if these institutions lost their charitable status and assets.

The Finance Committee should recommend simplifying and enhancing the charitable tax credit. While there may be lessons to be gleaned from our G7 peers' charitable tax incentives, the government should avoid frameworks that effectively reduce incentives for charitable donations, such as by replacing the tax credit with a tax deduction.

Respectfully submitted,



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