



Understanding Disbursement Quota for Charities

Written by: [Navroz Janmohamed, CPA, CA](#)

According to the Canada Revenue Agency (CRA), “the disbursement quota is the minimum calculated amount that a registered charity is required to spend each year on its own charitable programs or on gifts to qualified donees (such as other registered charities)”.

The 2010 federal budget significantly revised, but did not eliminate the concept of the disbursement quota. However, the majority of active charities should have no problem meeting its disbursement quota.

The disbursement quota calculation is based on the value of a charity's property not used for charitable activities or administration. This property typically includes: cash in bank accounts, stocks, bonds, mutual funds, GICs, land, and buildings.

For example, if the charity's property not used in charitable activities is valued at \$1M it would result in a disbursement quota of \$35,000, calculated as 3.5% of \$1M. Therefore, a charity would have to spend at least \$35,000 on charitable activities during the year.

If a charity deems that certain assets (e.g. investments) are used directly in charitable activities or administration and thus not included in the disbursement quota calculation, it should keep documentation of its reasoning. The mere act of earmarking funds for charitable activities is not sufficient to take the position that they are “used directly in charitable activities”.

CRA has stated that “a registered charity must continue to devote its resources (funds, personnel, and property) to its charitable purposes and activities even though the amount for its disbursement quota may be calculated as nil.”

If you are uncertain how these rules affect you, contact your Manning Elliott advisors and we would be happy to assist you in navigating these complex issues.

Navroz Janmohamed, CPA, CA is a Partner at Manning Elliott LLP. He advises privately held businesses, not-for-profit organizations (NPOs) and registered charities on a wide range of income tax planning and tax compliance matters. To contact Navroz, feel free to call him at **604-714-3622** or email him at navroz@manningelliott.com

The above content is believed to be accurate as of the date of posting. Tax laws are complex and are subject to frequent changes. Professional advice should be sought before implementing any tax planning. Manning Elliott LLP cannot accept any liability for the tax consequences that may result from acting based on the information contained therein.

