



**Consultation: Budget 2023 measures to grow the clean economy,  
close tax loopholes, and deliver tax relief for Canadians**

**By:  
The Association of Fundraising Professionals (AFP) Canada**

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The Association of Fundraising Professionals (AFP) Canada appreciates the opportunity to submit our feedback on Budget 2023 measures to grow the clean economy, close tax loopholes, and deliver tax relief for Canadians.

## **AFP Canada calls on the Government of Canada to release the projected budget impact on the charitable sector resulting from the proposed change to the Alternative Minimum Tax (AMT) on donations of securities.**

### **Impact on Canadians of the change to the AMT's treatment of donated securities**

In Budget 2023, the government proposes to raise taxes on donations of securities to charities and the related capitalization of private foundations that support causes benefiting Canadians from coast to coast to coast. This measure will have a significant impact on Canadian giving levels.

While this proposed change to the AMT is intended to impact high-income individuals, it will significantly impact some of the most vulnerable members of our communities across the country—those who rely on charities. The number of Canadians who expect to rely on charities this year to meet their basic needs is 22%<sup>1</sup>, which is **over 8.8 million people** based on latest population estimates<sup>2</sup>.

This change will disincentivize donations of securities to charities and private foundations that fund them—negatively impacting Canadians when they are increasingly relying on charities. While the quantity of these donations may not be as great as other means of donating, the dollar value is significant: since the elimination of capital gains tax on gifts of securities in 2006, charities have received donations of over \$1 billion nearly every year.<sup>3</sup>

While there are many complexities in the AMT calculations and the financial impact will vary for individual donors, the result of this disincentive will be disproportionately negative and will reduce donated dollars to charities. This will force charities to reduce or eliminate programs that support those they serve. Charities are already having difficulties meeting the demands for their services with over 57% reporting that they simply cannot meet the current level of demand.<sup>4</sup> The proposed change to the AMT on gifts of securities will further exacerbate this challenge, and hurt Canadians at a time of need.

### **Canadians deserve to understand the impact of this proposed change.**

AFP Canada calls on the Government of Canada to release the projected financial impact on the charitable sector of this proposed change to the Alternative Minimum Tax.

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<sup>1</sup> CanadaHelps: The Giving Report 2023; <https://indd.adobe.com/view/1fdaa5b9-65af-4325-86e2-628a1f02d797>

<sup>2</sup> Statistics Canada: Canada's population estimates, quarterly; <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000901>

<sup>3</sup> Donald K Johnson Pre-Budget Submission to the Committee on Finance 2016; <https://www.ourcommons.ca/Content/Committee/421/FINA/Brief/BR8126165/br-external/DonaldKJohnson-e.pdf>

<sup>4</sup> CanadaHelps: The Giving Report 2023; <https://indd.adobe.com/view/1fdaa5b9-65af-4325-86e2-628a1f02d797>

## **The need for a secretariat for the charitable sector**

The proposed change to the AMT is another example of why our sector needs a permanent, dedicated secretariat in the federal government. As outlined in AFP Canada's consultation for Budget 2024, designating a permanent, adequately funded and dedicated secretariat for the charitable sector would be the most significant way for the government to ensure the ability of charities to meet the wide-ranging needs of Canadians now and in the future.<sup>5</sup>

The current transactional nature of our sector's relationship with the government does not encourage growth. There is no clear area in government focused on increasing the sector's sustainability and its ability to serve those in need. In addition to providing guidance to inform policy decisions that help to increase the sector's impact, a secretariat would provide valuable input to government when changes to existing or new policies are considered (such as the AMT on donations of securities). This has the potential to help the government save money and increase efficiency by making amendments before policies are changed.

The nonprofit sector provides life-changing services and supports, making a significant difference in the lives of Canadians from coast to coast to coast. The sector addresses needs that cannot be met by the government or by the market. Additionally, we are an important partner to the government in the delivery of key services, including health care, education and social services.

A dedicated secretariat would not only ensure a greater understanding of how government programs and regulations can increase effectiveness and innovation in the sector but would ensure that the sector has the support it needs to continue to provide valuable services to Canadians. Numerous benefits would flow from being housed in one agency that has the mandate to promote the sector.

## **About Canada's Nonprofit Sector**

Canada's nonprofit sector, which includes the charitable sector, is instrumental to the country's economic success and productivity. The sector is one of the five largest in our country, representing more than 170,000 charities and nonprofit organizations. It accounts for 8.4% of Canada's Gross Domestic Product and more than 10% of the labour force (Statistics Canada).

The nonprofit sector provides countless services and supports making a huge difference in the lives of Canadians. Fundraising professionals play the important role of ensuring that nonprofits have the resources they need to do their work. Charitable revenue provided by Canadian households and businesses makes an essential contribution to the sector's ability to facilitate social change.

The sector played a key role in helping people across Canada deal with the challenges brought on by the pandemic. At the onset of the pandemic, we stepped up and responded quickly to the many pressing needs of Canadians by providing food, emergency shelter and health care, among other things, to some of the most vulnerable in our communities, which we continue to do today.

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<sup>5</sup> AFP Canada - Pre-Budget Consultation 2024;  
<https://afpglobal.org/sites/default/files/attachments/generic/2024%20Pre%20Budget%20Consultations%20-%20Association%20of%20Fundraising%20Professionals%20Canada.pdf>

The impact of Canada's nonprofit sector is even greater considering that it strengthens our country's economy in many ways, including keeping the population healthy, helping to tackle climate change, finding new cures for diseases, addressing racial inequalities, helping workers who are unemployed, ensuring settlement of newcomers, and providing workplace training and education.

Despite this, the sector faces significant challenges—issues such as lack of stable funding, modernization and data collection—that restrict its ability to meet the needs of communities across Canada. The potential of charities is hampered because there is no place in the government working alongside our administrators to grow the sector in multiple important ways. Strengthening the sector so that it can continue to deliver support and services that are needed and valued by Canadians is an urgent priority.

### **About AFP**

Since 1960, the Association of Fundraising Professionals (AFP) has been the standard-bearer for professionalism in fundraising. The association works to advance effective and ethical fundraising by providing education, networking, research and advocacy for the world's largest network of professional fundraisers. AFP's over 27,000 members in more than 200 chapters raise over \$100 billion annually for a wide variety of charitable organizations and causes across the globe. For more information, go to <https://afpglobal.org/>.

In Canada, AFP's over 3,000 members in 21 chapters work for more than 1,800 charities across the country and raise billions of dollars every year. AFP Canada, a nonprofit that was created to bring a Canadian perspective AFP's communications and government relations, serves as part of the larger AFP Global network, the largest community of professional fundraisers in the world. To learn more about AFP Canada, go to <https://afpglobal.org/afp-canada>.

The dollars raised by AFP members are not raised in a vacuum but in accordance with AFP's *Code of Ethical Standards*—first developed in 1964 and one of the few ethical codes that is enforced. Our code, which sets the highest standards for ethics in fundraising, has been used as the foundation for subsequent codes of conduct in many different countries around the world. AFP also has convened more than 30 national fundraising associations from across the globe to draft the International Statement of Ethical Principles, an additional series of values and standards for the international fundraising community.

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