

PRE-BUDGET REPORT RECOMMENDS REMOVAL OF ADVANCEMENT OF RELIGION AS A CHARITABLE PURPOSE

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1. INTRODUCTION

The House of Commons Standing Committee on Finance (the “Committee”) released its Report on the Pre-Budget Consultations in Advance of the 2025 Budget (the “Report”) in the House of Commons on December 13, 2024,¹ containing 452 recommendations. Recommendation 430 recommends that the Government of Canada “[a]mend 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.”

Although the Government of Canada is not required to adopt the recommendations from the Committee, it will generally, at a minimum, consider the Committee’s recommendations in determining what to include in the next federal budget.

On January 6, 2025, the Prime Minister requested the Governor General to prorogue Parliament until March 24, 2025. Prorogation halts all parliamentary business, including the activities of committees. Parliamentary bills that have not received Royal Assent before prorogation “die” and must be reintroduced in the next session. While the future of Recommendation 430, is uncertain, the fact that it made it into the Report of the Committee is concerning and needs to be addressed.

2. ADVANCEMENT OF RELIGION AS A HEAD OF CHARITY

2.1. Historical Overview of the Advancement of Religion as a Head of Charity

For centuries there has been a close connection between charitable purposes and advancement of religion. That connection was clearly recognized by the House of Lords’ decision in *Special Commissioners of Income Tax v. Pemsel*,² which included “advancement of religion” as one of the four heads of charity.³

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¹ Pre-Budget Consultations in Advance of the 2025 Budget, Report of the Standing Committee on Finance (December 2024), online *Government of Canada* <<https://www.ourcommons.ca/Content/Committee/441/FINA/Reports/RP13466781/finarp21/finarp21-e.pdf>>.

² *Special Commissioners of Income Tax v. Pemsel*, [1891] A.C. 531 (H.L.). [“Pemsel” decision]

³ For a more in-depth discussion of the history of the advancement of religion, see our publication, Terrance S. Carter and Anne-Marie Langan, “Advancement of Religion As A Head Of Charity: What Are The Boundaries?”, Revised October 2006, Carters Professional Corporation, online: <https://www.carters.ca/pub/article/church/2014/advrel_nov14.pdf>.

The courts in Canada and the Commonwealth, as well as the Canada Revenue Agency (“CRA”) have relied on the Pemsel decision to determine what is a charity at common law and, as such, have consistently recognized advancement of religion as an accepted head of charity, unique from any other head of charity, such as, the relief of poverty or the advancement of education, although a charity may also relieve poverty or advance education as integral to advancing religion.

Jurisprudence allows for advancing religion in “a wide variety of ways” that includes practical expressions of religion as long as they can be linked to the religion.⁴ Practical expressions of faith go beyond meeting in places of worship, and can include relieving poverty, advancing education, promoting health and more, even though these activities could also be recognized as furthering separate charitable purposes.⁵

Religious organizations have played a pivotal role in establishing Canada's early hospitals and providing aid to individuals in need and society at large. The first hospital, Hôtel-Dieu de Québec,⁶ was founded in 1637 by the Duchess of Aiguillon and the religious order of the Augustines Hospitalières of Dieppe in present-day Québec City. This institution, which also happens to be the first hospital north of Mexico, is still in operation. Since then, numerous religious congregations and other faith-based organizations have founded hospitals and care homes across Canada.

In addition to healthcare, religious institutions have provided the earliest forms of social care, building orphanages and offering medical and social assistance in Canada, more than a century before government welfare programs were established.⁷ For example, The Salvation Army⁸ began its work in Canada in 1882, quickly giving hope to those in need by offering basic schooling, reading rooms, penny banks, soup kitchens and assistance to the homeless.

Another example is the Deborah Ladies’ Aid Society (later known as the Deborah Sisterhood), established in 1870 by Jewish women of the Temple Anshe Sholom in Hamilton,⁹ which was the first Jewish women’s organization set up for charitable purposes in Canada. With the influx of immigrants into Canada in the late 19th and 20th centuries, the Deborah Ladies’ Aid Society played a pioneering role in providing social services to the poor and immigrant populations of the city. The Society offered essential support, such as food and clothing, laying the foundation for modern social welfare initiatives like food banks, employment insurance, and immigrant settlement programs.¹⁰

As described in the website, Islamic History Month,¹¹ various Muslim associations and groups supported newcomers to Canada during the 1900s and early 2000s, including those fleeing conflicts, such as the Lebanese Civil War, the Somali Civil War, and the wars following the breakup of Yugoslavia. The influx of refugees and immigrants led to the creation of additional Muslim organizations to assist these newly settled communities. One notable example is the Muslim Benevolent Society of London, which established Ontario's first mosque, the London Muslim Mosque,

⁴ *United Grand Lodge v Holborn*, BC [1957] 1 WLR 1080; *Re: Banfield*, [1968]1 WLR 846.

⁵ For a more in-depth discussion of this topic, please see Jennifer M. Leddy and Terrance S. Carter, *Church Law Bulletin* No. 39, “Advancement of Religion Discussion Rekindled”, November 30, 2011, Carters Professional Corporation, online <<https://www.carters.ca/pub/bulletin/church/2011/chchlb39.pdf>>.

⁶ Government of Canada, “Hôtel-Dieu de Québec National Historic Site of Canada” online <https://www.pc.gc.ca/apps/dfhd/page_nhs_eng.aspx?id=683>

⁷ Please see Alison Little, “A legacy of support: Faith-based community”, Heritage Matters, online <<https://www.heritage-matters.ca/articles/legacy-of-support>>.

⁸ The Salvation Army, “Our History”, online <<https://salvationarmy.ca/about-us/history/>>

⁹ Temple Anshe Sholom Hamilton, “The History of Temple Anshe Sholom”, <<https://anshesholom.ca/about-us/our-history/>>

¹⁰ Ibid

¹¹ Islamic History Month Canada, “A History of Muslims in Canada”, <<https://www.islamichistorymonth.ca/muslims-in-canada>>

in 1957.¹² This mosque was later recognized by the Historic Sites Committee of the London Public Library Board with a plaque commemorating its significance in fostering London's growth as a vibrant, multicultural city.

2.2. The Socio-Economic Effects of Religious Charities in Canada

According to the CRA, as of March 2018, there were 86,234 registered Canadian charities and 33,020 of these registered charities are religious charities.¹³ Data from Statistics Canada,¹⁴ shows that as of 2018, 61% of individuals who attended religious services weekly engaged in volunteering, contributing an average of 179 hours annually. These weekly attendees, representing 14% of the population, accounted for 29% of total volunteer hours. In comparison, 37% of those who attended religious services less frequently or not at all participated in volunteering, with an average of 117 hours annually.

In addition, as of 2018, data from Statistics Canada¹⁵ shows that 82% of individuals who attended religious services weekly made donations to charities or non-profit organizations, with an average annual contribution of \$1,503. These weekly attendees, comprising 14% of the population, accounted for 45% of all dollars donated. In contrast, 65% of those who attended religious services less frequently or not at all donated to charity, with an average annual donation of \$378.

Furthermore, according to Canadian think tank Cardus,¹⁶ their “Halo Effect”¹⁷ study measures the economic and social contributions of religious congregations to their local communities, quantifying their impact in dollar terms. The concept of the “Halo Effect” highlights how organizations benefit society and was adapted for and used in Canada by Cardus, the Toronto Metropolitan University and the City of Toronto.¹⁸

The Canadian studies found that religious organizations provide free or low-cost spaces for cultural, educational, and recreational activities, offer essential programs like addiction recovery, childcare, and food banks, and contribute to the economy through direct spending and community events like weddings and funerals. For every dollar spent by a typical Canadian religious congregation, the local

¹² CBC News, Isha Bhargava, “Ontario's first mosque commemorated by history buffs and original worshippers,” online < <https://www.cbc.ca/news/canada/london/london-mosque-plaque-1.6993214> >

¹³ Government of Canada, Charities program facts and figures, online < [Charities program facts and figures - Canada.ca](https://www.canada.ca/en/charities-program/facts-and-figures) >

¹⁴ Statistics Canada, Survey on Giving, Volunteering and Participating (SGVP), online < [Table 45-10-0045-01 Volunteer rate and average annual volunteer hours, by definition of volunteering and religious attendance](https://www150.statcan.gc.ca/n1/pub/28-263-x/2019001/article/00001-eng.htm) >

¹⁵ Statistics Canada, Survey on Giving, Volunteering and Participating (SGVP), online < [Table 45-10-0038-01 Donor rate and average annual donations, by religious attendance](https://www150.statcan.gc.ca/n1/pub/28-263-x/2019001/article/00001-eng.htm) >

¹⁶ Mike Wood Daly, “Why Religious Tax Exemptions Benefit All Canadians”, November 12, 2024, Cardus, online < <https://www.cardus.ca/research/spirited-citizenship/reports/why-religious-tax-exemptions-benefit-all-canadians/> >

¹⁷ A series of research studies developed by Dr. Ram Cnaan of the University of Pennsylvania. Please see R.A. Cnaan, R.J. Wineburg, and S.C. Boddie, *The Newer Deal: Social Work and Religion in Partnership* (New York: Columbia University Press, 1999); R.A. Cnaan et al., “If You Don’t Count It, It Doesn’t Count: A Pilot Study of Valuing Urban Congregations.” *Journal of Management, Spirituality and Religion* 10 (2013): 3–36; R.A. Cnaan and S. An, “Even Priceless Has to Have a Number: Congregational Halo Effect.” *Journal of Management, Spirituality and Religion* 15, no. 1 (2018): 64–81.

¹⁸ Adapted for Canada by Cardus, the School of Urban and Regional Planning at Toronto Metropolitan University, and the City of Toronto’s Social Research and Analysis Unit. Please see M. Wood Daly, “Valuing Toronto’s Faith Congregations,” Cardus, June 2016, <https://www.cardus.ca/research/spirited-citizenship/research-report/valuing-torontos-faith-congregations/>; M. Wood Daly, “Taxing Faith: Halo Effect and the Implications of Taxing Canadian Places of Worship,” *Studies in Religion / Sciences Religieuses* 50, no. 3 (2021): 1–22, <https://doi.org/10.1177/0008429820957643>; and “Welcome to the Halo Project,” <https://haloproject.ca>.

community receives an average of \$3.39 in socio-economic benefits, amounting to an estimated \$18 billion nationally in 2019.

A study conducted between 2018 and 2020 assessed the Halo Effect for 64 Canadian Christian congregations, representing various regions, sizes, and budgets. Collectively, these congregations spent \$54 million annually and generated a combined Halo Effect of \$181.3 million, with each dollar spent resulting in an average benefit of \$3.98 (median \$3.39). These findings demonstrate the significant societal value religious charities provide through their programs, services, and contributions to the economy, underscoring their critical role in improving the quality of life for Canadians.

3. CONCLUSION

The recommendation in the Committee Report to remove “advancement of religion” as a charitable purpose under the *Income Tax Act* raises concerns about the future of religious charities and the social benefit that they provide to the public in Canada. Historically, religious organizations of many different faiths have been instrumental in establishing hospitals, providing social care, and fostering community development long before government welfare programs existed.

Courts have upheld the legitimacy of advancing religion as a charitable purpose, rejecting claims of religious bias and recognizing the broad public benefit provided by religious charities. Statistics show that individuals who participate in religious services contribute significantly to volunteering and charitable giving, while studies like the Halo Effect highlight the substantial socio-economic value religious congregations provide, estimated at over \$18 billion annually. Given these contributions, any changes to the charitable status of religious organizations must carefully consider the profound impact on Canadian society and the increased role that Governments might be called upon to play should charitable registration be denied to faith-based organizations.

The section of the Committee’s Report which lists Recommendation 430 provides no background information, basis or explanation for removing a principle that has been embedded in the common law for centuries. Moreover, potentially revoking the charitable status of over 40% of registered charities in Canada representing various faith communities, which deliver diverse social services to the general public regardless of religious affiliation, should not be given any credence by the Government of Canada, but if it was, it should not be done without extensive public consultation, particularly involving faith-based charities.