

## FAQ: Non-qualified donees guidance

In 2022, the Income Tax Act was changed to allow registered charities to make grants to non-charities (called “non-qualified donees” or NQD for short). The Canada Revenue Agency (CRA) then undertook consultations to develop their policy on how they would interpret and implement these new rules. On December 19, 2023, the CRA published a final version of its policy position called [CG-032 Registered charities making grants to non-qualified donees](#).

This FAQ document will highlight resources, and information ONN has to offer to help you navigate the new rules.

### 1. What are qualified disbursements?

Qualified disbursements are grants of financial or non-financial resources by a charity to a non-qualified donee. Most nonprofits that are not charities are non-qualified donees (with some [limited exceptions](#)). To learn more about the rules that apply to qualified disbursements, see [this guide](#).

### 2. Are qualified disbursements really different from direction and control?

Previously, if a charity wanted to give its resources to an NQD to deliver programming, then the charity needed to maintain direction and control at all times. This meant the charity needed to have the final say over all decisions, claim credit for the work, ensure ongoing oversight and reporting, and more. To learn more about how qualified disbursements, and direction and control compare access this [recording](#).

### 3. Does this mean funders have to consider nonprofits who apply for funding?

No. Some charities have legal purposes that only allow them to grant to qualified donees. Some charities list or describe their legal purposes on their websites, and doing some research online about a charity's purposes may be helpful. However, a charity may choose not to fully describe its charitable purposes in detail on its website, or it may not be clear if they support NQDs. Furthermore, they may speak about their mission and vision on their website in ways that differ from what their legal purposes are in official governing documents. To learn more about why funders may choose not to make qualified disbursements and how you can help funders transition to making qualified disbursements, [see this resource](#). [Funders](#) can also check out [these case studies](#).

**4. A potential donor has approached us, a nonprofit without charitable status, but wants a tax receipt. Do these new rules mean that a charity can issue a tax receipt for us and grant us the funds?**

No. It is prohibited for a charity to accept a gift on the condition that it grants those funds to a non-qualified donee. However, the donor can express a non-legally binding desire that the charity grant to you or you can enter into [a direction and control relationship](#) with the charity. If you choose the latter option, this would be similar to a [shared platform relationship](#). Access this [blog post](#) for more on how qualified disbursements may affect shared platforms.

**5. We are currently a trustee organization with a fiscal sponsor/shared platform. We've heard the new rules don't allow funders to grant to a fiscal sponsor/shared platform. Is that true?**

No. While a shared platform is not allowed to receive a gift on the condition that it grants it to a non-qualified donee, CRA says specifically in its guidance that this does not include direction and control arrangements. Consequently, funders can keep granting to your shared platform for projects you run as long as they maintain direction and control over the resources. Access this [blog post](#) for more details.

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## About ONN

ONN is the independent nonprofit network for the 58,000 nonprofits in Ontario, focused on policy, advocacy and services to strengthen the sector as a key pillar of our society and economy. We work to create a public policy environment that allows nonprofits to thrive. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector and channel the voices of our network to government, funders, and other stakeholders.

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