Private foundations
Helping to build philanthropy by adding value and tax risk management for individuals, families and corporations
Private foundations and philanthropy

The dynamics of philanthropy involve complex tax considerations, risks and administrative responsibilities from formation to dissolution. However, the benefits of starting a private foundation have meaningful rewards that can continue well into the future. Using a private foundation as a vehicle for philanthropy can also facilitate organized, systematic and targeted giving. In order to help you achieve your philanthropic goals, the experienced team at EY offers unparalleled experienced advice in foundation creation and management.

EY is here to help you navigate the foundation life cycle, from formation to ongoing compliance, including:

- Discuss charitable objectives, and identify potential structures for gifting
- Identify factors that may prevent charitable registration
- Liaise with legal counsel with respect to drafting of charitable objects
- Prepare or review registration application and navigate Canada Revenue Agency (CRA) process
- Prepare annual information returns and financial statements
- Calculate the required annual disbursement quota
- Advise with respect to the excess corporate holdings regime in light of the private foundation’s investment policy
- Provide advice with respect to charitable tax receipting process and policies
- Evaluate foreign grant-making policies
- Perform tax risk and compliance assessments to protect donors and the foundation from sanctions (including penalties) with respect to self-dealing rules, gifting to non-qualified donees, and engaging in business activities
- Provide CRA audit assistance, including interacting with CRA’s Charities Directorate on matters relating to compliance or controversy
- Advise on indirect tax issues and compliance, including preparation of indirect tax filings and rebate applications, determining self-assessment and tax collection requirements and maximizing the recovery of tax paid

The advantages of creating a private foundation

- **The donor has control.** A private foundation offers superior control as opposed to a public charity. The board of directors can consist entirely of related parties and the foundation can be funded from one or just a few sources. Therefore, there may be greater alignment of personal philanthropic objectives regarding charitable giving.

- **Leave a lasting legacy.** A foundation may last through multiple generations. To support this, assets relating to a foundation can be restricted to benefit certain charitable goals.

- **Family involvement.** Board members or trustees typically include the founder(s) and their family members, and the foundation is generally formed to accomplish a specific purpose or mission.

- **How EY can help.** Whether your organization’s or your personal philanthropic plans include family engagement, disaster relief, succession planning or working with the family office, EY is able to assist you in achieving your goals in a tax-efficient, risk appropriate manner.
Interacting with the CRA

The CRA is expanding its information technology capabilities with the intent of providing better compliance oversight for registered charities. EY can assist in staying on top of CRA requirements and managing related risks. EY professionals have experience working with the CRA, and as a result, we are able to assist our clients with practice and procedure issues, which has proven invaluable in reducing anxiety, achieving financial savings and expediting the resolution of CRA controversies involving private foundations.

EY works with numerous tax-exempt organizations across the country and can help private foundations assess, prioritize, manage and remedy tax-related issues and risks.

Available services

EY can offer help in setting up and maintaining your private foundation, which includes the following:

Private foundation set-up:
- Review planning opportunities relating to setting up a private foundation
- Assistance with navigating the process to set up the private foundation
- Liaise with CRA regarding registration of the private foundation
- Coordination with legal counsel regarding the foundation set up

Canadian tax compliance:
- Preparation or review of annual information returns and financial statements
- Preparation or review of indirect tax returns and rebate applications

Advisory:
- Assistance with tax controversy support
- Assistance with the excess corporate holdings regime
- Advisory services related to new donation opportunities
- Assistance with maintaining charitable status
- Calculation of the annual disbursement quota
- Planning to maximize indirect tax recovery

Learn more

To learn more about how EY can help private foundations build philanthropy, contact your local Private Client Services professional at ey.com.ca/private.
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