

Budget 2025: Charities and Not-for-Profits

Natasha Smith, Clara Pencer

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The 2025 Federal Budget proposed a limited number of new measures affecting Canadian charities and non-profits. Primarily, the Budget confirmed that the Government intends to proceed with certain outstanding legislative and regulatory proposals that were released on August 12, 2024 and on August 15, 2025.

That said, there are some new noteworthy measures and a number of funding opportunities that charities and non-profits may want to monitor.

Legislative and Regulatory Proposals Released on August 15, 2025 (confirmed with modification)

1. Modified Reporting Requirements for Non-Profit Organizations (NPOs)

In a move to bolster transparency across Canada's non-profit sector, the Department of Finance unveiled draft legislation on August 15, 2025, that would significantly expand reporting requirements for NPOs. These proposals, first previewed in the 2024 Fall Economic Statement, aim to ensure greater accountability for organizations benefiting from tax-exempt status.

Although the 2025 Budget confirms that the Government is still reviewing the feedback it received from stakeholder consultations in August and September of this year, NPOs should nevertheless continue to prepare for the new reporting requirements.

Tax-Exempt Status and Oversight

NPOs in Canada are exempt from income tax under paragraph 149(1)(l) of the *Income Tax Act* (Canada), provided they operate solely for non-commercial purposes. While they do not issue tax receipts like registered charities, they still enjoy significant tax benefits. The new measures seek to tighten oversight by requiring more consistent and comprehensive reporting from these entities.

Current Rules

Currently, if an NPO meets the following criteria, it is required to file a [T1044 Non-Profit Organization Information Return](#) within six months of its financial year end:

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- It has passive income exceeding \$10,000 in a fiscal year
- It has total assets with a value exceeding \$200,000 at the end of the immediately preceding fiscal period
- It had a prior requirement to file the T1044

New Measures

For taxation years commencing **January 1, 2027**, the 2025 Budget confirms the previously released draft legislation which proposed the following:

- Mandatory T1044 filing for NPOs with gross annual revenues over \$50,000
- A new short-form return for smaller NPOs below the above threshold

If enacted, these changes will require all NPOs claiming tax-exempt status under paragraph 149(1)(l) to file either the full T1044 or the new short-form return. These modified reporting rules do not appear to change an NPO's obligation to file a T2 Corporation Income Tax Return.

If you are unsure of your organization's filing obligations, we encourage you to contact a member of the Cassels [Charities and Not-for-Profit](#) law team.

Legislative and Regulatory Proposals Released on August 12, 2024 (confirmed without modification)

1. Updates to Charitable Donation Tax Credits Under the Alternative Minimum Tax

Budget 2024 introduced modest revisions to the federal government's proposed changes to the Alternative Minimum Tax (AMT) – a parallel tax system designed to ensure that high-income individuals and trusts pay a minimum level of tax notwithstanding that they are entitled to various credits, deductions, and exemptions. Taxpayers must pay either the tax calculated based on the normal method (which is calculated taking into account such credits, deductions or exemptions) or the AMT, whichever is higher.

Background: AMT Proposals from Budget 2023

In Budget 2023, the government proposed reforms to reduce the number of Canadians subject to AMT while increasing overall AMT revenue. Among the more contentious proposals:

- Capital gains inclusion rate on donations of publicly listed securities to charities would rise from 0% to 30% for AMT purposes

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- Only 50% of the Charitable Donation Tax Credit would be allowed against AMT, down from the current 100%

These proposals drew strong criticism from donors and the charitable sector, who argued that the changes would discourage major philanthropic gifts and undermine charitable giving. As a result, the government did not include the AMT reforms in its Fall 2023 implementation motion.

Budget 2024 Adjustments: Partial Relief

Budget 2024 offered a partial rollback of the proposed restrictions:

- As proposed, donors would be able to apply 80% of the Charitable Donation Tax Credit when calculating AMT – an improvement over the previously proposed 50%, but still below the current 100% allowance.

The legislative proposals released in August 2024 confirmed this.

While this adjustment may reduce the AMT burden for some taxpayers, the 30% capital gains inclusion rate on donations of publicly listed securities remains unchanged.

Implications for Charitable Giving

Despite the partial relief, many in the charitable sector remain concerned. The revised rules may still deter tax-motivated donors from making large or transformational gifts. Although some taxpayers may see a reduced AMT liability (or avoid AMT altogether), those hoping for a full reversal of the 2023 proposals remain disappointed.

2. Extended Qualified Donee Status for Foreign Charities

Under subsection 149.1(26) of the *Income Tax Act* (Canada), “foreign charities” can be recognized as qualified donees for a limited period of 24 months. To be eligible, these organizations must:

- Be non-resident in Canada,
- Have received a gift from His Majesty in right of Canada, and
- Be engaged in disaster relief, urgent humanitarian aid, or activities deemed to be in Canada’s national interest, as determined by the Minister.

Proposed legislative amendments released in August 2024 offered to extend this qualified donee status from 24 to 36 months. The 2025 Budget confirms the proposal.

This change gives foreign charities more time to operate under Canadian tax rules and issue official donation receipts. In addition, these foreign charities will be required to file an annual information return with the Canada Revenue Agency (CRA). This return must include the following:

- The total value of donation receipts issued to Canadian donors
- The total amount of gifts received from other qualified donees
- A breakdown of how those Canadian-sourced funds were used

While the reporting is expected to focus only on the use of Canadian funds – not the charity's entire budget – it may influence how foreign charities allocate Canadian donations. In particular, they may begin to direct these funds toward more narrowly defined projects to meet transparency expectations.

3. CRA Service Modernization: Electronic Notices for Charities

Introduced in Budget 2024, legislative proposals released in August 2024 reflected long-awaited amendments to the *Income Tax Act* (Canada) aimed at modernizing how the Canada Revenue Agency (CRA) communicates with registered charities and other qualified donees. These changes were designed to streamline administrative processes and expand the use of electronic communication. The 2025 Budget confirmed the proposed amendments.

Under the proposed amendments, the CRA will be authorized to issue certain official notices (e.g., those related to the revocation, annulment, or suspension of a charity's registration) electronically. These notices will likely be delivered to charities through their CRA My Business Accounts.

Charities that have not opted into electronic communication will continue to receive CRA communications via regular or registered mail as appropriate. Charities and non-profits that have not yet registered for a CRA My Business Account are encouraged to do so since, in our experience, processing times are considerably protracted when filings and other updates are submitted to CRA physically.

4. Streamlining Donation Receipt Requirements for Charities

Budget 2024 introduced several practical updates to the rules governing official donation receipts, aiming to simplify compliance and reflect the evolving practices of modern charities, which were later reflected in the legislative proposals released in August 2024. The 2025 Budget confirmed the proposed updates.

Simplified Receipt Content

With a view to reducing administrative burden, the following details will no longer be required on official donation receipts:

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- The place of issuance
- The name and address of the appraiser, if the donation involved an appraisal
- The donor's middle initial

These changes are intended to facilitate efficiency in the issuance of donation tax receipts.

Cancelled or Replaced Receipts

Under current regulations, charities must mark cancelled receipts as “cancelled” and retain two copies: one for the charity and one for the donor. The legislative proposals released in August 2024 are confirmed by the 2025 Budget. Specifically:

- Charities may use the term “void” instead of “cancelled”
- Only one copy of the voided receipt will need to be retained

This adjustment simplifies recordkeeping and can reduce instances of inadvertent non-compliance.

Electronic Receipts Formalized

Although already permitted in practice, legislative proposals released in August 2024 aim to formally authorize charities to issue electronic donation receipts, provided they:

- Include all required information
- Are issued in a secure, non-editable format
- Are backed by an electronic copy retained by the charity

This codification is confirmed in the 2025 Budget and will support digital transformation and aligns with how many charities already operate.

Amendment to Customs Tariff (Donated Goods Pilot)

As a means to directly benefit frontline charities and low-income people who rely on charities to meet their essential needs, Budget 2025 proposes to amend the *Customs Tariff* to allow for duty drawback for certain goods when they are donated to a Canadian registered charity, provided they are to be used in the charity's charitable programs and not re-sold in Canada.

This proposed change would permit companies to donate surplus goods to registered charities within Canada and receive a refund on any duties paid on imported goods. Currently, surplus goods may qualify for duty refunds only if the merchandise is either exported or destroyed.

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Although registered charities are not required to take any action under this measure, it could lead to an increase in donated goods – a development that is both encouraging and especially timely in light of current economic conditions.

We will continue to monitor the government's implementation of this amendment.

Funding Opportunities for NPOs and Registered Charities

The 2025 Budget proposes additional funding streams which may directly or indirectly impact non-profits and charities across Canada. These investments reflect the government's commitment to strengthening community-based initiatives, promoting equity, and expanding access to services across Canada. Organizations may find opportunities to grow and collaborate by taking advantage of the targeted programs outlined below.

Department for [Women and Gender Equality](#):

- **\$382.5 million over five years**, starting in 2026-2027, with \$76.5 million ongoing, to revitalize and stabilize efforts to advance women's equality in Canada
- **\$54.6 million over five years**, starting in 2026-2027, with \$10.9 million ongoing, to support the 2SLGBTQI+ community, including:
 - **\$7.5 million over five years** to support Pride security
- **\$223.4 million over five years**, starting in 2026-2027, with \$44.7 million ongoing, to strengthen federal action on gender-based violence

Seniors Programs:

- The [New Horizons for Seniors Programs](#) will support projects meeting the following criteria:
 - **Up to \$25,000** per local community project benefitting seniors
 - **Up to \$5 million** per national project that benefits seniors across the country

Cultural Experiences and Community Celebrations:

- **\$21 million over three years**, starting in 2026-2027, to Canadian Heritage for the [Building Communities through Arts and Heritage](#) Program to support local festivals, community anniversaries and community initiatives
- **\$46.5 million over three years**, starting in 2026-2027, to Canadian Heritage for the [Canada Arts Presentation Fund](#) to support professionally presented arts festivals or performing arts series
- **\$20 million over four years**, starting in 2026-2027, to Canadian Heritage for the [Celebration and Commemoration Program](#) to support Canada Day celebrations

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- **\$4 million over four years**, starting in 2026-2027, to Canadian Heritage for the [Celebration and Commemoration Program](#) to support National Acadian Day

Royal Canadian Geographical Society:

- **\$4 million over four years**, starting in 2026-2027, and \$1 million ongoing, to the [Royal Canadian Geographical Society](#)

Student Employment:

- **\$594.7 million over two years**, starting in 2026-2027, to [Employment and Social Development Canada](#) to support around 100,000 student summer jobs in summer 2026
- **\$635.2 million over three years**, starting in 2026-2027, to [Employment and Social Development Canada](#) to support around 55,000 work-integrated learning opportunities for post-secondary students in 2026-2027

National School Food Program:

- **\$216.6 million per year**, starting in 2029-2030, to [Employment and Social Development Canada](#), [Indigenous Services Canada](#), and [Crown-Indigenous Relations and Northern Affairs Canada](#), to make the National School Food Program permanent

This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.