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KEEP CANADA IN THE BLACK

Green Budget 2016 a Prescription for River of Debt

| Friends of Science Society | March 14, 2016

A Business Review of Green Budget 2016 Claims Regarding Oil and Gas Subsidies

Introduction

*This is a layman's summary of complex tax issues, made in the interests of clarity and brevity. The **Green Budget Coalition 2016**[1] is being pushed by a number of ENGOs and environmental charities, but it is full of misinformation about how the Canadian tax structure applies to oil and gas development and exploration.*

Canadians are being misled by these groups into believing if we just "stopped subsidizing fossil fuels…" there would be all kinds of money for other things. This is not the case. Though presented in a simplified form, the intent of this document is to make the points with sufficient fidelity to the bigger picture.

This review reveals that numerous registered charities are publicly lobbying the government for a change in policy in a manner that is outside approved activities for registered charities.

The Green Budget Coalition is made up of these organizations, most of which are tax-payer funded environmental charities, many have more than one registered lobbyist in Ottawa.

Bird Studies Canada
Canadian Environmental Law Association
Canadian Parks and Wilderness Society
David Suzuki Foundation
Ducks Unlimited Canada
Ecology Action Centre
Ecojustice Canada
Friends of the Earth Canada
Greenpeace Canada
International Institute for Sustainable Development
Nature Canada
The Nature Conservancy of Canada
Wildlife Habitat Canada
WWF-Canada

"The preferential tax treatment of a charity amounts to an **indirect government subsidy**, and the registered status of a charity is therefore tightly guarded."

http://www.lop.parl.gc.ca/content/lop/researchpublications/prb0590-e.htm

[1] *Green Budget Coalition 2016*

Summary

A group of registered Canadian charities and non-profits calling itself the Green Budget Coalition has provided budget recommendations to the federal government in the form of "Green Budget 2016."[2] The most significant category by far is under energy production taxation reform to reduce or eliminate "fossil fuel subsidies".

The main recommendations involve eliminating or substantially changing two common and legitimate income tax deduction categories: Canadian Exploration Expense and Canadian Development Expense. As well, the report claims that debt funding provided by Export Development Canada also constitutes a subsidy. These recommendations and claims are misleading and easily rebutted. However, Canadians should be asking why government subsidized charities and multi-million dollar-funded environmental non-governmental organizations (ENGO), many of which receive foreign-funding, are being allowed to blatantly misinform the public in ways that are destructive to the social license of our major industries, in a highly partisan manner – which would appear to breach the fundamental legislation of the Charities Act.

Background of Green Budget 2016

Who Makes up the Coalition?

The Green Budget Coalition is a collective of assorted ENGOs, including the World Wildlife Fund and Greenpeace.

In the words of the Green Budget Coalition, from their website, its mission is to: *"present an analysis of the most pressing issues regarding environmental sustainability in Canada and to make recommendations…regarding strategic fiscal and budgetary opportunities"*. Its vision and objectives are listed on the website

[2] http://greenbudget.ca/wp-content/uploads/2016/01/Full-Recommendations-Budget-2016.pdf

and can be paraphrased as essentially lobbying the Canadian government on several items they believe should be in the federal budget, including monitoring the inclusion and possible effects of those recommendations. This includes Canada adopting "appropriate policies relating to taxation, pricing and subsidies".

What is It?

Green Budget 2016 ("GB16") is a collection of 24 recommendations covering a wide range of various categories such as taxation, conservation and infrastructure. Each recommendation has a short report attached to it and, in several cases, makes an attempt to value the costs and occasionally benefits of the recommendations.

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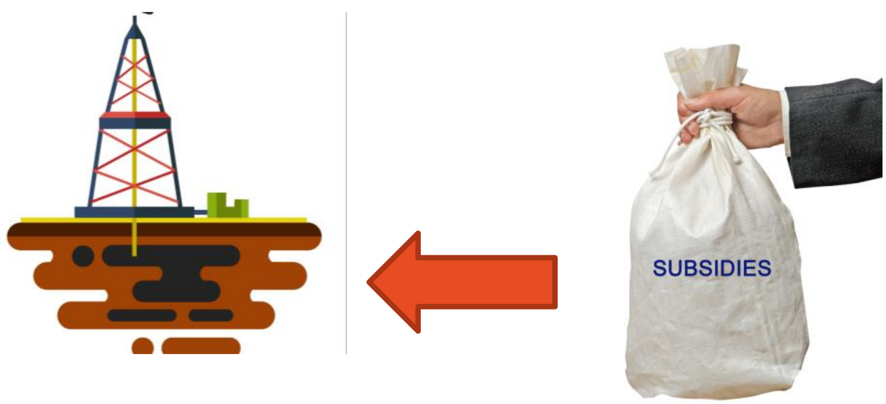
What Is the Largest Green Budget 2016 Recommendation?

Based on simply the headline dollar amount, by far the largest recommendation falls under the heading of "energy subsidy reform", which is where this brief will primarily focus. The GB16 recommendation states that this will cost only $1 million in 2016/17, while saving $4.694 billion per year. This claim is both nonsensical and downright misleading.

The Fallacy of "Fossil Fuel Subsidies"

It is an often repeated and very tired claim made by various eco-activist groups and agenda driven global bodies, debunked by several highly qualified economists, that legitimate expenditures made by energy companies should not be allowable as deductions in computing taxable income. These legitimate deductions are said to somehow "subsidize" the industry and the claim is that these deductions cost the government in foregone tax collection.

PERCEPTION



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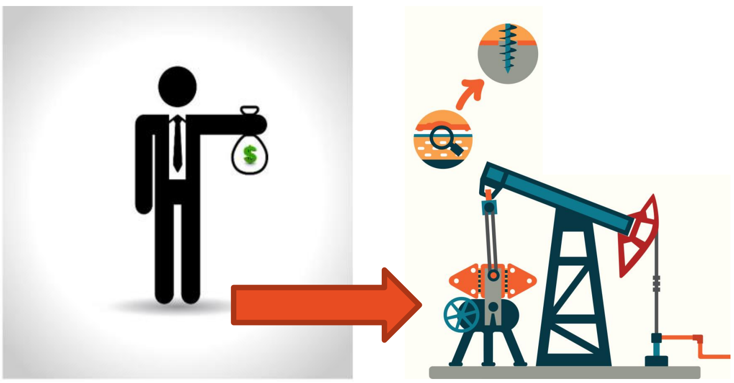
Quick Background on Resource Expenditures and Associated Deductions

First, let's clear up a common misconception: tax deductions are not deducted from tax, but rather from taxable income. Tax deductions are legitimately incurred costs applied to reduce taxable income, which is the right of every taxpayer, including every individual. Tax deductions from income are often confused (either deliberately or naively) with tax *credits*. We are not talking here about tax credits.

The Green Budget Coalition primarily targets the Canadian Exploration Expense (CEE) and Canadian Development Expense (CDE). From the Green Budget report: "Canada's primary remaining subsidy programs for the oil sector are the CDE and CEE".

Remember this is a simplified discussion of a complex topic, with well-established legislation, regulations, rules and procedures.

REALITY



INVESTORS CAPITALIZE OIL/GAS COMPANY Investors take initial risk. Investors are taxpayers, directly and indirectly. Companies are also taxpayers.	OIL/GAS COMPANY BEGINS EXPLORATION +DEV. Company employs geologists, landmen, admin+regulatory staff, lawyers, and office supply firms. Company sub-contracts small/medium-sized businesses like drilling firms, work camp housing/food suppliers, trucking firms, numerous suppliers. Cities are paid local taxes by all these corporations, small and medium businesses.	GOVERNMENT DOES NOT PROVIDE SUBSIDIES. Government does not receive income taxes from oil+gas company **if it has no profits.** Government **does receive taxes** from employees, subcontracted small-medium sized businesses and employees, and from the energy company in the form of payroll taxes, property taxes, royalties, sales taxes, etc.
	Oil+Gas company can write off 100% of these exploration expenses in this year whether the well has oil or is 'dry.' Development costs are 30% deductible annually.	

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Just as it sounds, **CEE is the cost of exploring for new, undiscovered resources**. It can include various categories of expenses, but a typical example would be the costs of drilling an exploration well. The amount of CEE is 100% deductible in the year it is incurred and, if not used, can be "carried forward" to use in future years. The cost is deductible whether the drilled well (or other incurred exploration expenditures) successfully discovers oil or is 'dry.'

Just as it sounds, **CDE is the cost of developing discovered resources**. These deductions can include various categories of expenses, but primarily it is the costs of drilling and equipping one or more development wells. The amount of CDE (development costs) incurred is 30% deductible annually on a declining balance basis and, if not used, can be "carried forward" to use in future years, though still limited by the 30% rate cap in any given year.

Why?

Exploration (regulatory, licensing, geology + seismic work) and subsequent drilling are high risk endeavors with no guarantee of financial return. Many hundreds of people are employed in each cycle of exploration and drilling and they all pay taxes.

Image licensed from Shutterstock

So How Are CDE and CEE Different from Deductions Available to Other Businesses?

Essentially, they are not different. Canada's tax act and a variety of regulations allow deductions at various percentage rates for diverse categories of business and personal expenditure. CEE and CDE are simply two examples.

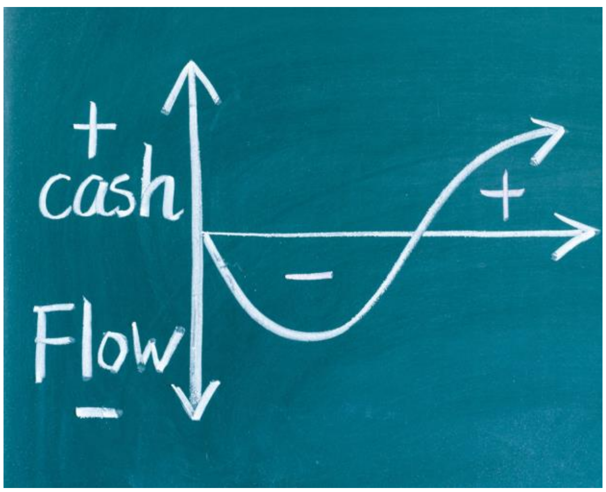
For example, as a comparison to CEE, operating costs of any business are 100% deductible. Consider the analogy of the cost of a small business throwing a "Grand Opening Event" or sending a salesperson on a cold call to prospective customers. These are high risk activities, undertaken with the intent of generating future business though with absolutely no guarantee of success (like exploration, you might say). These costs for the small business will be deductible 100%, as are the high risk costs (CEE) for the oil company.

How would the CDE compare to a similar situation in a conventional small business? Consider the purchase of personal computers for employees. Many capital investments made by small businesses fall into the "Class 10" category which gets the same 30% write off rate as CDE.

Oil and gas exploration is an extremely high risk industry with very high upfront input costs.

Timing is Everything

No profits – no payable taxes.
Once there is positive taxable income, the tap on tax payments opens and dollars flow to government from the company.



Corporations and individuals pay taxes on taxable income.	

Images licensed from Shutterstock

Aren't these Tax Deductions Just About Timing Anyway?

In short, yes. Assuming there is enough taxable income from the business over time, all the costs will be deducted. Even if a company has deductions this year, once profits flow, the government will collect all the tax it is owed, and each company will pay all the tax it owes. The deductions are not a 'gift' to the company nor are they a subsidy; they are a means of acknowledging the financial burden of the upfront costs of developing a risky business venture.

Once those allowable deductions have been applied, as the company grows and prospers, ultimately the government will end up collecting cash tax higher than in the past simply because taxpayers have previously deducted certain costs, which are now no longer available to them. Likewise, successful companies have employees who also are part of a taxable structure.

And for companies which struggle, and fail to achieve full success, due to the staggered nature of tax deduction structures, not all their costs will be deducted. This means they have undertaken risky economy-building activity, suffered losses, and they will not be able to deduct all of their costs.

What About the Net Effects of Economic Development?

As discussed at the outset, some people have been led to believe that taxpayers are underwriting the energy business.

We have outlined why that is not the case.

But would people consider the reverse – that the energy business is underwriting society? While opponents are quick to discuss perceived negatives of the oil and gas industry, they typically completely ignore the societal benefits of reliable energy.

Some of these are:

- Direct and indirect taxes, royalties and other payments which enable public spending on infrastructure and services
- Low cost energy to drive the economy for public benefit
- Affordable, reliable energy for homes, schools, hospitals

In other words, tax policy does not exist in a vacuum; tax structures are designed to enhance the societal benefits of the multiple, complex effects which result from resource development.

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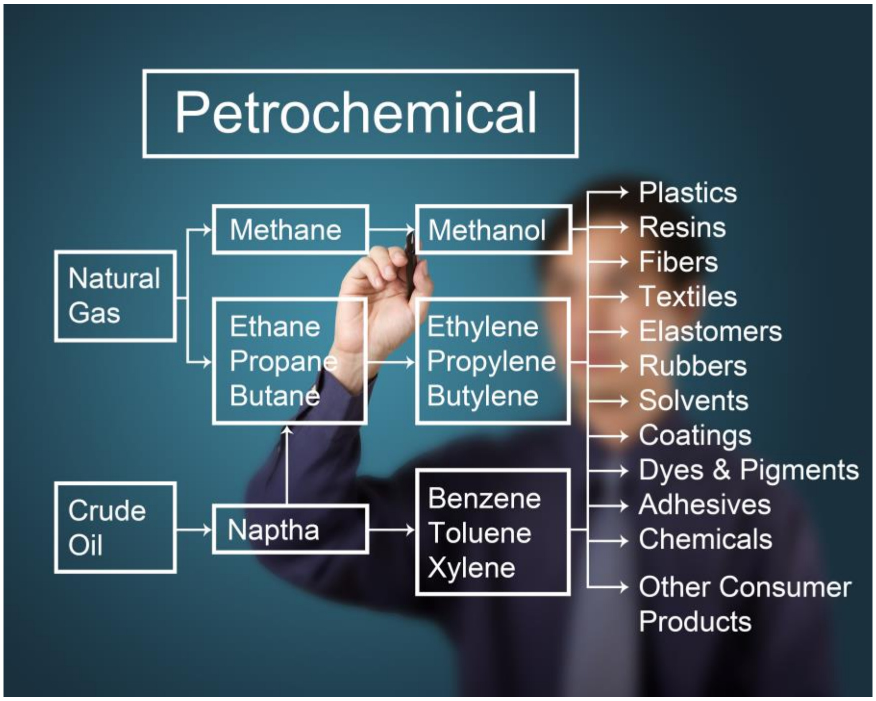
Along with the jobs created directly and indirectly from oil and gas exploration and development, there are literally millions of useful products and employment streams/industries created from the cascade of materials that oil and gas provide to the modern world.



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Without these products, many western standards which we daily take for granted – such as sterile, single use medical supplies, safe food, and dozens of industries and useful goods – could not exist.


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Textiles	
Carpets Fibers Fabrics Fabric coatings i.e. Goretex	Foam cushions Upholstery Drapes Lycra, spandex
Safe Food Supply	
Food packaging Preservatives Fertilizers, pesticides Refrigerants	Beverage bottles Appliances Beverage can coatings Vitamins
Transportation	
Tires Anti-freeze Molded plastics Gasoline additives	Car seats Belts and hoses Wiper fluid Bumpers
Housing	
Paints Resins Siding Fiberglass insulation	Cement Coatings, varnishes Flame retardant Adhesives
Recreation	
Athletic footgear Protective equipment Bicycle parts, tires Camera and film	Wet suits Tapes and CDs Golf equipment Camping gear
Communications	
Molded plastics Computer, phone casings Optical fiber coatings Liquid crystal displays	Pens, pencils Inks Dyes Paper products
Health & Hygiene	
Plastic eyeglasses Cosmetics Detergents Pharmaceuticals	Suntan lotion Medical/dental products Disinfectant Aspirin

http://www.nrel.gov/docs/fy04osti/35523.pdf
page 10

Dig Deeper: The Primary Source of GB16 Information is the "Empty Promises" Report

The Green Budget 2016 itself is but a summary document with essentially just "headlines"; it relies heavily on a short report dated November 2015 (coincidentally issued just before COP21 Paris climate talks) and its "country study background paper" titled: **Empty Promises: G20 subsidies to oil, gas and coal production: Canada.**[3]

Authors with Agendas

The "Empty Promises" Report is issued by Oil Change International (OCI) and the Overseas Development Institute (ODI), with the International Institute for Sustainable Development also shown in the header. Here is some selected information from the websites of each organization.

<u>ODI</u> (**www.odi.org**)

The ODI is based in London, UK. It describes itself as "UK's leading independent think tank on international and humanitarian issues." Its listed values include independence and high quality. It is a registered charity. Ironically, one of its donor organizations is Canadian, our very own Canadian International Development Agency, in the amount of 144,000 UK pounds. Another donor happens to be OCI (see below), though in a smaller amount.

[3] http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9988.pdf

OCI (www.priceofoil.org)

The OCI is based in Washington, DC and is also a registered charity, with funding coming from, among others, Oak Foundation and Tides Foundation. The OCI claims "unique industry experience", without stating which industry. A few selected statements from its website include:

- Exposing the true cost of fossil fuels
- Facilitating the coming transition towards clean energy
- They see the fossil fuel industry's interests behind every major barrier to a clean energy transition

In response to these statements:

If Oil Change International and the Overseas Development Institute are referring to the alleged Social Costs of Carbon when suggesting they 'expose' the true costs of fossil fuels, this accounting is done without incorporating the Social Benefits of fossil fuel use (normal accounting evaluations are based on a 'Cost-Benefit" scenario). A 2009 UK estimate suggested that each individual in the west has the equivalent of 97 servants thanks to the labor-saving reductions of fossil fuels.

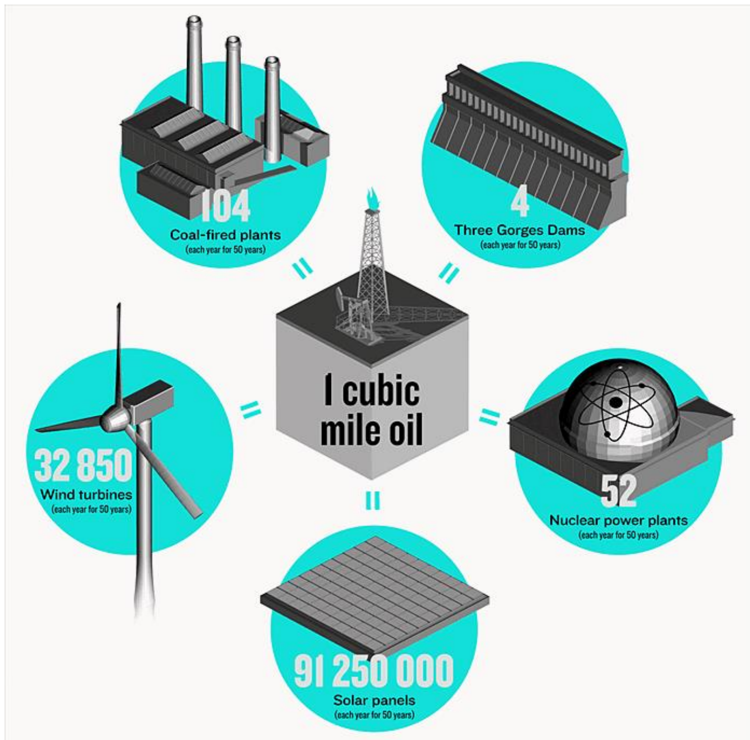
97 SERVANTS FOR ALL THANKS TO FOSSIL FUELS

The French economist and demographer Emile Lavasseur described how, if one steam horsepower was taken as equivalent to twenty-one men, in 1840 French industry had 1 million new workers as a result of steam power. By 1885-87 that number had risen to 98 million or 'deux esclaves et demi par habitant de la France' (2.5 'slaves' for each inhabitant of France.)

We can update Levasseur's calculation a little. In 1919 manufacturing in the United States used nearly 30 million horsepower. Working on the same ratio as he did, that is worth nearly 617 million workers. As the US population was just over 100 million in 1919 each American enjoyed the services of around six mechanical workers. Now, particularly if you add the power of engines in cars, trains and planes, and the energy we use at home, the total will be much higher. Britain's final energy consumption in 2009 was just over 150 million tonnes of oil equivalent. Convert that to horsepower running twenty-four hours a day, 365 days a year and it is equivalent to the labour of 97 men working tirelessly to serve each Briton. As as they are fed with coal, gas or oil the machines don't put pressure on agricultural land as more people or horses would. –

"Let them eat carbon" Matthew Sinclair

Regarding the predicted transition to clean energy, there is a long way to go. So far the low-carbon economy provides a tiny 0.01 cubic miles of oil (CMO) equivalent energy to the world, while oil per se provides 1 CMO, coal 0.8 CMO, natural gas 0.6 CMO, and 0.2 CMO each of nuclear, hydro and wood.)



[4]

"Clean" energy devices like wind turbines and solar panels are entirely reliant on fossil fuel energy for their existence. It is the power of fossil fuels that allows for the mining and manufacturing of 'clean' energy devices, which are then backed-up on the grid, typically with natural gas peaking plants to ensure there are no black-outs as wind and solar intermittently surge and drop off.

Another co-sponsor/contributor of the "Empty Promises" report is:

IISD (www.iisd.org)

IISD is based in Winnipeg and is a registered charitable organization. Its funding comes from a variety of interesting (and apparently conflicting) sources: it "receives core operating support from the Government of Canada, as provided through the International Development Research Centre (IDRC) and the Province

[4] Image source: http://energystandard.blogspot.com/2008/03/oil-in-pictures-cubic-mile-of-oil.html

of Manitoba". To add that, funding also comes "from numerous governments inside and outside Canada." They list government in Canada as providing about 21% of their funding in the fiscal year of 2015. Notable other funders include: Saudi Aramco for $446,000 and the above mentioned OCI for $110,000. Note they are not too proud to accept $10,000 from each of TransCanada and Enbridge.

One of the IISD's strategic goals is to "transform energy systems and policies to support universal access to clean, low carbon energy".

***

As noted above, that won't be anytime soon.

Selected Misleading Points from "Empty Promises"

- In reference to their claimed subsidies, "publicly financed bailout" (of the energy industry)
- "directing large volumes of finance into high carbon assets that cannot be exploited without catastrophic climate effects"
- "this diverts investment from economic low-carbon alternatives such as solar, wind and hydropower" – Solar and wind are neither economic or low carbon, particularly when considering the need for 100% reliable conventional backup, usually fossil fuels, while hydro comes with its own set of environmental and social challenges.

For these tax-payer funded groups that claim to strive for accuracy, quality and transparency, the authors blatantly mislead readers through faulty definitions and descriptions of industry. The "Empty Promises" report refers to "private companies" as any companies not owned by the state, and by inference suggest that this is a bad thing. In fact, and in common parlance, most of the companies referred to are **public** companies; they are broadly owned and publicly traded. That is, they are owned by citizen investors (the public), either directly or through various critical intermediary investors for the benefit of the public: pension funds investing for retirements, mutual funds for similar reasons, and insurance companies investing to support claims from their clients.

The report includes a table of refineries in Canada, with capacities which are **simply wrong**, stated to be in million barrels, when at least two of the stated figures are actually only thousand barrels per day, making the reported figures wrong by a factor of about 3x. So much for accuracy and transparency.

"Empty Promises" also includes a table of ten companies, showing their "profitability… as measured by free cash flow." The table has no apparent purpose except perhaps psychological, to give the impression of vast sums of money are held by 'Big Oil' without showing what kinds of costs, debt load or revenue streams are part of the true financial story.

"Export Development Canada provides Canadian exporters with financing, insurance and bonding services, as well as foreign market expertise."[5]

The Single Largest Falsely Claimed "Subsidy" in the Empty Report

The "Empty Promises" report considers debt financing (I.e. loans) provided by Export Development Canada ("EDC", a Federal crown corporation) to be a further subsidy of the fossil fuel industry. Of the total $4.7 bn of federal subsidies claimed by the GB16 report, fully 62%, or about $2.9 bn, is derived from the principal amounts of *loans* by EDC to the upstream sector internationally and domestically.

This claim is quite simply false in so many ways:

- Loan principal amounts are not subsidies. The principal amount of a commercial loan cannot be considered a subsidy in any real world. EDC

[5] https://www.edc.ca/EN/Pages/default.aspx

makes these loans and expects them to be repaid, with interest, just like every other lender.

- Commercial rates of interest are not subsidies. As we understand it, EDC typically lends money as part of a syndicate of other commercial lenders, meaning that the interest rate charged is a commercial rate, not some lower rate resulting from EDC's status as a crown corp. So, for many of these loans, the reverse is true: the borrowers are supporting an interest margin for EDC, helping it turn a profit. Even if there is some preferred rate for some borrowers, any subsidy would only be the difference between that rate and the rate they would otherwise achieve in the market. Further, it would need to be netted against the benefits of economic development. <u>Economic development is the mandate of EDC.</u>

In short, the claim of $2.9 bn of subsidies is plainly false and grossly misleading. A more detailed economic analysis would demonstrate it is likely a reverse situation: that EDC, in carrying out its mandate by lending to various enterprises, stimulates manufacturing and economic development in Canada and internationally, benefitting the Canadian and world economies.

According to EDC's website: (bold emphasis added)

> **"We are Canada's export credit agency.** Our job is to support and develop Canada's export trade by helping Canadian companies respond to international business opportunities. We are a **self-financing, Crown corporation that operates at arm's length from the Government."**
>
> "Since we were founded in 1944, we have facilitated more **than $1.3 trillion in exports and foreign investment by Canadian companies**. This is important because Canada's economy relies on trade; <u>one in three jobs depends on exports</u>. Given our small domestic market, Canadian businesses have to think globally to compete and grow."
>
> **"In 2014 we helped more than 7,400 Canadian companies do business in 187 countries.** The majority of these companies were small business, and more than 30 per cent of this business was conducted in fast-growing emerging markets. Using our financial

> products and services, our customers' export sales and investments totalled almost $99 billion. **We estimate that this helped generate $63.9 billion of Canada's GDP, contributed more than 4 cents for every dollar earned and helped sustain 525,400 jobs."**

The EDC website also states:

> "Unlike most export credit agencies that rely on governmental annual appropriations, **we are financially self-sufficient** and operate much like a commercial institution. We collect interest on our loans and premiums on our insurance products."

Rather than "Empty Promises" perhaps the report would be better titled the "Empty Report" as so few statements are factual.

A Cascade of Benefits to All Canadians

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> "So just how much money has flowed out of Alberta to Ottawa? A lot. Between 2000 and 2014, on a net basis, **Alberta's individual and corporate taxpayers shipped an estimated $200 billion-plus to the federal government**. That's what left the province, less what the feds reinvested here.
>
> To put that lofty figure in perspective, it's nearly 12 times the value of the $17.4 billion Alberta Heritage Savings Trust Fund. No other province — including Ontario, with three times Alberta's

> population — even comes close to matching this province's contribution to the federation." [6]

"How much money has flowed out of Alberta to Ottawa? A lot"
-Gary Lamphier, Edmonton Journal

Are Subsidized Charities in Breach of the Income Tax Act for the Green Coalition Budget 2016?

According to the Canada Revenue Agency website's Reference CPS-022 "Political Activities" [7] which came into force Sept. 2, 2003, the following policy guidelines are set down for Canadian charities.

> "Under the Act and common law, an organization established for a political purpose cannot be a charity. The courts have determined political purposes to be those that seek to:
>
> • further the interests of a particular political party; or support a political party or candidate for public office; or
> • retain, oppose, or change the law, policy, or decision of any level of government in Canada or a foreign country."

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> "When a registered charity seeks to foster public awareness about its work or an issue related to that work, it is presumed to be taking part in a charitable activity as long as the activity is connected and subordinate to the charity's purpose. In addition, the activity should be based on a position that is well-reasoned, rather than information the charity knows or ought to know is false, inaccurate, or misleading."

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> "Releasing the text of a representation before or after delivering it to the elected representative or public official will be considered a charitable activity provided the **entire text** is released and there is no

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[6] http://edmontonjournal.com/opinion/columnists/gary-lamphier-how-much-money-has-flowed-out-of-alberta-to-ottawa-a-lot

[7] http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-022-eng.html#N1022F

explicit call to political action either in the text or in reference to the text (that is, others should not be told to contact an elected representative or public official and urge them to retain, oppose, or change the law, policy, or decision of any level of government in Canada or a foreign country)."

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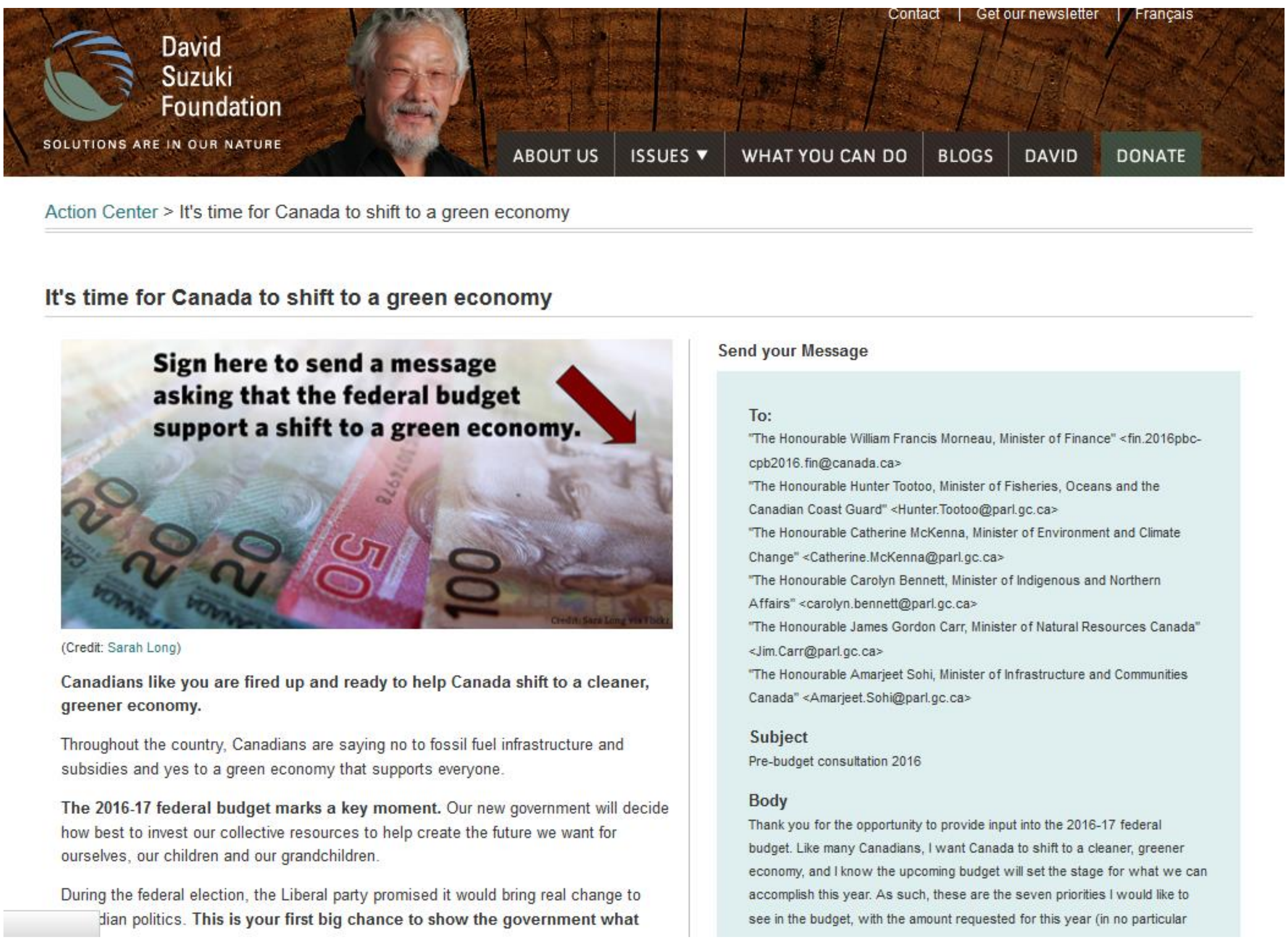
"Whatever level of government the charity is urging its supporters and members of the public to contact, on whatever issue, such a communication is a call to political action and therefore a political activity." (A prohibited activity according to the CRA Policy statement)



Screen shot of David Suzuki Foundation advising people to write to specific politicians and to change Canadian energy policies. [*http://action2.davidsuzuki.org/budget-2016*](http://action2.davidsuzuki.org/budget-2016)
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In Summary

It is clear that the Green Budget Coalition 2016 group of registered charities and non-profits are presenting false and misleading information to the public about Canada's energy sector and that they are engaging in what appear to be prohibited political activities.

The irony cannot be missed that these groups which are **subsidized by Canadian taxpayers** are falsely complaining about mythical subsidies to large, value-added industry-creating businesses and corporations which are, unfortunately forced into underwriting the subversive activities of these activist 'charities.'

If the definition of a charity is to benefit the public good, it is difficult to see how the public will benefit by being unemployed. How will Canadian industry benefit from having their reputations blackened and their social license and good will destroyed by the misinformation from these multi-million dollar groups that survive off the taxpayer?

A brief review of 'green' policies adopted in other jurisdictions will show that power prices have risen at least 3 times the norm, industries have been driven offshore, 'green jobs' created were subsidized to the tune of 35,000 euro per year or $53,700 Cdn., and no reduction in emissions, no benefit to the environment was realized in anyway. In many places, middle class people have been pushed into heat-or-eat poverty and joblessness and premature winter deaths and medical demands increased.

It appears that some or all of these charities are in fact proxies for commercial interests in wind and solar industries – consequently these prohibited activities may constitute a breach of the Competition Act of Canada. Their claims and activities certainly appear to violate the Income Tax Act concerning charitable activities – and even if not – they do not benefit the public in anyway.

We strongly recommend that corporate executives, workers and concerned citizens make their views known on these findings to the appropriate authorities and political leaders.

From the perspective of Friends of Science Society on the matter of climate change and risks, it appears that the climate sensitivity of carbon dioxide (the power it has to affect climate) has been significantly overstated. Climate is mostly affected by natural influences. In our experience, the 'climate catastrophe' scare is used to foist wind and solar on unsuspecting taxpayers and policymakers, with wind and solar being presented as 'clean, green and free' – when the opposite is true. We have substantial resources posted on our website related to climate science, policy and economics. Please feel free to ask for specific information.

Going ‘green’ has put major economies of the world in the ‘red.’ [8]

Keep Canada in the black.

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If you would like to read materials written by qualified, recognized economists on the topic of oil/gas industry deferrals and tax structures, here are a couple of references:

- Youri Chassin of the Montreal Economic Institute (May 2014): “In Canada… the opposite of a subsidy’s effect” - http://www.iedm.org/48731-is-the-canadian-oil-industry-subsidized
- Jack Mintz and Kenneth McKenzie of the School of Public Policy at the University of Calgary (volume 4, issue 14, September 2011): “the typical approach to measuring fossil fuel subsidies… is fundamentally flawed and misleading in several ways” - http://www.policyschool.ucalgary.ca/?q=content/myths-and-facts-fossil-fuel-subsidies-critique-existing-studies-0

[8] http://www.finadvice.ch/files/germany_lessonslearned_final_071014.pdf

References to relevant sections of the Income Tax Act from the CRA website

http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-022-eng.html

Appendix II — Income Tax Act and case law references

Subsection 149.1(1) of the *Income Tax Act*

"charitable purposes" includes the disbursement of funds to a qualified donee, other than a gift the making of which is a political activity;

"political activity" includes the making of a gift to a qualified donee if it can reasonably be considered that a purpose of the gift is to support the political activities of the qualified donee;

Subsection 149.1(6) of the *Income Tax Act*

A charitable organization shall be considered to be devoting its resources to charitable activities carried on by it to the extent that

(a) it carries on a related business;

(b) it disburses income to qualified donees, other than income disbursed by way of a gift the making of which is a political activity, if the total amount of the charitable organization's income that is disbursed to qualified donees in a taxation year does not exceed 50% of its income for the year; or

(c) it disburses income to a registered charity that the Minister has designated in writing as a charity associated with it, other than income disbursed by way of a gift the making of which is a political activity.

Subsection 149.1(6.1) of the *Income Tax Act*

For the purposes of the definition **charitable foundation** in subsection (1), where a corporation or trust devotes **substantially all** of its resources to charitable purposes and

(a) it devotes part of its resources to political activities;
(b) those political activities are ancillary and incidental to its charitable purposes; and
(c) those political activities do not include the direct or indirect support of, or opposition to, any political party or candidate for public office,

the corporation or trust shall be considered to be constituted and operated for charitable purposes to the extent of that part of its resources so devoted.

Subsection 149.1(6.2) of the *Income Tax Act*

For the purposes of the definition **charitable organization** in subsection (1), where an organization devotes **substantially all** of its resources to charitable activities carried on by it and

(a) it devotes part of its resources to political activities;
(b) those political activities are ancillary and incidental to its charitable activities; and
(c) those political activities do not include the direct or indirect support of, or opposition to, any political party or candidate for public office,

the organization shall be considered to be devoting that part of its resources to charitable activities carried on by it.

….

***McGovern v. Attorney General*, [1981] 3 All ER 493**

In *McGovern v. Attorney General*, (1980), [1981] 3 All ER 493 at 508-509 paras. j-a (C.A.), Slade J. categorized political purposes as follows:

Trusts for political purposes ("...") include ("...") trusts of which a direct and principal purpose is either

1. to further the interests of a particular political party; or
2. to procure changes in the laws of this country; or
3. to procure changes in the laws of a foreign country; or
4. to procure a reversal of government policy or of particular decisions of governmental authorities in this country; or
5. to procure a reversal of government policy or of particular decisions of governmental authorities in a foreign country.

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About

Friends of Science Society has spent a decade reviewing a broad spectrum of literature on climate change and have concluded the sun is the main driver of climate change, not carbon dioxide (CO_2). Friends of Science is made up of a growing group of earth, atmospheric and solar scientists, engineers, and citizens.

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