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Disbursement quota calculation

The disbursement quota is the minimum amount a registered charity is required to spend each year on its own charitable activities, or on gifts to qualified donees (for example, other registered charities). The disbursement quota calculation is based on the value of a charity's property **not** used for charitable activities or administration.

The disbursement quota is calculated as follows:

Charitable organizations

If the average value of a registered charity's property **not** used directly in charitable activities or administration during the 24 months before the beginning of the fiscal year exceeds \$100,000, the charity's disbursement quota is:

- 3.5% of the average value of that property.

Public and private foundations

If the average value of a registered charity's property **not** used directly in charitable activities or administration during the 24 months before the beginning of the fiscal year exceeds \$25,000, the charity's disbursement quota is:

- 3.5% of the average value of that property.

A registered charity can use **line 5900** in Schedule 6 of the T3010 return it completes for the fiscal year to calculate its disbursement quota for that period.

If a registered charity wants to calculate its disbursement quota at the **start** of the fiscal year, it can use the amount from **line 5910** in Schedule 6 (if completed) of the return it will complete for the fiscal year that just ended.

Do **not** use Line 4250 in Schedule 6 to calculate the disbursement quota.

Note

If the charity has permission to accumulate property, it must subtract the amount accumulated plus any income earned on this amount from the amount at line 5900, before multiplying by 3.5%.

To determine the amount that should be subtracted from line 5900, the charity can use the amounts entered at line 5500 minus any amounts entered at line 5510 for all the returns to date covered by the permission to accumulate property.

What is "property not used directly in charitable activities or administration"?

For the purposes of calculating the disbursement quota, property includes any real estate, investments, or other assets that were **not** used directly in charitable activities or administration. This may include, for example, cash in bank accounts, inventory, stocks, bonds, mutual funds, GICs, land, and buildings.

Note

If you own a building that you use to carry out your charitable programs, for example a church building where regular services are held, you would not include this in the disbursement quota calculation. But if a portion of the building is being used for non-charitable activities, then that portion should be pro-rated and included in the calculation.

How is the average value of property calculated?

The average value of property is based on a specified number of periods (decided by the charity) over a 24-month span. The 24-month span can be divided into two to eight equal, consecutive periods. The number of periods is usually chosen when the charity files its first information return. Once chosen, the charity must get our written permission to change it.

For example, if a charity calculates the value of its property only once a year, it will use two 12-month periods to calculate an average value. If it values its property every six months, then it will use four six-month periods to calculate an average value.

To establish the average value, first determine the value of the charity's property that is **not** used directly in charitable activities or administration at the end of each period within the 24-months. Then add all of the values together and divide the total by the number of periods. The result is the charity's average value of property for the purpose of calculating the disbursement quota.

Example 1

ABC is a charitable organization that has two assets: a building **not** used directly in charitable activities or administration, and shares in a publicly traded company. The value of the building is the fair market value of the

property. The value of the shares is set by the closing price on the stock exchange for the day on which the valuation period ended.

ABC calculates the value of its property **not** used directly in charitable activities or administration twice a year (every six months). Therefore, it uses four periods to establish the value of its assets. For the fiscal year ending December 31, 2010, it calculates the average value as follows:

Value of property not used directly in charitable activities or administration

Valuation date	Value of building	Value of shares	Combined value
June 30, 2008	\$500,000	\$90,000	\$590,000
Dec. 31, 2008	\$500,000	\$100,000	\$600,000
June 30, 2009	\$510,000	\$110,000	\$620,000
Dec. 31, 2009	\$510,000	\$120,000	\$630,000

The average value of property for the 24 months before the **beginning** of the fiscal year is \$610,000 ($\$590,000 + \$600,000 + \$620,000 + \$630,000 = \$2,440,000$, divided by four valuation periods). The charity reports \$610,000 at **line 5900** on the return.

ABC's disbursement quota is \$21,350 (3.5% of \$610,000) for the fiscal year ending December 31, 2010.

Example 2

XYZ is a private foundation. It was incorporated in 2009 and received a gift of securities. It was registered effective January 1, 2010. XYZ calculates the value of its property **not** used directly in charitable activities or

administration at the end of each fiscal year (every 12 months). For the return for the fiscal year ending December 31, 2010, it calculates the average value as follows:

Value of property not used directly in charitable activities or administration

Valuation date	Value of shares
December 31, 2008	\$0
December 31, 2009	\$100,000

The average value of property for the 24 months before the **beginning** of the fiscal year is \$50,000 ($\$0 + \$100,000 = \$100,000$ divided by two valuation periods.) The charity reports \$50,000 at **line 5900** on the return.

XYZ's disbursement quota is \$1,750 (3.5% of \$50,000) for the fiscal year ending December 31, 2010.

Note

A registered charity must continue to devote its resources (funds, personnel, and property) to its charitable purposes and activities even though the amount for its disbursement quota may be calculated as nil.

Related topics

- [Disbursement quota shortfalls and excesses](#)
- [Obligations of registration](#)

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