Major changes enable registered charitable organizations to invest in limited partnership units

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The federal budget presented on April 21, 2015 (the "Budget") contains important measures enabling registered charitable organizations and private and public foundations (hereinafter collectively referred to as "Registered Organizations") to invest their funds in units of a limited partnership.

Prior to announcing these measures, the *Income Tax Act* (Canada) ("**ITA**") prohibited such investments by Registered Organizations because, by investing in a limited partnership, they were considered to be operating the limited partnership's business. The consequence of making such a prohibited investment was that the Registered Organization's registration could be revoked and, thus, that they could lose their income tax exemption and their ability to issue receipts for donations.

According to the measures announced in the Budget, the ITA will be amended to provide that Registered Organizations are not considered to be operating the business of a limited partnership because they have invested in the units of such an entity. These changes will apply to any investment made by a Registered Organization in a limited partnership on or after April 21, 2015.

It is important to note that the proposed changes only apply when a Registered Organization becomes a member of a limited partnership if the following conditions are met:

1. The enabling legislation governing the limited partnership provides that the liability of members of the partnership is limited;
2. The member deals at arm's length with the general partner; and
3. The total fair market value of the interests held by the member and by any persons or partnerships with whom it is not dealing at arm's length, does not exceed 20% of the fair market value of all the interests held by all of the members of the partnership.

These changes will give Registered Organizations greater flexibility in the range of investments they

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