



# Understanding the Disbursement Quota

## What is the Disbursement Quota?

- The DQ is the minimum spending requirement for registered charities in Canada, as determined by the Canada Revenue Agency.
- It ensures that charitable funds are actively used for their intended purpose rather than being accumulated indefinitely.

## Who Does It Apply To?

- DQ applies to all charities, but it's particularly relevant for foundations and healthcare charities with investment assets.

## When did the DQ change?

- The latest change to the DQ occurred in the Federal Budget 2021 proposal and was implemented through the Economic Statement Implementation Act, 2022 (Bill C-32).
- **Effective from January 1, 2023, the DQ rate increased from 3.5% to 5%.**
- 2024 is the first year the increased DQ will affect CFNS Fundholders.

## How do charities meet the requirement?

- Charities can use funds spent on charitable activities and qualifying disbursements to meet the DQ.
- To meet the requirement CFNS must disburse 5% from all Endowed Funds each year.

The Disbursement Quota ensures that charities actively deploy their resources for good, benefiting the causes they support. The recent increase aims to enhance charitable impact and accountability.

For more information on the Disbursement Quota please visit:

<https://www.canadiancharitylaw.ca/blog/update-on-the-disbursement-quota-and-the-federal-budget-2022/>.