



# Blumbergs' Receipting Kit 2018

By Mark Blumberg (May 2018)

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# What is new in the 2018 Receipting Kit

Not much. Little has changed when it comes to receipting by Canadian registered charities. Here are some of the changes:

- We have updated all the links in the Receipting Kit as CRA has changed their website to Canada.ca
- The change in website necessitated changes to the model receipts as they need to reflect the new CRA address. CRA advises that they expect all registered charities to use the new CRA web address by March 31, 2019.
- CRA has provided some helpful additional resources and infographics that we have included.
- CRA has been quite successful in its crackdown on “abusive charity gifting tax schemes” and we have updated the statistics on those schemes. Also CRA has now given out almost \$200 million in penalties for egregious receipting practices.

## Basic Explanation of Receipting for Canadian Registered Charities

It is important that Canadian charities issue official donation receipts according to the rules set out in the *Income Tax Act* (Canada) and according to the guidance of the Charities Directorate of the Canada Revenue Agency (CRA). Unfortunately, according to the CRA, approximately 89% of audited charities are issuing at least some inappropriate receipts.<sup>1</sup>

This Receipting Kit is intended to assist volunteers and staff of Canadian registered charities who are assigned the task of issuing official donation receipts (“receipts”). It may also be of assistance to certain select organizations called “qualified donees” that are also authorized to issue official donation receipts. This Receipting Kit is essentially divided into two parts – the first part is an explanation, at a basic level, of how receipts should be prepared and when it is appropriate to issue them. The second part is a compilation of some of the most important guidance documents and audit checklists on receipting.

This Receipting Kit provides information with respect to receipting in general, but it is not legal advice tailored to the factual situation of your charity. You should consider obtaining legal advice from a professional advisor who is knowledgeable about the rules surrounding receipting. You can obtain electronic copies of this receipting kit at [www.canadiancharitylaw.ca](http://www.canadiancharitylaw.ca).

## No Obligation to Issue Receipts

Just a reminder that charities are not obligated to issue tax receipts. It is important for public confidence in charities that charities are upfront in explaining their policies to donors with respect to donations and the issuance of tax receipts. Therefore, if your charity will not issue official donation receipts for small

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<sup>1</sup> CRA report *Small and Rural Charities: Making a Difference for Canadians 2008*, page 34, <http://www.cra-arc.gc.ca/E/pub/tg/rc4457/rc4457-e.pdf>.

donations or for gifts in kind (non-cash gifts), you should be transparent about that policy. If your charity will not issue a receipt for a gift in kind unless it is marketable securities (public shares) or it has a value over \$5,000, then you should let people know. Limiting gift in kind receipts can drastically reduce the complexity of your receipting and the compliance risk that your charity faces on audit.

Furthermore, if you are hosting a fundraising event where you will be providing an advantage to the guests (such as a meal), you may wish to include a statement in any advertising for the event that warns donors that they will not be getting a receipt for the full amount of the donation that they are giving to the charity. Rather, they will only be receipted for the “eligible amount of the gift”, which involves subtracting the advantage received by the donor from the amount paid by the donor. Good communication with the public and donors is important. Just as important, charities should be deliberate when deciding what they will and will not receipt for. Even though your charity may be legally entitled to issue a receipt for a used toaster oven does not mean that it is in the best interests of your charity and its mission to (accept such a donation and) issue such a receipt. Unless you carefully consider when to issue receipts you will be creating a large of amount of work for the charity, creating friction with donors and increasing compliance risks for the charity.

## **Why Receipt?**

When an individual or corporate donor receives an official donation receipt, that individual or corporation can use the receipt to reduce income taxes. The value of the receipt will depend upon many factors such as the province of residence of the donor and the type of donation made (i.e. cash or certain types of gifts in kind). Typically, a receipt can be worth 40 to 50 cents on the dollar. However, in the case of appreciated marketable securities it can be worth up to 70 cents on the dollar. Donors can use receipts to save taxes in the current taxation year or they can carry them forward for 5 years. Canada has the most generous tax incentive system for donations to charities of any country in the world and charities must be careful to respect the rules relating to receipting.

## **Whether Receipted or Not, It Does Not Affect How Funds May be Spent**

Whether receipted or not, once funds are received by a Canadian registered charity, the funds can only be spent in accordance with the charity’s objects, any donor restrictions, the *Income Tax Act* (Canada), CRA’s guidance, provincial trust law and other applicable law. There is a mistaken belief by some that if funds are received without issuing a receipt, these funds can be spent outside the normal rules that apply to registered charities.

## **If in Doubt, Don’t Receipt**

Be very careful about receipts issued by your registered charity. If you are unsure, review this receipting kit and its attachments, call or write to CRA and/or contact a knowledgeable charity lawyer. Keep the following mantra in mind: “if in doubt, don’t receipt.”

# Preliminary Matters

- Is your organization a registered charity under the *Income Tax Act* (Canada)? To ensure that it is currently listed, check the CRA website at <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities-listings.html>. If your organization is not a registered charity, is it another category of [qualified donee listed on the CRA website](#)? If not, then this receipting kit is not relevant to your organization and your organization should not be issuing official donation receipts.
- Are you authorized by the charity to sign official donation receipts? If not, you should get the board of directors to pass a resolution appointing you as a person authorized to sign official donation receipts. Otherwise, you should not be signing the receipts.
- Where is the receipt book or electronic file/system from which receipts are issued?
- What is the last sequential number of the receipts issued?
- Do you know where your charity keeps copies of receipts issued in the past?
- Does your charity have a gift acceptance policy that may, among other things, restrict the issuance of receipts (for example, no receipts for gifts under \$20 or no receipts for gifts-in-kind unless they are worth over \$5000.00), and are you aware of the content of such policy?

## Steps to Issuing Appropriate Receipts

### **1. Prepare a template receipt that contains all mandatory information**

For an easy way to create template receipts, jump to step 2 to see CRA's sample receipts.

The *Income Tax Act* (Canada) requires that there be mandatory information on an official donation receipt when a donation of cash is made to a charity. If you are missing any of the mandatory information, then your official donation receipts are not complying with the rules. Charities should ensure that the template receipt they are using contains all of the necessary information. There are additional requirements for gift-in-kind donations. CRA has provided sample receipts that will help charities understand how the receipt can be formatted, depending on whether it is a cash/non-cash gift and whether there is an advantage.<sup>2</sup>

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<sup>2</sup> <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/sample-official-donation-receipts.html>.

All official donation receipts for income tax purposes must contain the following elements:<sup>3</sup>

- A statement that it is an official receipt for income tax purposes;
- Name and address of the charity as on file with the Canada Revenue Agency;
- Charity's registration number;
- Serial number of the receipt;
- Place or locality where the receipt was issued;
- Day or year donation was received;
- Day on which the receipt was issued if it differs from the day of donation;
- Full name, including middle initial, and address of the donor;
- Amount of the gift;
- Value and description of any advantage received by the donor;
- Eligible amount of the gift;
- Signature of an individual authorized by the charity to acknowledge donations; and
- Name and website address of the Canada Revenue Agency ([canada.ca/charities-giving](https://canada.ca/charities-giving)).

For non-cash gifts (gifts-in-kind), official donation receipts should contain the following, in addition to the above-mentioned elements:

- Day on which the donation was received (if not already indicated);
- Brief description of the property transferred to the charity;
- Name and address of the appraiser (if property was appraised); and
- Deemed fair market value of the property in place of the gift above.

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<sup>3</sup> <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/checklists-charities/issuing-complete-accurate-donation-receipts.html>.

<b>ELEMENTS ON RECEIPT</b>	<b>What They Mean</b>
Official Donation Receipt For Income Tax Purposes	Statement that the receipt is official for tax purposes.
Receipt # 0001	Sample serial number of receipt. CRA expects receipts to be issued in a reasonably serial manner. One can have a set of numbers for physical receipts and another for electronic or other receipts, but all numbers in the series need to be accounted for.
Charity name	Name of charity as recorded with the CRA.
Canadian charity address	Canadian address of charity as recorded with the CRA.
Charity BN/ Registration#	The registration number as assigned by the CRA. You can find this number on the <a href="#">CRA Charities Listing</a> .
Date donation received	If the donation is a cash donation, use either the day on which or the year during which the donation was received. If the donation is a non-cash gift, use the day on which the donation was received.
Total amount received by charity	The fair market value of property received from the donor.
Fair market value	Generally means the highest price, expressed in dollars, that a property would bring in an open and unrestricted market, between a willing buyer and a willing seller who are knowledgeable, informed, and prudent, and who are acting independently of each other.
Value of advantage	Total amount of all benefits provided to donor or any other person for the gift (i.e. value of books, meals, etc. received by the donor).
Eligible amount of gift for tax purposes	This refers to the amount that the donor can claim for tax purposes for the donation.
Description of property	A brief description of property received by the charity.
Appraised by	Name of appraiser if property was appraised. It is recommended that property be appraised if the value is over \$1,000. However, there is no legal requirement to have property appraised. If the property

	has been appraised, the name and address of the appraiser must be provided. If the property has not been appraised, the charity must be able to substantiate the value of the property.
Address of appraiser	Address of appraiser if property appraised.
Donated by	Name of the donor, including, in the case of an individual, the donor's first name and middle initial.
Address	Address of the donor.
Date receipt issued	The date on which the receipt was issued when the receipt is issued on a date subsequent to the actual donation.
Location receipt issued	Place or location receipt was issued.
Authorized signature	The signature of an individual who has been authorized by the charity to acknowledge donations.
Canada Revenue Agency <a href="http://canada.ca/charities-giving">canada.ca/charities-giving</a>	A means to access the listing of all registered charities under the <i>Income Tax Act</i> (Canada).

## 2. CRA sample receipts

The CRA has 4 sample receipts on their website, depending on whether the gift involves a cash or non-cash gift and whether there is an advantage or not. For most charities, the easiest way to create a template receipt is to cut and paste the CRA sample receipt. It is hard to go wrong with the mandatory elements if you are just copying what the CRA has suggested.

The most basic receipt is a cash gift without advantage:

### Official Donation Receipt For Income Tax Purposes

Receipt # 0001

**Charity name      Canadian charity address      Charity BN/Registration #**

Date donation received: \_\_\_\_\_ Donated by: \_\_\_\_\_  
(First name, initial, last name)

Address: \_\_\_\_\_

**Eligible amount of gift      Date receipt issued: \_\_\_\_\_**

**for tax purposes: \_\_\_\_\_**

Location issued: \_\_\_\_\_

Authorized signature: \_\_\_\_\_

**For information on all registered charities in Canada  
under the *Income Tax Act* please visit:  
Canada Revenue Agency – [canada.ca/charities-giving](http://canada.ca/charities-giving)**

Probably the most complicated receipt is a non-cash gift (gift-in-kind) with an advantage:

<b>Official Donation Receipt For Income Tax Purposes</b>		<b>Receipt # 0001</b>
<b>Charity name</b>	<b>Canadian charity address</b>	<b>Charity BN/Registration #</b>
Date donation received: _____		Donated by: _____ (First name, initial, last name)
Total amount received by charity = <b>A</b> (fair market value of property)		Date receipt issued: _____
Value of advantage = <b>B</b> (cash/fair market value of property or services)		Location issued: _____
<b>Eligible amount of gift for tax purposes:</b> = <b>C</b> (line A minus line B)		Authorized signature: _____
Description of property received by charity: _____		
Appraised by: _____		
Address of appraiser: _____		
<b>For information on all registered charities in Canada under the <i>Income Tax Act</i> please visit: Canada Revenue Agency <a href="http://canada.ca/charities-giving">canada.ca/charities-giving</a></b>		

If you want to see all four sample receipts, visit the [CRA website](#).

Some registered charities send a letter to donors and include the receipt at the bottom of the letter. This is acceptable, but make sure that there is a division between the letter and the receipt and that all the mandatory elements are included in the receipts. Here is an example of what some charities include in the letter above the receipt:

[LETTERHEAD- ADDRESS and CONTACT INFORMATION OF CHARITY]

Dear Mrs. [DONOR],

Thank you for your recent gift of \$[AMOUNT] to the [NAME OF CHARITY]. I hope you take pride in the fact that your generous support makes a significant difference to the >>>.

We appreciate your commitment to >>>>>>> and to the important work carried out at by >>>>>. I have enclosed your official donation receipt for your records.

For purposes of donor listings your name will appear as: [FULL NAME OF DONOR]

Please contact us at [E-mail] or [TELEPHONE NUMBER] if you have any questions or concerns.

Sincerely,

Mary Smith

President

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Official Donation Receipt For Income Tax Purposes

**Receipt # 0001**

**Charity name      Canadian charity address      Charity BN/Registration #**

Date donation received: \_\_\_\_\_ Donated by: \_\_\_\_\_  
(First name, initial, last name)

Address: \_\_\_\_\_

**Eligible amount of gift**

Date receipt issued: \_\_\_\_\_

**for tax purposes: \_\_\_\_\_**

Location issued: \_\_\_\_\_

Authorized signature: \_\_\_\_\_

**For information on all registered charities in Canada  
under the *Income Tax Act* please visit:  
Canada Revenue Agency – [canada.ca/charities-giving](http://canada.ca/charities-giving)**

### **3. Is it a “gift”? Not everything that is valuable and given to a registered charity is receiptable.**

There are a large number of valuable payments or transfers from a person to a charity that do not qualify as being a “gift” under the *Income Tax Act* (Canada), and in those circumstances a charity cannot issue an official donation receipt.

Charities can only provide an official donation receipt for something that is considered a “gift.” In order for a donation to be considered a “gift” to a charity, and therefore be receiptable, it must involve a voluntary and complete transfer of property from an entity to a registered charity with the intention of making a gift.

There are four elements for a “gift” namely, it must be:

- **Voluntary**

If a donation is made as a result of a contractual or other obligation (for example, a court order), it is not eligible for a receipt.

- **A complete transfer**

It is not enough to pledge that you will one day give something to the charity, or to provide the object but not do everything required to change the ownership. For example, it is not sufficient to provide a house and key to a charity – someone needs to actually arrange that the house is completely transferred over to the charity at the land titles or registry office.

- **Property**

Property includes cash, cheques, credit card, money order, wire transfer, and certain tangible items – such as computers, furniture, cars, land – but it does not include services as discussed in step 8 below.

- **Intention to make a gift**

Under the *Income Tax Act* (Canada), if a donor receives an advantage that is greater than 80% of the donation, then generally it is assumed that there is no donative intent and the person should not receive a receipt.

If any one of the above four elements is not present, a receipt should not be issued. If a person makes a donation because he is forced to – he is legally obligated, for example, by court decision – then it is not a gift. If a donor gives, for example, a car and the car keys to a charity but does not sign over the ownership papers then there has not been a complete transfer. If a person volunteers for the charity or provides services to the charity, such time or effort may be valuable, but it is not “property” transferred and is not receiptable.

#### **4. Common transfers to registered charities that are not receiptable**

As CRA notes, the following payments to registered charities do not qualify as gifts:

- The payment of a basic fee for admission to an event or to a program (e.g. fees for day-care or nursery school facilities).
- The payment of membership fees that convey the right to attend events, receive literature, receive services, or be eligible for entitlements of any kind (e.g. free access to facilities that the general public must pay to access). However, membership fees are considered as gifts if they confer no more than the right to vote at a meeting and to receive reports of the charity's activities, unless such reports are otherwise available for a fee.
- Any portion of the purchase price of a lottery ticket or other chance to win a prize, even though the lottery proceeds benefit one or more charities;
- The payment of tuition fees (except as permitted by CRA Information Circular 75-23, Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools<sup>4</sup>);
- Contributions of services (i.e. time, skills, effort) are not property and do not qualify. However, a charity can pay for services rendered and later accept the return of all or a portion of the payment as a gift, provided it is returned voluntarily.
- A payment from a business for which the business receives a material advantage, such as promotion or advertising in return. For taxation purposes, the business may be able to claim the contribution as an advertising expense.
- A gift subject to a direction by the donor that the charity transfer the funds to a specified person or family. In such an instance, the donor has made a gift to the person or family and not to the charity itself.
- A gift subject to a direction by the donor that the charity give the funds to a non-qualified donee.

#### **5. Determining fair market value of gift-in-kind**

While the vast majority of gifts to Canadian charities involve “cash” (namely cash, credit card, cheque, money order, wire transfer), much of the complexity of receipting occurs when a charity issues a receipt for non-cash property, also known as “gifts in kind”.

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<sup>4</sup><https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/ic75-23.html>

If your charity receives only cash gifts and never provides a donor with an advantage, then you don't have to concern yourself with determining fair market value. However, some donors want to give gifts in kind and some charities are prepared to not only accept them but to issue receipts for them. Gifts-in-kind are typically tangible items and can include cars, furniture, computers, blankets, food, shares, clothing, art, jewellery, books, land, etc.

For a charity it is sometimes advantageous to receive gifts-in-kind for the following reasons: it may save the charity from purchasing such an item or similar item; by reusing an item it may save some goods from landfill; it may not be exactly what the charity wants, but it is what the donor has and is prepared to give; the charity may be quite efficient at sorting, discarding and selling items; some items, such as donations of buildings or land, can result in the charity having valuable property or assets; certain types of gifts-in-kind are tax preferred (such as public company shares) and sometimes accepting such a gift may promote donor relations and stewardship.

However, there are often concerns with gift-in-kind donations including, but not limited to the following:

- Charities often feel pressured into accepting items they don't want or need;
- Such donations can be receipt-driven and may have nothing to do with helping the charity and its mission;
- They can create significant legal and ethical issues for the charity, such as environmental concerns with land, toxic or dangerous products such as children's toys that have been recalled, expired or inappropriately labeled pharmaceuticals, etc.;
- The process of dealing with them - including valuation, storage, transportation, and disposal - can use up a lot of time and resources of the charity, and in many cases are a net loss for the charity;
- Problems with establishing fair market value and with receipting;
- Ethical concerns about certain items being donated to a particular charity;
- A few of the charities that issue the largest amount of gift-in-kind receipts are abusive tax avoidance schemes or charity scams; and
- Mistaken and incorrect financial disclosure and reporting in both financial statements and T3010.

A charity may issue an official donation receipt if the fair market value ("FMV") of the gift can be determined.

The Courts and CRA have used the following definition of FMV:

*Fair market value is normally the highest price, expressed in dollars, that property would bring in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other.*

The factors that are implicit in the definition of fair market value are<sup>5</sup>:

- Highest price means the highest price that is consistently achieved;
- The transaction occurs in the market where such properties are most commonly and consistently sold to the public;
- The appropriate or relevant market for a determination of fair market value is the most active market for the particular asset and is determined by the frequency and aggregate number of sales;
- The public is the customary purchaser or ultimate consumer;
- An ultimate consumer is a person, institution or corporation who does not hold the item for subsequent resale;
- The buyer and seller are typically motivated, where neither is under compulsion to buy or sell;
- Each party is knowledgeable, informed of all of the relevant facts and acting in their own best interests;
- An unrestricted and open market is one that is available to the public;
- The property has been exposed to an unrestricted and open market for an adequate amount of time;
- The transaction is not influenced by time restrictions that would have a significant effect on the price; for example, fair market value cannot be determined by a forced sale; and
- Payment is made in terms of Canadian dollars. To convert currency to Canadian dollars, appraisers should consult the rates published by the Bank of Canada, and take the higher of the noon and closing nominal rates. (This information is available at <http://www.bankofcanada.ca/en/rates/exchange.html>.)

If you are buying a tooth brush at an airport you in Toronto you may pay \$7 for it. If you are buying 1 million tooth brushes from a factory in China you might pay 10 cents for the same tooth brush.

When the FMV of either a gift-in-kind or an advantage cannot be determined, an official donation receipt cannot be issued. Charities cannot rely on donors to advise them of the FMV. The onus is on the charity to determine FMV and the consequences of improperly determining FMV can be substantial. Charities must remember that some donors may have a vested interest in having the amount of the gift be inflated. As well, donors may not know the complexity of determining FMV and they may also simply be mistaken about the value of an item.

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<sup>5</sup> There is information on the website of the [Canadian Cultural Property Export Review Board](http://www.culturalpropertyreview.ca) on how to determine fair market value.

Do you need an appraisal of the item? CRA's position is that for items over \$1,000.00, there should be an appraisal of the value by someone who is knowledgeable and independent of both the charity and the donor.

Some quick thoughts on appraisal:

- A sale price at a charity auction is often not an accurate reflection of the fair market value of an item;
- Determining fair market value for an item can be difficult, and some charities and donors inappropriately ignore the legal definition, focusing instead on what "the highest price" is;
- More than one appraisal may be necessary with large or complex donations;
- The eligible amount of the receipt is not the appraised value; the eligible amount is the appraised value minus any benefit or advantage receipt by the donor or someone related to the donor;
- Appraisals are for fair market value (as defined above) and not "for insurance purposes", "for probate purposes", "value", "fair value", or other purposes;
- Appraisals must be arms-length and prepared in an objective manner without any pressure from the donor, vendor, institution/public authority, or other appraisers; and
- Appraisers should disclose if they have had any interest in the appraised property or have had any "personal or commercial intent or bias with respect to the parties involved (client or creator)".<sup>6</sup>

#### Determining fair market value of marketable securities or shares traded on a public stock exchange

When a donor donates shares on certain stock exchanges, the CRA has "as a general rule, accepted the use of the closing bid price of the share on the date it is received or the mid-point between the high and the low trading prices for the day, whichever provides the best indicator, given the circumstances, of fair market value on normal and active market trading." In some cases, such as with thinly traded or illiquid shares, this may not be appropriate.

#### Deemed fair market value rule

In 2002, responding to an increase in charity art flip schemes and other abusive gifting tax schemes, the Department of Finance introduced the deemed fair market value rule. The rule provides that, in certain circumstances, a receipt issued for a non-cash gift (gift-in-kind) must be issued for the lesser of the gift's fair market value and its cost to the donor immediately before the gift is made. In other words, a charity cannot, in certain circumstances, choose whether to use either fair market value or cost to the donor for the item; the charity needs to work out which

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<sup>6</sup> <https://www.canada.ca/content/dam/pch/documents/services/movable-cultural-property/certif-guide-eng.pdf>

of the two is lower, and use the lower one. Sometimes the lower amount is the fair market value and sometimes it is the cost to the donor.

The deemed fair market value rule applies in three (3) circumstances, namely when:

- The gift received by the charity was initially acquired by the donor as part of a tax shelter arrangement;
- The gift was acquired less than three years before the time of donation for any reason; or
- The gift was acquired less than ten years before the time of donation, with one of the main purposes being to gift the property to a qualified donee (for example, a registered charity).

#### An example of deemed fair market value

A donor purchases a work of art at a garage sale for \$50, and six months later donates the work to a charity. The charity would like to provide a receipt. Prior to giving the art to the charity, the charity has the work appraised at a value of \$1,000. Because the donor is gifting the art within three years of having purchased it, the charity must issue a receipt for the gift at the lesser of its fair market value and its cost to the donor immediately before the gift was made. In this example, the official donation receipt must be made out for \$50. If the donor who received a receipt fails to notify the charity that the work of art was purchased for \$50 and is subject to the deemed fair market value rule, the value of that donor's gift could be reduced to nil by the CRA. It is important that charities ask questions to be able to determine whether a receipt can be issued and for how much. Also donors, who may be left with a valueless receipt, should volunteer the information if they are not being asked, although very few donors would be aware of these rules.

The following types of gifts are exempt from the deemed fair market value rule and are normally assessed at their fair market value:

- Gifts made as a consequence of a taxpayer's death;
- Gifts of inventory;
- Gifts of real property situated in Canada;
- Gifts of certified cultural property (special valuation procedures apply) (except in cases of a tax shelter);
- Gifts of certain publicly-traded securities; and
- Ecological gifts.

## **6. “*Split receipting*”: subtracting the advantage from the gift**

Charities need to ensure that the eligible amount of the gift on the receipt is correct. This can be more difficult than it sounds. The CRA has rules about subtracting the value of an advantage received by the donor from the gift of the donor, also known as “split receipting”. Essentially, if a

donor receives an advantage from the charity then the amount of that advantage generally needs to be deducted from the value of the gift when calculating the eligible amount of the receipt.

For example, if John pays \$250 for a ticket to a charity gala, the charity cannot issue a \$250 official donation receipt to John. The charity needs to subtract the advantages to John received by virtue of his attendance at the gala. Such advantages would include the meal, gift bag, entertainment, and door prizes. If the total value of the advantage works out to be \$100, then the receipt (among other mandatory elements) will show:

Total amount of cash received by charity	= \$250
Value of advantage	= \$100
Eligible amount of gift for tax purposes	= \$150

The definition of advantage is very broad and some of the many possible advantages include:

- Property (for example, cash or non-cash gifts (gifts-in-kind));
- The use or enjoyment of property;
- The provision of services; and
- Other benefits including, but not limited to the assumption of debt by charity, sponsorship, or non-recourse loans.

There are also de minimis rules if the value of an advantage is the lesser of \$75 and 10% of the value of the donation. In such cases, the value of the advantage would be considered nominal and would not have to be deducted. If the amount of the advantage is over 80% of the value of the donation, a donation receipt cannot generally be issued.

CRA provides detailed descriptions of how advantages need to be calculated with different types of events such as gala dinners or golf tournaments. Unless a charity receives cash donations only, and never gives any advantages or benefits to the donor, a charity would need to be aware of the split receipting rules and how to calculate advantages. If you cannot determine the amount of the gift, and the amount of the advantage (when an advantage exists), then an official donation receipt cannot be issued.

## ***7. Services (time, expertise, skills) are not property and not receiptable***

Donations of time, skill and effort are services, are not a transfer of “property” from the volunteer to the charity, and they do not qualify as gifts for donation receipt purposes. Therefore, donations of services, such as professional advice by a lawyer, accountant or other volunteer, cannot be receipted. By way of further example, if a local contractor builds a shed for a charity using supplies from that charity, the contractor cannot have the value of their time receipted by the charity. Other types of services that do not qualify as gifts are: lending a piece of equipment, or allowing the charity to use a time-share or apartment. CRA takes the view that a loan of property is not a voluntary transfer of property to the charity and the mere granting of a right to use the property for a limited period of time is not considered a gift.

Cheque exchanges: The charity can issue a receipt for services or work done if there is a cheque exchange. A cheque exchange occurs where:

Person A renders a service to the charity, bills for the service, and the charity pays for the service. Then, without any obligation to do so, Person A makes a donation to the charity of X amount of dollars and the charity then issues a receipt for X amount of dollars to Person A.

This “crossing of cheques” or “cheque exchange” is very different than just issuing a receipt for the provision of services. When Person A receives payment from the charity, s/he has to include the amount received in his/her income, which increases the taxes s/he has to pay; all the receipt does is offset that increased amount of taxes. The cheque exchange works both for donation of time and lending of property.

## **8. Make sure that you have the correct date of the donation**

The date of donation needs to be correct. The exact dates can be very important in a number of circumstances. First, whether a donation is made in one calendar year or another affects the timing of tax benefits. Second, the date is also important for gifts-in-kind, which have to be valued on a particular date, and some types of gifts-in-kind, such as public company shares, can fluctuate considerably depending on the exact date that they are valued. Third, depending on the date that revenue is recorded, it can affect the charity’s financial statements.

## **9. Make sure you have the correct name of the donor on the receipt**

Who is the donor? It is a factual issue and it is important that the charity provides the receipt to the correct donor. Consider the following situations: a charity receives a cheque from a corporation, and subsequently the president of the corporation calls the charity asking it to prepare the receipt in the president’s spouse’s name. If the funds are actually those of the corporation and not the spouse, then preparing the receipt in the spouse’s name is not permissible. On the other hand, if the president sends a letter on the stationary of the corporation noting that the funds are actually his spouse’s funds and that the receipt should be issued in the spouse’s name, then it may be appropriate to issue the receipt in the spouse’s name.

Here is another example: Jack and Jill organize a third party fundraising event for the charity at which 20 individuals each make a \$100.00 donation and receive no advantage for their donation. Jack and Jill collect the 20 x \$100.00 cash donations and submit them to the charity. The charity should obtain from Jack and Jill a list of the donors so it can issue a tax receipt to each of the individual donors. It would be inappropriate for the charity to issue a \$2,000.00 tax receipt to Jack or Jill. If in doubt, a charity can ask a person or corporation to provide a declaration as to who the donor is, or the charity can refuse to issue a receipt.

## **10. *Electronic receipts***

As long as charities follow certain rules they can either: issue physical receipts from a receipting book, use a computer program to issue receipts that are printed and mailed, or issue electronic receipts from a website or by e-mail.

In the past, pre-printed receipting books were very common. There are advantages to using them in that they may have the requisite fields and they are numbered sequentially. However, with changes to the mandatory elements on the receipts, it can be costly to replace them.

Many charities use a program such as a word processing program or spreadsheet program to prepare receipts. These receipts are then printed out. For a small number of receipts this may be adequate.

Some other charities use a computer program to issue the receipts. Others have set up internet based systems that can automatically issue the receipts and, in some cases, the donor can be provided with a receipt in seconds.

Any system of electronic receipts must ensure that if receipts are sent electronically they cannot be altered by the donor. Sending a regular word processing file to a donor with the receipt would be inappropriate because the donor could change the amount of the donation or the name of the donor or the date on the receipt. Sending an unalterable PDF would be acceptable.

## **11. *Properly replace lost or incorrect receipts***

Charities should ensure that, if replacing a lost receipt, the replacement receipt has all the same required information as the lost receipt with a note stating that it "cancels and replaces receipt No. X". The charity must ensure that in its records the copy of the original lost receipt is kept and marked as "cancelled."

When a charity has issued an incorrect receipt (for example, it does not contain all of the required information or there is a typographical mistake on the receipt), the charity must keep both the incorrect receipt and the charity's copy of such receipt, and both should be marked as "cancelled." The charity can then prepare a correct receipt.

## **12. *Keep copies of receipts***

CRA requires that charities keep copies of tax receipts for a minimum of two years from the end of the calendar year in which the donations were made. With respect to ten-year gifts, charities need to keep the donor's directions for as long as the charity is a registered charity, and two years after that date. Most other records are required to be kept for seven years. In fact, I would strongly recommend that charities keep their official donation receipts for longer than the prescribed time in case they are ever needed by the donor or CRA. As well, if official donation receipts are produced electronically, a copy of the receipts should either be printed or kept in an unalterable format, such as burned to a CD.

### **13. *Make sure you keep your system protected***

Official donation receipts are akin to bags of cash and should always be securely kept by the charity. Irrespective of what system you use, make sure that the donation receipts are adequately secured or supervised - otherwise they may be used nefariously by some for their own private interests. Make sure the computers used to issue and store receipts are password protected. If using receipting books, make sure they are kept locked up during off hours and are not accessible to anyone not issuing receipts. Inform the CRA or the police immediately if you have a concern with respect to false receipting.

### **14. *Do not lend your registration to other organizations***

A charity can sometimes be approached by people who are interested in donating to (i) a foreign charity, or (ii) a Canadian non-profit that is not a registered charity, through the charity. Remember: only Canadian registered charities can issue official donation receipts for income tax purposes. Instead of donating the funds directly to the foreign charity/local non-profit (which cannot issue a receipt), the individual donates to the charity in order to receive a receipt. If the charity receives the funds in such situations, the CRA refers to the Canadian registered charity as being a "conduit". While charities are allowed to conduct foreign activities under prescribed circumstances (and we have a whole website devoted to foreign activities at [www.globalphilanthropy.ca](http://www.globalphilanthropy.ca)), they are not allowed to lend their registration or act as a conduit.

CRA has issued this warning:

Caution: Lending registration numbers

Under no circumstances should a registered charity lend its registration number to another organization for receipting purposes. A registered charity is responsible for all tax receipts issued under its name and number and must account for the corresponding donations on its annual information return. A charity that lends its registration number risks losing its charitable registration.

A charity wishing to work with a foreign charity as part of an appropriate structured arrangement with direction and control can do so as long as it follows the requirements as set out in CRA's Guidance "Canadian Registered Charities Carrying out Activities Outside Canada"<sup>7</sup>. There are also similar rules for a Canadian registered charity that wishes to work with a non-charity in Canada.<sup>8</sup>

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<sup>7</sup> <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/guidance-002-canadian-registered-charities-carrying-activities-outside-canada.html>

<sup>8</sup> <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/using-intermediary-carry-a-charitys-activities-within-canada.html>

## **15. *Returning gifts – be very careful***

Generally, a registered charity cannot return a gift. Once a charity owns the property, it should be used for the charity's charitable purposes. This is because the charity owns the property, irrespective of whether a receipt is issued. Charities must be very careful when accepting gifts with conditions attached to them, or fundraising for a particular purpose.

Charities, when fundraising for a particular cause, whether it be building a new hospital wing or dealing with a disaster in a particular locale, should always identify: what will happen if insufficient funds are raised, excess funds are raised, or the project is no longer practicable. For example, the charity could advise donors at the time of their donation that the board of directors of the charity could reallocate the funds to another charitable purpose.

If a charity is accepting a conditional gift, in some cases it would be best to not issue a tax receipt until the donor agrees that the conditions have been fulfilled.

Before returning a gift, charities should obtain legal counsel to determine the best course of action. It may be appropriate to also advise the Charities Directorate or provincial Public Guardian and Trustee. In some cases, the restrictions or conditions surrounding the gift may in fact be non-binding or it may be possible to obtain a *cy pres* order from a Court varying such conditions. CRA requires that a Canadian registered charity advise them if the charity returns a gift with a fair market value of more than \$50. CRA also requires that detailed information be provided to their Compliance Division on the donor and the donation. In many cases a donor, even if they are entitled to receive funds back from the charity, may wish that the charity keep the funds in order to avoid additional scrutiny from CRA.

If a donor is upset with a charity or wants the donation to go to another charity, CRA suggests that one solution may be for the charity to offer, in order to retain the goodwill of the donor, to transfer the gift to another qualified donee instead of returning it to the donor.

## **16. *Inappropriately providing receipting for volunteer travel***

A lot can be written on volunteer international travel ("mission trips") and the appropriateness of issuing receipts. CRA has been auditing charities that are inappropriately issuing receipts with certain types of trips or travel involving volunteers. While in some cases it may be appropriate to issue receipts, in many cases it is not.

As CRA notes:

"In the case of expenses incurred by volunteers on behalf of registered charities, the facts of each case will determine whether they qualify as a gift. To determine whether there is a gift, certain factors are taken into consideration, including: whether the expenses are incurred voluntarily or whether the volunteer was compelled to assume them. ... whether the consideration accruing to the volunteer negates donative intent (i.e., intention to give). ... whether the amenities that are

being provided to the volunteer that works for the charity are reasonable, are provided in the context of the work with the charity, and are priced at market rates or lower.”<sup>9</sup>

There are clear-cut examples of when it is acceptable and not acceptable to issue a receipt; there are also grey areas. The promotional materials, itinerary, purpose and practices around mission trips need to be carefully reviewed to know whether it is acceptable to issue such receipts.

## **17. *Issuing fraudulent receipts***

There are some people issuing fraudulent tax receipts. Sometimes they are involved with the charity, such as a director or employee, and sometimes they have nothing to do with the charity and may, for example, be a tax preparer. The charity may be completely unaware that receipts are being issued in its name. According to the CRA, “between 100,000-135,000 donors have been involved [with fraudulent tax receipts] between 2004 and 2009”.<sup>10</sup> These fraudulent receipts have been worth hundreds of millions of dollars. CRA has successfully prosecuted people involved with fraudulent receipting.

## **18. *Participating in abusive charity gifting tax shelters***

Some promoters have created tax shelters that provide a tax receipt for an amount larger than the cash investment of the donor/investor. For example, a donor may invest \$1,000 and receive, through a convoluted scheme, a receipt for \$5,000. These schemes use various approaches such as buy-low/donate-high arrangements, gifting trust schemes and leveraged cash donations. Some schemes involve the valuation of art, pharmaceuticals, or computer software. Many generally have a tax shelter number but such a number certainly does not entitle the investor to tax savings, but merely makes it administratively easier for CRA to audit all participants.

CRA considers these schemes as abusive charity gifting tax shelters and in many cases has reassessed the “gift” to zero. Investors usually lose their investment and have to pay the foregone taxes as well as interest and substantial penalties. Some of these schemes have lawyers providing opinion letters on the transaction, which may or may not have any resemblance to the transactions that actually occur. There have been class action lawsuits against law firms for allegedly providing negligent opinions. Some law firms have settled these cases with hefty payments, but other cases have not yet gone to trial.

CRA has been warning potential investors by providing Taxpayer Alerts and Fact Sheets on tax shelters. CRA has confirmed that the value of receipts issued by a few charities that were part of ‘abusive charity gifting tax shelters’ was over \$7 Billion dollars and resulted in the reassessment by CRA of over 208,000 taxpayer returns. The height of the schemes was 48,000 participants in

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<sup>9</sup> [http://www.canadiancharitylaw.ca/index.php/blog/comments/mission\\_trips\\_and\\_receipting\\_for\\_volunteers\\_travel\\_expenses\\_costs/](http://www.canadiancharitylaw.ca/index.php/blog/comments/mission_trips_and_receipting_for_volunteers_travel_expenses_costs/)

<sup>10</sup> [http://www.globalphilanthropy.ca/images/uploads/CRA\\_presentation\\_Compliance\\_Overview –Major\\_Non-Compliance\\_Issues\\_by\\_Danie\\_Huppe-Cranford\\_for\\_ICFO\\_May\\_2010.pdf](http://www.globalphilanthropy.ca/images/uploads/CRA_presentation_Compliance_Overview –Major_Non-Compliance_Issues_by_Danie_Huppe-Cranford_for_ICFO_May_2010.pdf)

2006 and that number has been reduced to less than 400 in 2014.<sup>11</sup> According to CRA less than 1% of the received amount was actually spent on charity. CRA notes that “In addition, since June 2000, the Agency has assessed \$193.7 million in third party penalties against promoters and tax preparers who advised their clients to participate in a gifting tax shelter scheme. Third parties may also face criminal prosecution.”<sup>12</sup>

## **19. *Avoiding Inappropriate Receipting***

Here are some suggestions for reducing the likelihood of inappropriate receipting:

- Know the rules for proper receipting;
- Access webinars and other publicly available resources on receipting;
- Make sure that all staff, volunteers, and board members who are involved with receipting also know these rules;
- Ensure receipts have all mandatory fields;
- Have good governance and bring the board into the receipting discussion;
- Have a gift acceptance policy for the charity and follow through with it;
- Be careful with gifts-in-kind and inflated valuations;
- Stay alert and avoid abusive gifting tax shelters and fraud;
- Have good controls over who prepares and signs receipts and make sure (if possible) there is segregation of duties and more than one person is involved in the process;
- Have adequate books and records; and
- Obtain legal advice from a lawyer knowledgeable about receipting by registered charities when necessary or call CRA.

## **20. *Consequences of inappropriate receipting***

Failure to prepare proper donation receipts can result in the suspension of receipting privileges and revocation of charitable status. However, there are also intermediate sanctions. If incorrect information is placed on a receipt, a charity can be fined or provided with a penalty equal to 5% of the eligible amount

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<sup>11</sup> [https://www.globalphilanthropy.ca/blog/99\\_decrease\\_in\\_taxpayers\\_participating\\_in\\_abusive\\_charity\\_gifting\\_tax\\_shelt](https://www.globalphilanthropy.ca/blog/99_decrease_in_taxpayers_participating_in_abusive_charity_gifting_tax_shelt)

<sup>12</sup> [https://www.globalphilanthropy.ca/blog/99\\_decrease\\_in\\_taxpayers\\_participating\\_in\\_abusive\\_charity\\_gifting\\_tax\\_shelt](https://www.globalphilanthropy.ca/blog/99_decrease_in_taxpayers_participating_in_abusive_charity_gifting_tax_shelt)

on the receipt for a first infraction. If the charity places deliberately false information on a tax receipt, it is liable to a penalty equal to 125% of the eligible amount stated on the receipt. Furthermore, there are third-party civil penalties that can be assessed.

There can be significant reputational harm to a charity and its board if there is inappropriate receipting. In some cases, CRA has put out press releases on charities that have been suspended as a result of improper receipting or have lost their registered status. Newspapers have also reported on this problem. As mentioned above, in some cases of fraudulent receipting, CRA has been successful in obtaining criminal prosecutions.

## **21. Conclusion**

One of the most valuable privileges that a registered charity has is the ability to issue official donations receipts. Inappropriate receipting can undermine the public's confidence in charities and can cost the Federal and Provincial governments significant amounts in lost tax revenue. After recent scandals involving fraudulent receipting, some commentators have called for the curtailing of receipting privileges or an end to the tax subsidy for charitable donations altogether. This would have a significant impact on the charitable sector.

It is important that charities carefully issue receipts according to the rules. There are large amounts of publicly available information on appropriate receipting of which charities and their advisors should be aware, including, but not limited to, resources contained in "Additional Resources" below.

**Receipting is not simple. If in doubt regarding receipting, call CRA, get legal advice or just don't issue the receipt.**

## **Additional Resources**

There are a number of valuable resources on receipting, including the following:

- 1) [CRA's Operating a Registered Charity – Issuing Receipts](#)
- 2) [CRA Webinar on Gifting and Receipting](#)
- 3) [Blumbergs' CanadianCharityLaw.ca section on receipting](#)
- 4) [Mark Blumberg's Receipting Kit 2018](#)
- 5) [Information on how to effectively search the CRA website](#) and [www.globalphilanthropy.ca](http://www.globalphilanthropy.ca)<sup>TM</sup>

# CRA's Receipting Guidance and Documents

## INTRODUCTION

As part of our "Receipting Kit" we have compiled some of the most important receipting resources into one document from various sources but especially the CRA Charities Directorate website, CRA auditors and other federal government departments.

As a PDF file it can be downloaded and easily saved to your computer. It can also be easily searched using keywords and e-mailed to those responsible for receipting within your organization.

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# Charities and giving glossary

The Charities and giving glossary is provided for information purposes only as a plain language explanation of some of the technical terms used on our webpages and in our forms and guides, and does not replace the law, either enacted or proposed.

## Adjusted cost base

Generally, this is the amount the registered charity originally paid for the property, plus the costs (such as legal fees or surveys) associated with the purchase, plus the cost of improvements to the property.

## Advantage

An advantage is the total value, at the time the gift is made, of all property, services, compensation, or other benefits that a person is entitled to receive in relation to the gift. The advantage may be conditional or receivable in the future, either by the donor or a person or partnership not dealing at arm's length with the donor.

An advantage also includes any limited-recourse debt relating to the gift at the time it was made. However, the calculation of an advantage does not include taxes such as GST, PST, HST, or gratuities. For more information, go to [Determining fair market value of gifts in kind \(non-cash gifts\)](#).

## Annuities

A charitable gift annuity is an arrangement under which a donor transfers capital to a charitable organization in exchange for immediate guaranteed payments for life at a specified rate depending on life expectancy or for a fixed term.

A charitable organization may enter into arrangements to issue annuities without jeopardizing its status as a registered charity. Charitable foundations, however, cannot enter into arrangements to issue annuities since an undertaking to make an annuity payment is considered a debt, which is a ground for revocation.

## Annulled

When a charity's or Canadian amateur athletic association's registration is annulled, it is deemed to have never been registered. Annulments generally occur when registration was granted in error. An organization whose registration has been annulled can no longer issue donation receipts for income tax purposes, and is no longer eligible to receive gifts from registered charities. However, because the registration was granted in error, the CRA considers receipts issued before the date of the notice of annulment to be valid.

## Appropriation

An appropriation occurs when a charity transfers property to an individual or organization and the recipient of the transfer obtains an unwarranted benefit as a result of the transaction.

Appropriations that are included in the calculation of the revocation tax are those that took place up to 120 days before the charity received a notice of intention to revoke its registration.

The amount of an appropriation is the fair market value of the property transferred less any amount the recipient gave the charity for the property.

Individuals and organizations that receive an appropriation from a charity are jointly liable with the charity for the revocation tax up to the amount of all appropriations. In other words, if a charity cannot pay the revocation tax because it has given away its property to an individual or organization, then the recipient that improperly benefited from the transfer of property will be liable for the revocation tax up to the amount of all appropriations.

### **Arm's length**

The term "at arm's length" describes a relationship where persons act independently of each other or who are not related. The term "not at arm's length" means persons acting in concert without separate interests or who are related.

Related persons are individuals who are related to each other by blood, marriage or common law partnership, or adoption. Examples of blood relatives include grandparents, parents, brothers, sisters, children, and grandchildren. Examples of persons related by spousal relationship include the grandparents of a spouse, the parents of a spouse, the brothers and sisters of a spouse, the children of a spouse, the spouse of a brother or a sister, the spouse of a child, and the spouse of a grandchild. Generally, in determining arm's length relationships, common law partners are treated in the same way as legally married spouses. Adopted children are treated in the same way as blood-related children.

Related persons also include individuals or groups and the corporations in which they have a controlling interest. Persons related to these individuals or groups are also considered related to those corporations.

For more information on arm's length and related persons, see Income Tax Folio [S1-F5-C1, Related persons and dealing at arm's length.](#)

### **Asset**

A registered charity's assets include, among others, amounts receivable, bank accounts, capital assets, cash, inventories, long-term investments, and short-term investments.

A registered charity must report the value of its assets on a cost basis (that is, the amount the charity paid to acquire the asset). If an asset is donated to a charity, the value is the fair market value of the asset on the day the charity received the gift.

### **Associated charities**

Associated charities are two or more registered charities that have applied for and received this designation from us. Associated charities can pass funds among themselves without being affected by the usual limitation placed on gift making by charitable organizations.

The Income Tax Act generally requires that charitable organizations spend no more than half their income as gifts to qualified donees, otherwise they will be re-designated as public foundations.

You must obtain written permission from us to have an associated status designation. For more information, see [Asking for associated status.](#)

### **BN**

The business number (BN) is a 9-digit business identifier to which businesses can register program accounts with the Canada Revenue Agency (CRA). An organization may have more than one program account number assigned by the CRA including corporate income tax, import/export, payroll deductions, goods and services tax/harmonized sales tax (GST/HST), and registered charities. The first nine digits would be the same for all of these accounts.

## **Bequests**

A bequest is property a registered charity receives from the will of a deceased person.

## **Bylaws**

Bylaws, if adopted by an organization, form part of the governing documents. They set out the rules and regulations for the administration and management of the organization. For example, bylaws often identify the duties of officers, the fiscal year end of the organization, and when meetings must be held.

## **Canadian amateur athletic association**

A Canadian amateur athletic association is created and resident in Canada with the exclusive purpose and exclusive function to promote amateur athletics in Canada on a nation-wide basis. It must devote all its resources to that purpose and function.

A Canadian amateur athletic association is eligible for registration by the Canada Revenue Agency. Once registered, it can issue official donation receipts for income tax purposes for gifts from individuals and corporations, and receive gifts from registered charities.

## **Capital gain**

A capital gain is realized when a capital property (for example, a share or land) is sold or considered to have been sold for **more** than the total of its adjusted cost base and the outlays and expenses incurred to sell the property. Outlays and expenses include fixing-up expenses, finders' fees, commissions, brokers' fees, surveyors' fees, legal fees, transfer taxes, and advertising costs.

## **Capital loss**

A capital loss is realized when a capital property (for example, a share or land) is sold or considered to have been sold for **less** than the total of its adjusted cost base and the outlays and expenses incurred to sell the property. Outlays and expenses include fixing-up expenses, finders' fees, commissions, brokers' fees, surveyors' fees, legal fees, transfer taxes, and advertising costs.

## **Capital property**

This includes depreciable property, and any property that, if sold, would result in a capital gain or a capital loss. Capital property is usually bought for investment purposes or to earn income. It does not include trading the assets of a business, such as inventory. Some common types of capital property include:

- securities, such as stocks, bonds, and units of a mutual fund trust
- land, buildings, and equipment used in a business or a rental operation

For more information, see [Pamphlet P113, Gifts and Income Tax](#) and the [Guide T4037, Capital Gains](#).

## **Cash gifts**

Cash gifts generally include cheques, money orders, bank drafts, cash, and near cash equivalents (such as gift certificates and gift cards). Donations made by debit card and by credit card are also considered cash gifts.

### **Note**

Receipts for donations of gift certificates and gift cards can **only** be issued under specific circumstances. For more information, go to [Gift certificates or gift cards](#).

## **Cause-related marketing**

Cause-related marketing (sometimes called social marketing) is a venture with a non-charitable partner to promote the sale of items or services on the basis that a portion of the revenues will be directed to a charity or charities.

## **Certificate of good standing**

A document issued by an incorporating authority (federal, provincial, or territorial government) stating that the organization is duly incorporated and that it is in good standing with the authority. The name of the document may vary from jurisdiction to jurisdiction.

## **Charitable organization**

- is established as a corporation, a trust, or under a constitution
- has exclusively charitable purposes
- primarily carries on its own charitable activities, but may also gift funds to other [qualified donees](#), (e.g., registered charities)
- more than 50% of its governing officials must be at [arm's length](#) with each other
- generally receives its funding from a variety of arm's length donors
- its income cannot be used for the personal benefit of any of its members, shareholders, or governing officials

## **Charities Registration (Security Information) Act**

Law enacted by Parliament in 2001 as Part 6 of the Anti-terrorism Act. It provides a mechanism for revoking the registration of any charity or denying registration of an applicant when security information is used to establish that the charity or applicant is involved in supporting terrorism. Under the act, two ministers may sign a special certificate when they have reasonable grounds to believe that a charity or applicant is implicated in supporting terrorism. A court then reviews the evidence. If it confirms that it was reasonable to issue the certificate, the charity's registration is revoked or the applicant's registration is denied on the date of the court's determination.

## **Charity registration number**

A charity registration number is 15-digit program account number assigned to a charity by the Canada Revenue Agency when it is registered. A complete charity registration number has three parts: the [BN](#) (first nine digits), the program identifier (two letters), and the reference number (four digits). The registered charity program identifier is "RR." When you deal with the Charities Directorate always use the 15-digit registration number. If you are unsure of your registered charity's number, [contact the Charities Directorate](#). For more information, go to [Registration number](#).

## **Compensation**

Compensation, for persons (employees) working full-time or part-time for a registered charity, includes salaries, wages, commissions, allowances, bonuses, fees, and honoraria, plus the value of taxable and non-taxable benefits.

### **Compliance agreement**

The Canada Revenue Agency may enter into a compliance agreement with a registered charity to help correct some infractions. A compliance agreement sets out the steps that a charity must follow in order to comply with the Income Tax Act, and the consequences of continued infractions.

### **Designated gift**

**(Applies only for fiscal periods ending on or after March 4, 2010)**

A designated gift is a type of gift made between registered charities that are not at arm's length to each other. A gift becomes a designated gift if the donor charity identifies it as a designated gift in its information return for the year the gift is made.

For more information on designated gifts, see [Anti-avoidance rules and designated gifts](#).

### **Directed gift**

A directed gift is a gift made to a [qualified donee](#) with instructions from the donor to use the gift for a specific person or family, or a project that is not under the direction and control of the qualified donee. A receipt **cannot** be issued for a directed gift.

However, a gift with a general direction from the donor that the gift be used in a particular program under the direction and control of the qualified donee can be receipted, provided there is no benefit to the donor or anyone not at [arm's length](#) to the donor. The qualified donee must be able to use the gift within the particular program as it sees fit.

### **Directors/trustees**

Directors and trustees are persons who make up the registered charity's elected or appointed governing body. This generally means persons who hold positions identified in the registered charity's governing documents, such as chair, treasurer, secretary, or past president. The registered charity's governing board includes all its directors and trustees.

### **Disbursement quota**

The disbursement quota is the minimum calculated amount that a registered charity is required to spend each year on its own charitable programs or on gifts to qualified donees (such as other registered charities). For more information, see [Annual spending requirement \(disbursement quota\)](#).

### **Eligible amount of gift**

This is the amount by which the fair market value of the gifted property exceeds the amount of any [advantage](#) received or receivable as a result of the gift. This is the amount for which a qualified donee can issue a receipt.

For example, a donation of \$1,000 is made to the Anytown Ballet Company, which is a registered charity. In gratitude, the charity gives the donor three tickets to a show that are valued at a total of \$150. The donor is considered to have received an **advantage** of \$150. Therefore, the **eligible amount** of the gift is \$850 (\$1,000 - \$150).

### **Note**

There are exceptions to this concept. For a more detailed explanation, see [Pamphlet P113, Gifts and Income Tax](#) and [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#) or go to [Deemed fair market value rule](#), [Determining fair market value of gifts in kind \(non-cash gifts\)](#), or [What you need to know to issue an official donation receipt](#).

## **Eligible donee**

An eligible donee is a registered charity:

- that is not subject to a suspension of tax-receipting privileges
- that is not subject to a security certificate under the Charities Registration (Security Information) Act
- that has no unpaid liabilities under the Income Tax Act or the Excise Tax Act
- that has filed all of its information returns
- that has more than half of its directors/trustees at arm's length with each of the directors/trustees of the charity gifting to it

## **Employees**

Employees are individuals who are hired under an employment contract to perform specific duties under the management of the charity. The earnings from employment contracts in Canada are considered employment income and are subject to Canada Pension Plan, Employment Insurance, and income tax deductions.

## **Enduring property**

**(Applies only for fiscal periods ending before March 4, 2010)**

The definition "enduring property" applies for the purpose of the definition "disbursement quota" and is applicable to fiscal periods that begin after March 22, 2004. The enduring property of a registered charity generally includes:

- a gift received by way of bequest or inheritance (which may include direct distributions of proceeds to a registered charity that is the designated beneficiary of a life insurance policy, a registered retirement savings plan, or a registered retirement income fund)
- a gift received by a charitable organization from another registered charity that is subject to a trust or direction to the effect that the property given, or property substituted for the gift,
  - is to be held by the charitable organization for a period of not more than five years from the date the gift was received by the charitable organization, and
  - is to be expended in its entirety over the period referred to in the trust or direction to acquire a tangible capital property to be used in charitable activities or administration, and/or in the course of a program of charitable activities of the charitable organization that could not reasonably be completed before the end of the first fiscal period
- ten-year gifts
- a gift received by a charity from another charity that was a bequest or inheritance (which may include direct distributions of proceeds to a registered charity that is the designated beneficiary of a life insurance policy, a RRSP, or a RRIF) of the other charity
- a gift received by a charity from another charity that was a ten-year gift or a one to five year gift of the other charity and is subject to the same condition and original term of the gift

Gifts of enduring property are generally excluded from the charity's disbursement quota in the year they are received. However, the charity may subsequently have to consider these gifts when calculating the value of property for its 3.5% disbursement requirement.

When the charity spends or transfers some or all of the enduring property, the amount spent or transferred must be included when calculating the disbursement quota requirement.

### **Excepted gift**

See [Non-qualifying security](#).

### **Fair market value**

Fair market value is usually the highest dollar value you can get for your property in an open and unrestricted market and between a willing buyer and a willing seller who are knowledgeable, informed, and acting independently of each other.

For more information, see [Determining fair market value of gifts in kind \(non-cash gifts\)](#).

### **Financial statements**

At a minimum, financial statements consist of a statement of assets and liabilities **and** a statement of revenue and expenditures for the fiscal period. They should show the different sources of a registered charity's revenue and how it spent its money. For more information, see [Financial statements](#).

### **Fiscal period**

A fiscal period is the 12 months (or, for incorporated charities, a period of up to 53 weeks) covered by the charity's financial statements. Many registered charities have a fiscal period that is the same as the calendar year (that is, their fiscal period is from January 1 to December 31); others have a different fiscal period (for example, ending August 31 or March 31).

The fiscal period-**end** is always stated as month and day only (for example, March 31). The year is not included because, unless formally changed, the fiscal period stays the same year after year. The phrase "fiscal period **ending**" does include the year because it identifies one specific fiscal period that ends in that year.

Under the Income Tax Act, a registered charity must obtain our permission before [changing its fiscal period-end](#), since such changes affect the charity's obligations under the Income Tax Act.

### **Full-time (permanent) position**

A full-time (permanent) position refers to continuous service in an office or position. An employee should be considered full-time (permanent) if the employee works, throughout the year, all or substantially all of the typically scheduled hours of work established for persons in that class of employees.

### **Gift**

In most cases, a gift is a voluntary transfer of property without valuable consideration to the donor. However, for gifts made after December 20, 2002 a transfer of property for which the donor received an advantage will still be considered a gift for purposes of the Income Tax Act as long as we are satisfied that the transfer of property was made with the intention to make a gift. The existence of an advantage will not necessarily disqualify the transfer from being a gift if the amount of the advantage does not exceed 80% of the fair market value of the transferred property.

For gifts made after December 20, 2002, it is the eligible amount of the gift that is used to calculate the donor's donation tax credit or deduction.

For more information, see [Pamphlet P113, Gifts and Income Tax](#) and [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#).

### **Gifts in kind**

Gifts in kind, also known as non-cash gifts, are gifts of property. They cover items such as artwork, equipment, securities, and cultural and ecological property.

A contribution of service, that is, of time, skills or efforts, is not property and, therefore, does not qualify as a gift or gift in kind for purposes of issuing official donation receipts.

For more information, see [Pamphlet P113, Gifts and Income Tax](#) and [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#).

### **Governing documents**

These are the documents that formally establish an organization and govern its operations. Some examples of governing documents are letters patent, certificate of incorporation, memorandum or articles of association, a constitution, trust documents, and bylaws. For more information, see [Governing documents](#)

### **Honorarium**

An honorarium is a voluntary payment made to a person for services for which fees are not legally or traditionally required. An honorarium is typically used to help cover costs for volunteers or guest speakers.

### **Improvement district**

An improvement district is an organization created under the Municipal Act of a province. An improvement district can meet the requirements as a Canadian municipality if the act that establishes it specifically gives it the powers of a municipality.

### **Joint venture**

A registered charity can decide to pool its resources with other entities that may not be qualified donees in order to establish and operate a charitable program. The charity will be considered to be carrying on its own activities providing it is an active partner exercising a degree of control that is at least proportionate to the resources it provides to the venture. In these situations, the CRA strongly recommends that the charity put a formal agreement in place as evidence that it retains direction and control over its resources, and is an active participant in a joint venture that directly furthers its charitable purpose.

### **Letter of good standing**

This is a document that is provided by a head body, which confirms the name of an internal division and its status as a branch, section, parish, or congregation. The document must give the date the internal division was established, the name of the governing document under which it was established, and the name of the governing document it currently follows. The document must be dated and signed by a director or trustee of the head body, and must show their position.

### **Like official**

A like official is a person who has governing responsibilities for the registered charity similar to those of a member of the governing board or a trustee. This should be interpreted broadly to include anyone having control and management of the administration of the registered charity. These people generally hold positions such as chair, vice-chair, treasurer, secretary, or past president.

### **Loan of property**

A loan of property involves granting a right to use property for a period of time. Since there is no transfer of property, it does not qualify as a gift and a receipt cannot be issued.

### **Loanbacks**

A loanback occurs when a donor makes a gift to a qualified donee and within 60 months of making the gift, a specific situation occurs that affects the fair market value of the gift for income tax purposes. For more information, see [Loanbacks](#).

### **Non-arm's length**

See [arm's length](#).

### **Non-cash gift**

See [gifts in kind](#).

### **Non-profit clause**

A provision stating that the organization shall be carried on without purpose of gain for its members, and any profit or other assets of the organization shall be used solely to promote its objectives.

### **Non-profit organization**

A non-profit organization is an association, club, or society that is operated exclusively for social welfare, civic improvement, pleasure, recreation, or any other purpose except profit. It is not a charity. No part of the organization's income can be payable to or available for the personal benefit of any proprietor, member, or shareholder, unless the recipient is a club, society, or association whose primary purpose and function is to promote amateur athletics in Canada.

### **Non-qualified investment**

See [Non-qualified investments](#).

### **Non-qualifying security**

See [Non-qualifying security](#).

### **Official copy**

What we consider an "official copy" of the governing documents depends on how the registered charity is formed.

If the registered charity is incorporated, the appropriate provincial or federal incorporating authority usually has to approve changes to the registered charity's governing documents. In this case, the official copy we want is a photocopy of the amending documents displaying the stamp or other approval mark from the incorporating authority.

If the registered charity is not incorporated, the official copy we want is a photocopy of the amended documents showing the date the documents came into effect. Two people who are directors, trustees, or like officials of the registered charity must sign the photocopy.

### **Official donation receipt**

Registered charities can issue official donation receipts (also referred to as "tax receipts") to acknowledge gifts. An official donation receipt is subject to particular requirements under the Income Tax Regulations including identification that it is an official receipt for income tax purposes. See the definition [eligible amount of gift](#) for further information. To view sample receipts see [Samples - Official donation receipts](#).

Note that registered charities issue other forms of receipts to acknowledge acceptance of services or items that are not gifts. These are not tax receipts and should be clearly distinguished from the tax receipts issued to acknowledge gifts. Contributions of services, that is, of time, skills or efforts, are not property and, therefore, do not qualify as gifts for purposes of issuing official donation receipts. Accordingly, a charity cannot issue an official donation receipt for services rendered free of charge. For more information, see Policy Commentary [CPC-017, Gifts of Services](#).

### **Part-time (part-year) position**

This refers to any position of an employee of the registered charity that does not meet the requirements of a "full-time (permanent) position."

### **Penalized**

A financial penalty has been imposed on a charity because it was [not complying](#) with specific legislative obligations under the Income Tax Act.

### **Planned giving**

Planned giving is a fundraising program that involves arranging donations to serve the interests of the registered charity and that suits the personal, financial, and tax situation of the individual donor. Through a planned-giving program, a registered charity seeks to attract significant gifts by identifying potential donors and helping them with information and advice.

Examples of planned giving include bequests, annuities, life insurance policies, and residual interests or charitable remainder trusts.

### **Private foundation**

- is established as a corporation or a trust
- has exclusively charitable purposes
- carries on its own charitable activities and/or funds other [qualified donees](#), (e.g., registered charities)
- may have 50% or more of its governing officials [not](#) at [arm's length](#) with each other
- generally receives the majority of its funding from a donor or a group of donors that are not at arm's length
- its income cannot be used for the personal benefit of any of its members, shareholders, or governing officials

### **Proceeds of disposition**

This is usually the amount a person receives or will receive for property sold. When a registered charity sells a property such as land, buildings, securities, and works of art, it may have a gain or loss from the sale.

## Property

Property is anything tangible or intangible, moveable or immovable, that a person or an entity owns, including rights. There are two types of property:

- real property, which is any interest in land, including the buildings or the improvements to them
- personal property, which is anything other than land, includes items such as furniture, clothing, art, bank accounts, stocks, patents, and copyrights

## Public foundation

- is established as a corporation or a trust
- has exclusively charitable purposes
- generally gives more than 50% of its income annually to other qualified donees, (e.g., registered charities), but it may carry out some of its own charitable activities
- more than 50% of its governing officials must be at arm's length with each other
- generally receives its funding from a variety of arm's length donors
- its income cannot be used for the personal benefit of any of its members, shareholders, or governing officials

## Qualified donee

A qualified donee is an organization that can issue official donation receipts for gifts it receives from individuals and corporations. It can also receive gifts from registered charities.

A qualified donee can be:

- a registered charity (including a registered national arts service organization)
- a registered Canadian amateur athletic association
- a registered housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged
- a registered Canadian municipality
- a registered municipal or public body performing a function of government in Canada
- a registered university outside Canada that is prescribed to be a university, the student body of which ordinarily includes students from Canada
- a registered charitable organization outside Canada to which Her Majesty in right of Canada has made a gift
- Her Majesty in right of Canada, a province, or a territory
- the United Nations and its agencies

For lists of other qualified donees, go to [Other organizations that can issue donation receipts \(qualified donees\)](#).

## RCAA

RCAA stands for registered Canadian amateur athletic association. To be registered as a Canadian amateur athletic association, the applicant must be created and resident in Canada

and have the promotion of amateur athletics in Canada on a **nation-wide** basis as its exclusive purpose and exclusive function. It must also devote all its resources to that purpose and function.

## Registered

An organization has applied to the CRA and received approval as meeting the requirements for registration as a charity, and has been issued a charitable [registration number](#).

## Registered charity

A registered charity refers to a charitable organization, public foundation, or private foundation registered with the Canada Revenue Agency. A registered charity is issued a Registration Number once approved. It is exempt from paying income tax, and can issue tax receipts for donations it receives. It must be established and resident in Canada, operate for charitable purposes, and devote its resources to charitable activities. However, if a registered charity is under [suspension](#), it no longer has receipting privileges during the suspension period. For a list of registered charities, go to [Charities Listings](#).

## Restricted funds

Restricted funds are funds tied to a specific use and not available for the general purposes of the organization (for example, a fund consisting of contributions that donors specifically direct the registered charity to use to buy a new building). Endowments are one type of restricted fund. Donors create them when they stipulate that the registered charity must maintain the principal amount and only use the income earned on it.

## Revocation summary

The summary is a brief description of the Charities Directorate's decision to revoke the registration of a charity or [Canadian amateur athletic association](#). After an audit, if a case of non-compliance results in the issuing of a Notice of Intention to Revoke, only the **summary paragraph** of the reasons for the revocation will be published on our webpages.

## Revocation tax

Revocation tax is a tax that a charity becomes liable for when its registration is revoked. The tax is 100% of the value of the charity's remaining assets after all debts and liabilities have been paid. A charity can reduce the amount of revocation tax it owes by using its remaining assets on its charitable programs or by transferring them to an [eligible donee](#) during the winding-up period. For more information see, [Revocation tax and the T2046 tax return](#).

## Revoked

Registration as a charity or [Canadian amateur athletic association](#) (CAA) has been cancelled and the privileges that go with it have been taken away. The organization can no longer issue official donation receipts and is no longer eligible to receive gifts from registered charities.

Registration as a charity or CAA is officially revoked when a notice is published in the Canada Gazette.

Registration may be revoked because the charity or CAA:

- chooses to give up its registration (revoked voluntary)
- does not file its annual return or does not file it on time (revoked for failure to file)
- fails to maintain its corporate status (revoked for other reasons)

- is audited and found to be non-compliant with the requirements for registration (revoked as a result of an audit)

### **Revoked as a result of an audit**

Registration as a charity or [Canadian amateur athletic association](#) (CAA) has been cancelled where, following an audit of their operations, it was determined that the charity or CAA ceased to comply with the requirements for registration (other than failure to file). Generally, charities or CAAs are revoked where there are severe cases of non-compliance or cases where there is continuous non-compliance.

### **Revoked for failure to file**

Registration as a charity or [Canadian amateur athletic association](#) has been cancelled for failure to file an Information Return (Form T3010 or Form T2052 respectively) within six months of the end of its fiscal period.

### **Revoked for other reasons**

Registration as a charity or [Canadian amateur athletic association](#) has been cancelled for failure to maintain its corporate status.

### **Revoked voluntarily**

Registration as a charity or [Canadian amateur athletic association](#) (CAA) has been cancelled at the charity's or CAA's request. Voluntary revocation may be requested for a number of reasons, such as:

- a lack of available resources
- dissolution of the organization
- a merger or consolidation
- no further need for organization's services (for example, the project or program it was established to undertake is complete)

### **Right to acquire shares**

A right to acquire shares is a right under which a charity is entitled, either immediately or in the future, and either absolutely or contingently, to purchase or otherwise receive any class of shares.

### **Sanction**

A sanction is a measure that can be used to obtain compliance with the requirements of the Income Tax Act from registered charities, registered Canadian amateur athletic associations ([RCAAA](#)), and other listed qualified donees. They include:

- financial penalties (applicable only to registered charities and RCAs)
- one-year suspension of the right to issue official donation receipts and eligibility to receive gifts from registered charities
- revocation of registration

### **Share**

A share is a share or fraction of a share of the capital stock of a corporation. A share of the capital stock of a corporation includes a share of the capital of a cooperative corporation (within

the meaning assigned by subsection 136(2) of the Income Tax Act) and a share of the capital of a credit union.

A gift of shares is a gift in kind. A registered charity that receives a gift of shares can issue an official donation receipt for the fair market value of the shares on the date the transfer of ownership takes place.

### **Subordinate position**

A charity may be in a subordinate position to a parent organization. For example, a registered charity with its own governing documents may be, at least in some respects, in a subordinate position to a parent organization. The parent organization usually has policies that govern the charitable programs the charity delivers and that regulate its administrative and financial affairs. It may also require dues from the subordinate charity.

A charity may also be in a subordinate position as an internal division of a head body. An internal division is an internal branch, section, or other division of a registered charity. It does not have its own governing documents, but instead operates under the governing document of its head body.

### **Suspended**

Certain privileges of a registered charity, registered Canadian amateur athletic association, or other qualified donee have been temporarily taken away because it failed to comply with specific provisions of the Income Tax Act. Although a suspended organization may continue to operate while its privileges are suspended, it is not considered a qualified donee during that time, it cannot issue official donation receipts, and it must inform a donor of its suspension before accepting a gift.

### **Tax receipt**

See [Official donation receipt](#).

### **Ten-year gifts**

See [10-year gift](#).

### **Written agreement**

A written agreement is a document that helps establish the relationship between a charity and its representative when the representative is carrying out specifically identified tasks on behalf of the charity. For more information, see Guidance, [Canadian Registered Charities Carrying Out Activities Outside Canada](#).

<https://www.canada.ca/en/revenue-agency/services/charities-giving/giving-charity-information-donors/making-a-donation/which-organizations-issue-official-donation-receipts.html>

# Which organizations can issue official donation receipts?

Only Canadian registered charities or other qualified donees may issue official donation receipts that qualify for charitable tax credits.

## Note

Although qualified donees may issue official donation receipts, they are not required to do so. Ask if there are any circumstances where you won't receive an official donation receipt. You can't claim a charitable tax credit or deduction unless you have an official donation receipt.

Qualified donees include:

- registered charities (search the [Charities Listings](#))
- registered national arts services organizations (search the [Charities Listings](#))
- [registered Canadian amateur athletic associations](#)
- [registered housing corporations in Canada that provide only low-cost housing for the elderly](#)
- [registered Canadian Municipalities](#)
- [registered municipal or public bodies performing a function of government in Canada](#)
- [registered universities outside Canada which ordinarily includes students from Canada](#)
- [registered foreign charities that have received a gift from Her Majesty in right of Canada](#)
- [Her Majesty in right of Canada, a province, or a territory](#)
- [the United Nations and its agencies](#)

If you are thinking about supporting one of these organizations and are not sure whether your donation would be eligible for a tax credit, [contact the Charities Directorate](#).

## Related topics

- [Questions and answers about making donations](#)
- [Sample official donation receipts](#)

## Forms and publications

- [General Income Tax and Benefit Guide](#)

- [Pamphlet P113, Gifts and Income Tax](#)

<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/about-charities-directorate/report-on-charities-program/report-on-charities-program-2015-2016.html>

## **Qualified donees**

Qualified donees are organizations that are able to issue official donation receipts. Registered charities and the following eight types of organizations are qualified donees:



<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/checklists-charities/issuing-complete-accurate-donation-receipts.html>

# **Issuing complete and accurate donation receipts**

A registered charity may only issue official receipts for donations that legally qualify as gifts. An official receipt must contain all the information specified in Regulation 3501 of the Income Tax Act.

# Checklist

Do the official donation receipts of the charity contain these mandatory elements:

**For gifts of cash:**

- a statement that it is an official receipt for income tax purposes
- the name and address of the charity as on file with the Canada Revenue Agency (CRA)
- the charity's or [RCAA](#)'s registration number (not required for other [qualified donees](#))
- the serial number of the receipt
- the place or locality where the receipt was issued
- the day or year the donation was received
- the day on which the receipt was issued if it differs from the day of donation
- the full name and address of the donor
- the amount of the gift
- the value and description of any [advantage](#) received by the donor
- the [eligible amount](#) of the gift
- the signature of an individual authorized by the charity to acknowledge donations
- the name and website address of the Canada Revenue Agency

**For non-cash gifts (gifts in kind), these additional elements:**

- the day on which the donation was received (if not already indicated)
- a brief description of the property transferred to the charity
- the name and address of the appraiser (if property was appraised)
- the [deemed fair market value](#) of the property in place of amount of gift above

**Note**

For gifts in kind, the eligible amount of the gift cannot exceed the deemed fair market value of the item. An appraisal is recommended for items valued at \$1,000 or more.

A registered charity **cannot issue receipts** for the following:

- for contributions of [services](#) provided to the charity (services do not qualify as gifts)
- on behalf of another organization or charity
- in a name other than the name of the true donor

## References

- [P113, Gifts and Income Tax](#)
- [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#)
- [Sample receipts](#)

**This checklist is for the charity's use only. Do not mail to the CRA or file with the return.**

## **P113 - Gifts and Income Tax 2017**

P113(E) Rev. 17

Our publications and personalized correspondence are available in braille, large print, etext, or MP3 for those who have a visual impairment. Find more information at [About multiple formats](#) or by calling **1-800-959-8281**.

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### **Is this pamphlet for you?**

Are you an individual planning to give money or other property to a registered charity or other qualified donee? Do you own land or a building, or have stocks or bonds that you would like to give to a registered charity or other qualified donee? Do you own an oil painting, stamp collection, etching, sculpture, antique, or coin set that you would like to give to a gallery or museum? Are you having your gift appraised? If so, the decisions you make may affect your tax situation.

This pamphlet will provide you with information about making a gift in 2017.

If you require information about a gift made in a previous year, you will need a version of this pamphlet for the year in which you made your gift. You can get [previous versions of this pamphlet here](#) or by calling **1-800-959-8281**.

### **What's new for 2017?**

**Ecological gifts program** – Under proposed changes, for gifts of ecologically sensitive land made after March 21, 2017, there are a number of changes to the Ecological gifts program related to the approval of recipients, private foundations and personal servitudes. For dispositions made and changes of use that occur after March 21, 2017, there are also new rules applicable to unauthorized changes of use or dispositions of property. For more information, see [Gifts of ecologically sensitive land](#).

### **Definitions**

In this section, we define some terms that we use in this pamphlet.

**Adjusted cost base (ACB)** – Usually the cost of a property plus any expenses to acquire it, such as commissions and legal fees. It also includes capital expenditures, such as the cost of additions and improvements to the property. You cannot add current expenses, such as maintenance and repair costs, to the cost base of a property. For more information on ACB, read Chapter 3 of [Guide T4037, Capital Gains](#).

**Advantage** – The **advantage** is generally the total value of any property, service, compensation, use or any other benefit that you are entitled to as partial consideration for, or in gratitude for, the gift. The **advantage** may be contingent or receivable in the future, either to you or a person or partnership not dealing at arm's length with you.

For example, you donate \$1,000 to the Anytown Ballet Company, which is a registered charity. In gratitude, the company provides you with three tickets to a show that are valued at \$150. You are therefore considered to have received an **advantage** of \$150. The [eligible amount of the gift](#) is \$850 (\$1,000 – \$150).

The advantage also includes any limited-recourse debt in respect of the gift at the time it was made. For example, there may be a limited-recourse debt if the property was acquired as part of a gifting arrangement that is a tax shelter. In this case, the eligible amount of the gift will be reported in box 13 of [Form T5003, Statement of Tax Shelter Information](#). For more information on tax shelters and gifting arrangements, see [Guide T4068, Guide for the Partnership Information Return \(T5013 Forms\)](#).

**Arm's length transaction** – refers to a transaction between persons who act in their separate interests. An arm's length transaction is generally a transaction that reflects ordinary commercial dealings between parties acting in their separate interests.

"Related persons" are not considered to deal with each other at arm's length. Related persons include individuals connected by blood relationship, marriage, common law partnership or adoption (legal or in fact). A corporation and another person or two corporations may also be related persons.

"Unrelated persons" may not be dealing with each other at arm's length at a particular time. Each case will depend upon its own facts. The following criteria will be considered to determine whether parties to a transaction are not dealing at arm's length:

- whether there is a common mind which directs the bargaining for the parties to a transaction;
- whether the parties to a transaction act in concert without separate interests; "acting in concert" means, for example, that parties act with considerable interdependence on a transaction of common interest; or
- whether there is de facto control of one party by the other because of, for example, advantage, authority or influence.

For more information, see [Income Tax Folio S1-F5-C1, Related persons and dealing at arm's length](#).

**Eligible amount of the gift** – This is the amount by which the fair market value (FMV) of the gifted property exceeds the amount of an [advantage](#), if any, received or receivable for the gift. There are situations in which the eligible amount may be deemed to be nil. For more information, see [Official donation receipts](#) and [Deemed fair market value](#).

**Fair market value (FMV)** – This is usually the highest dollar value you can get for your property in an open and unrestricted market, between a willing buyer and a willing seller who are acting independently of each other.

#### Note

For the purposes of this pamphlet, there are certain situations in which the FMV will be deemed to be less than the actual FMV of the property described above. For more information, see [Deemed fair market value](#).

#### Gifts and income tax

If you made a gift of money or other property to certain institutions, you may be able to claim federal and provincial or territorial non-refundable tax credits when you file your income tax and benefit return, provided that you receive an official donation receipt from the institution(s). If you lived in Quebec on December 31, claim your provincial tax credit on your Quebec income tax return.

If you are a first-time donor in 2017 (neither you nor your spouse or common-law partner has claimed a charitable donations tax credit for 2007 and subsequent tax years), you can benefit from the First-time donor's super credit. This credit supplements the value of the federal charitable donations tax credit by 25% on gifts of money up to \$1,000 in respect of only one taxation year from 2013 to 2017. For more information, go to [First-time donor's super credit](#).

In most cases, a gift is a voluntary transfer of property without valuable consideration. However, a transfer of property for which you received an [advantage](#) is still considered a gift for purposes of the [Income Tax Act](#) as long as we are satisfied that the transfer of property was made with the intention to make a gift. The fact that you received an advantage will not by itself disqualify the transfer from being a gift when the fair market value (FMV) of the advantage **does not exceed 80%** of the FMV of the transferred property.

#### Note

If the amount of the advantage **exceeds 80%** of the FMV of the transferred property, we may still consider the transfer to be a gift for purposes of the Income Tax Act. For more information, write to the Charities Directorate, Canada Revenue Agency, Ottawa ON K1A 0L5, or call the Charities Directorate at **1-800-267-2384**.

It is the [eligible amount of the gift](#) that is used to calculate your non-refundable donation tax credits.

The tax consequences of a gift depend on such facts as whether it is:

- a gift to a qualified [donee](#);

- a gift of ecologically sensitive land;
- a gift of certified cultural property to a designated institution or a public authority under the [Cultural Property Export and Import Act](#);
- a gift of a share, debt obligation or right listed on a designated stock exchange, a share of the capital stock of a mutual fund corporation, a unit of a mutual fund trust, an interest in a related segregated fund trust or a prescribed debt obligation;
- a gift of publicly listed flow-through shares acquired after March 21, 2011;
- a gift of non-qualifying securities; or
- a gift of options to acquire property.

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It will also depend on whether the property was capital property, listed personal property, or inventory of a business.

### **What gifts can you claim?**

#### **Gifts to registered charities and other qualified donees**

You can claim a tax credit based on the **eligible amount** of your gift to a qualified donee. Qualified donees are:

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- registered charities;
- registered Canadian amateur athletic associations;
- registered national arts service organizations;
- registered housing corporations resident in Canada set up only to provide low-cost housing for the aged;
- registered municipalities in Canada;
- registered municipal or public bodies performing a function of government in Canada;
- the United Nations and its agencies;
- registered universities outside Canada that are prescribed to be universities the student body of which ordinarily includes students from Canada;
- Her Majesty in Right of Canada, a province, or a territory; and
- before June 23, 2015, registered foreign charitable organizations to which Her Majesty in Right of Canada has made a gift. For gifts after June 22, 2015, registered foreign charities (which now include foreign charitable foundations) to which Her Majesty in Right of Canada has made a gift.

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To further assist donors in determining which organizations may issue official donation receipts, qualified donees must appear on the publicly available lists that we maintain at [Other organizations that can issue donation receipts \(qualified donees\)](#). The only exceptions are the United Nations and its agencies, Her Majesty in Right of Canada, or a province or territory.

Generally, you can claim part or all of the **eligible amount** of your gifts, up to the limit of 75% of your net income for the year. You may be able to increase this limit if you give capital property (including depreciable property). For details, see [Calculating your increased donation limit](#).

### **Gifts of non-qualifying securities**

Special rules apply if you make a gift of a non-qualifying security, such as shares of a corporation you control, or obligations, or any other security issued by yourself (other than shares, obligations, and other securities listed on a designated stock exchange and deposits with financial institutions). For more information, go to [Charities Glossary](#) and see "Non-qualifying security", or see [Guide T4037, Capital Gains](#). You can also contact the Charities Directorate at **1-800-267-2384**.

### **Gifts to U.S. charities**

Generally, if you have U.S. income, you can claim any gifts to U.S. charities that would be allowed on a U.S. return. You can claim the **eligible amount** of your U.S. gifts up to 75% of the **net U.S. income** you report on your Canadian return. However, you may be able to claim the **eligible amount** of your gifts to certain U.S. organizations up to 75% of your **net world income**. You can do this if you live near the border in Canada throughout the year and commute to your principal workplace or business in the United States, and if that employment or business was your main source of income for the year. Similarly, your claim will also not be restricted to net U.S. income if your gift is to a U.S. college or university at which you or a member of your family is or was enrolled or if your gift is to a prescribed U.S. university as referenced in the list of [qualified donees](#) above.

### **Gifts to Canada, a province, or a territory**

You can claim a tax credit based on the **eligible amount** of gifts to the Government of Canada, a province, or a territory. These types of charitable donations do not include contributions to political parties. The amount that qualifies for the tax credit is limited to **75%** of your net income. Enter the **eligible amount** on line 2 of [Schedule 9, Donations and Gifts](#).

Monetary gifts to Canada should be made payable to the Receiver General. Send the gift, along with a note stating that the money is a gift to Canada, to: Place du Portage, Phase III, 11 Laurier Street, Gatineau QC K1A 0S5. If you made such a gift, you should have been provided with an official donation receipt.

### **Gifts of ecologically sensitive land**

You can claim a tax credit based on the **eligible amount** of a gift of ecologically sensitive land including a covenant, an easement, or, in the case of land in Quebec, a real servitude (or under proposed changes, for gifts made after March 21, 2017, a personal servitude [the rights to which the

land is subject and which has a term of not less than 100 years]) you made to Canada, or one of its provinces, territories, or municipalities, or a registered charity approved by the Minister of Environment and Climate Change Canada (ECCC).

Under proposed changes, a gift of ecologically sensitive land cannot be made to a private foundation after March 21, 2017.

Gifts of ecologically sensitive land made to a municipal or public body performing a function of government in Canada, also qualify for a tax credit.

In addition, under proposed changes, gifts of ecologically sensitive land to municipalities and municipal and public bodies made after March 21, 2017 must also be approved by the Minister of ECCC on a case by case basis.

The Minister of ECCC, or a person designated by that minister, has to certify that the land is important to the preservation of Canada's environmental heritage. The Minister will also determine the fair market value (FMV) of the gift.

For a gift of a covenant or an easement, or in Quebec, a real servitude (or under proposed changes, a personal servitude when certain conditions are met), the FMV of the gift will be the **greater** of:

- the FMV of the gift otherwise determined; and
- the amount of the reduction of the land's FMV that resulted from the gift.

The FMV of the donated property, as determined or redetermined by the Minister of ECCC, will apply for a 24-month period after the last determination or redetermination. If you make a gift of the property within that 24-month period, it is the last determined or redetermined value that you use to calculate the **eligible amount** of the gift, whether you claim the gift as a gift of ecologically sensitive land or as an ordinary charitable gift.

To help make sure that the donated land is protected and not subsequently used for other purposes, a tax of 50% of the FMV of the land is charged to a recipient who, without the consent of the Minister of ECCC, changes the use of the land or disposes of it.

Under proposed changes, where the gifted land is transferred between organizations for consideration after March 21, 2017, the recipient of the transferred property will be charged the 50% tax if they subsequently change the use or dispose of the property without the consent of the Minister of ECCC.

Your claim for a gift of ecologically sensitive land is not limited to a percentage of your net income.

For a gift of ecologically sensitive land made before February 11, 2014, any unclaimed portion of the eligible amount of the gift can be carried forward for up to **five** years.

For a gift of ecologically sensitive land made after February 10, 2014, the carry-forward period is **ten** years.

The Minister of ECCC (or if the land is located in Quebec, the ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques) will issue you a certificate indicating the FMV of the gifted property and that the property is important to the preservation of Canada's environmental heritage. Attach this certificate to your income tax and benefit return. Enter the **eligible amount** of the gift of ecologically sensitive land on **line 342** of [Schedule 9, Donations and Gifts](#).

You may have a capital gain or loss for the land that you donated. For information, see the section called [Capital gains and losses](#).

### **Gifts of certified cultural property**

Special incentives have been put in place to encourage Canadians to keep in Canada cultural property that is of "outstanding significance and national importance". Under the Cultural Property Export and Import Act, people can donate this type of property to Canadian institutions and public authorities that have been designated by the Minister of Canadian Heritage.

You can claim a tax credit based on the **eligible amount** of gifts of certified cultural property.

The **eligible amount** of your gift is calculated based on the fair market value (FMV) of the property, as determined by the Canadian Cultural Property Export Review Board (CCPERB).

The FMV of the donated property, as determined or redetermined by the CCPERB, will apply for a 24-month period after the last determination or redetermination. If you make a gift of the property within that 24-month period, it is the last determined or re-determined FMV that you use to calculate the **eligible amount** of the gift, whether you claim the gift as a gift of cultural property or as an ordinary charitable gift.

For gifts of certified cultural property made after February 10, 2014, the deemed FMV rules explained in the section called "[Deemed fair market value](#)" apply when the property is acquired as part of a gifting arrangement that is a tax shelter.

Your claim for a gift of certified cultural property is not limited to a percentage of your net income.

If you donate cultural property, certified by the CCPERB, to a designated institution or a public authority, the CCPERB will issue you Form T871, Cultural Property Income Tax Certificate, indicating the FMV of the gifted property. Attach this certificate to your income tax and benefit return. Enter the **eligible amount** of the gift of certified cultural property on **line 342** of [Schedule 9, Donations and Gifts](#).

You do not have to report, or pay tax on, any capital gain that you realize when you donate certified cultural property to a designated institution or a public authority. You can, however, deduct capital losses within specified limits. For more information, see [Guide T4037, Capital Gains](#).

For more information on the certification of cultural property donations as well as contact information for the CCPERB, see the section called [The Cultural Property Export and Import Act](#).

## Carrying forward tax credits

You do not have to claim, on your income tax and benefit return for the current year, the **eligible amount** of gifts you made in the year. It may be more beneficial for you to carry them forward and claim them on your return for any of the next **five** years (or over the next **ten** years for a gift of ecologically sensitive land made after February 10, 2014). No matter what your choice is, you can claim them only once.

You have to claim tax credits for gifts you carried forward from a previous year **before** you claim tax credits for gifts you give in the current year. If you are claiming a carryforward, keep a record of the portion of the **eligible amount** you are claiming this year, and the amount you are carrying forward.

## Gifts in the year of death

You can claim on the deceased's final return, the **eligible amount** of gifts that a deceased person gave in the year of death. The amount claimed is limited to the **lesser** of:

- 100% of the deceased person's net income; and
- the **eligible amount** of the gift(s) made in the year of death, **plus** the unclaimed portion of the eligible amount of any gifts made in the **five** years before the year of death (or, for a gift of ecologically sensitive land made after February 10, 2014, in the **ten** years before the year of death).

Any excess can be claimed on the return for the previous year (up to 100% of the deceased's net income for that year).

For deaths that occurred before 2016, gifts bequeathed in the deceased's will and designation donations were deemed to be made by the individual immediately before their death. A **designation donation** is a donation of a direct distribution of proceeds to a qualified donee who is the designated beneficiary of a registered retirement savings plan (RRSP), including a group RRSP, a registered retirement income fund (RRIF), a tax-free savings account (TFSA), or a life insurance policy including a group life insurance policy. This does not apply if the qualified donee is a policyholder under the life insurance policy or is the assignee of the life insurance policy.

For deaths that occur after 2015, estate donations (donations made by will and designation donations) are no longer deemed to be made by an individual immediately before the individual's death. Instead, these donations are deemed to be made by the individual's estate and where certain conditions are met, by the individual's **graduated rate estate (GRE)**.

Effective December 31, 2015, a GRE of an individual at any time is the estate that arose on and as a consequence of the individual's death, if that time is no more than 36 months after the death of the individual, and the estate is at that time a testamentary trust that meets the following conditions:

- The estate designates itself, by filing a T3 return of income for its first taxation year (or, if the estate arose before 2016, for its first taxation year that ends after 2015), as the deceased individual's GRE.
- No other estate designates itself as the GRE of the deceased individual.
- The estate must include the deceased individual's social insurance number in its T3 return of income for each taxation year of the estate that ends after 2015 and during the 36 month period after the death of the individual.

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For more information about GREs, see [T4013, T3 Trust Guide](#).

For deaths after 2015, **GRE donations** are donations by a graduated rate estate to a qualified donee. The donated property must be property that was acquired by the estate on and as a consequence of the death (or property that was substituted for such property). GRE donations also include designation donations.

You can allocate a GRE donation among any of:

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- the taxation year of the GRE in which the donation is made,
- an earlier taxation year of the GRE, or
- the last two taxation years of the deceased individual (the final return and the return for the preceding year).

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In addition, for 2016 and future taxation years, a gift made after the 36 month period but within 60 months after the date of death by a former GRE that continues to meet all of the requirements of a GRE except for the 36 month time limit, can be allocated among any of:

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- the taxation year of the estate in which the donation is made; or
- the last two taxation years of the deceased individual (the final return and the return for the preceding year).

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An estate, whether it is a GRE or not, can claim a charitable donations tax credit for an estate donation in the year in which the donation is made or in any of the five following years (or 10 years for a gift of ecologically sensitive land made after February 10, 2014). However, an estate that is not a GRE or a former GRE (within 60 months of the date of death) cannot allocate a donation made by the estate to a taxation year of the deceased individual or to an earlier year of the estate.

Donations made by the individual in the year of death but prior to the date of death, can be still claimed on the deceased individual's final return or the return for the preceding year.

Generally, when an individual dies, the individual is deemed to have disposed of all capital property immediately before the individual's death.

Where the estate of an individual donates property that was the subject of a deemed disposition by the individual immediately before the individual's death, and the property's fair market value upon transfer to the qualified donee has changed, the difference will result in a gain or loss to the estate that will generally be recognized for income tax purposes. This will be the case whether or not the donation is a GRE donation or a former GRE donation.

For more information on gifts in the year of death including the treatment of capital gains on disposition, see [Guide T4011, Preparing Returns for Deceased Persons](#), and the [T4013, T3 Trust Guide](#), and the following budget documents:

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- [Graduated Rate Taxation of Trusts and Estates and Related Rules](#); and
- [Estate Donations by Former Graduated Rate Estates](#)

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## **Gifts in kind**

A gift in kind refers to a gift of property (a non-cash gift) such as capital property (including depreciable property) and personal-use property (including listed personal property). These terms are defined in the "Definitions" section in [Guide T4037, Capital Gains](#). A gift in kind does not include a gift of services.

## **Do you have property to donate?**

Here are some things to keep in mind when you donate property:

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- If you plan to give away property, any capital gain you have made on the property since you acquired it may be subject to tax. For more information, see [Capital gains and losses](#).
- Your own situation will affect the tax status of the gift. If you are an artist, dealer, collector, or individual carrying on a business, different tax rules apply when you donate property from your inventory.
- You have to decide to which organization you are going to donate your property. We cannot advise which museum, art gallery, archive, municipality, or institution you should approach. Remember that the tax implications may differ depending on the way in which you make the gift and to whom.
- Once you have chosen a qualified donee, and have determined that it is willing to accept your gift, you or the qualified donee may need to have the property appraised to determine its fair market value.

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## **Donation appraisals**

Donors and qualified donees often approach appraisers, dealers, and other people who are knowledgeable about particular objects to get appraisals for income tax purposes. Determining [fair market value \(FMV\)](#), as defined on page 6, can be a complex process. You must consider numerous facts regarding the property.

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You may need to get one or more appraisals to establish the FMV of the property you are donating. Use the appraised FMV to calculate the eligible amount of the gift unless the [deemed FMV](#) rules apply. The eligible amount is used to calculate the tax credit you can claim on your income tax and benefit return. The appraised FMV is also used in calculating any capital gain or loss you may have from donating your property.

### **Who should appraise a gift?**

For every situation, whether the property is **personal property**, **real property**, or **intangible property**, donors and qualified donees are encouraged to contact a professional appraiser, valuator, or other individual who is accredited in the field of valuation. That individual should be knowledgeable about the principles, theories, and procedures of the applicable valuation discipline and follow the Uniform Standards of Professional Appraisal Practice or the standards of the profession. Also, he or she should be knowledgeable about and active in the marketplace for the specific property.

The chosen individual should be independent. For instance, he or she should not be associated with the donor, the qualified donee, or another party associated with the purchase, sale, or donation of the property.

The individual should also be knowledgeable about the elements of a properly prepared and credible valuation report.

Where the FMV of the property to be gifted is less than \$1,000, a professional appraisal will probably not be required, but the donor should keep all documents supporting the determination of the FMV, in case we ask to see them.

### **The appraisal report**

The appraisal or valuation report should be based on the principles, theories, and procedures of the applicable valuation discipline and follow the standards of the profession. The report has to be an estimate of the FMV of the property as of the date of donation. Also, if you owned the property on Valuation Day (December 31, 1971), you may need to get a valuation reflecting the value on that date.

### **Note**

The Canadian Cultural Property Export Review Board (CCPERB) has requirements for appraisals. Before applying for certification, please consult the Review Board Secretariat. Contact information for the secretariat is given at [Designated institutions and public authorities](#).

### **Donation date**

The donation date is the date that the gift is made. The donation date may not be the date of physical delivery, since a property may be on loan to the qualified donee before the actual donation date.

### **Official donation receipts**

The **eligible amount** of a gift is deemed to be nil if the donor fails to inform the donee of information that would be relevant to the application of the rules that would cause the eligible amount of a gift to be less than the FMV (see [Deemed fair market value](#)).

For donations of gifts in kind, the qualified donee can issue an official donation receipt after the property has been appraised. The receipt should show the FMV or deemed FMV of your gift. It will also show the eligible amount of the gift. For more information on what must appear on the receipt, go to [What information must appear on an official donation receipt?](#).

If your gift comes under the Cultural Property Export and Import Act, and the CCPERB has certified it, you will receive Form T871, Cultural Property Income Tax Certificate, from the Board.

Keep Form T871 for your records.

If your gift is ecologically sensitive land that the federal Minister of Environment and Climate Change or his delegate has certified as important to the preservation of Canada's environmental heritage, you will receive a Certificate for Donation of Ecologically Sensitive Land. Keep the certificate for your records.

If the land you give is located in the province of Quebec, you will instead receive a Certificate Respecting Gifts of Land With Ecological Value or Servitudes Encumbering Land With Ecological Value, issued by the [ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques](#). Keep the certificate for your records.

Generally, the eligible amount that qualifies for the tax credit applies for the year you give the gift. You can choose the part of the **eligible amount** of the gift you want to claim in the year and you can carry forward any unused part for up to five years (or over the next **ten** years for a gift of ecologically sensitive land made after February 10, 2014).

If you are filing electronically, keep all of your documents in case we ask to see them. If you are filing a paper return, include your [Schedule 9, Donations and Gifts](#), but keep your official donation receipts in case we ask to see them. If you receive a T5003 slip from a tax shelter with an amount in box 13, you must submit this slip with your return along with a completed [Form T5004, Claim for Tax Shelter Loss or Deduction](#).

Where a qualified donee returns a property to you that is either the original property that you previously donated, or any other property that may reasonably be considered compensation for, or a substitute for, the original property and where the fair market value of the returned property is more than \$50, the qualified donee must file an information return with us. The qualified donee must send the information return to the Audit Section, Compliance Division of our Charities Directorate within 90 days of the transfer of property. The qualified donee must also provide a copy of this information return to you. We may then reassess your tax return (or the tax return of the person who claimed the tax credit) for the applicable tax year to reduce the amount of your prior claim, and to amend the reporting of the disposition of the original property. For more information, go to [Qualified donees – Consequences of returning donated property](#). You can also contact the Charities Directorate at **1-800-267-2384**.

## Gifts of capital property

Capital property includes depreciable property, and any property that, if sold, would result in a capital gain or a capital loss. Capital property does **not** include the trading assets of a business, such as inventory.

The following properties are generally capital properties:

- cottages;
- securities, such as stocks, bonds, and units of a mutual fund trust; and
- land, buildings, and equipment you use in a business or a rental operation.

### Note

All references to fair market value (FMV) in this section are subject to the deemed FMV rules as discussed under [Deemed fair market value](#).

If you donate capital property, we consider you to have disposed of that property for proceeds **equal** to the FMV of the property. You have to report any capital gain on your income tax and benefit return in the year you donated the property. In some cases, you may be able to claim a capital loss in the year you donated the property.

However, if you make a gift of capital property to a registered charity or other qualified donee such as Canada or one of its provinces or territories, and the FMV of the donated capital property, otherwise determined, is **more** than its adjusted cost base (ACB), you may designate an amount that is **less** than the FMV to be the proceeds of disposition. This may allow you to reduce the capital gain otherwise calculated.

The amount that you may choose to designate in respect of the donation **cannot be greater than** the FMV and **not less** than the greater of:

- any **advantage** in respect of the gift; and
- the ACB of the property (or, if the property was depreciable property, the lesser of its ACB and the undepreciated capital cost of the class of the property).

Use the amount you choose as the proceeds of disposition when you calculate any capital gain. Also use this amount to determine the **eligible amount** of the gift, which you need to calculate the tax credit.

If, when you made the donation, the FMV was **less** than the ACB, the proceeds of disposition must equal the FMV of the donated property. This amount will be used to calculate any capital loss on the disposition of a non-depreciable capital property and the **eligible amount** of the gift, which you need to calculate the tax credit.

For more information, see [Interpretation Bulletin IT-288, Gifts of Capital Properties to a Charity and Others](#).

### Deemed fair market value

For a gift of property made to a qualified donee, the fair market value (FMV) of the property gifted is deemed to be the lesser of the property's:

- FMV otherwise determined; and
- its cost (ACB if it is capital property or adjusted cost basis if it is a life insurance policy) immediately before the gift was made.

**This limitation** applies to property that was acquired as part of a gifting arrangement that is a tax shelter. Unless the gift is made as a consequence of the taxpayer's death, this limitation also applies if the property was acquired:

- less than **3** years before the day the gift was made; or
- less than **10** years before the day the gift was made and it is reasonable to conclude that when the property was acquired, one of the main reasons for the acquisition was to make a gift of it.

If a gifted property was acquired in a non-arm's length transaction during the 3-year or 10-year period, the cost (or ACB if it is capital property) of the gifted property is deemed to be equal to the lower of the cost to the donor and the lowest cost to a party to the non-arm's length transaction.

The limitation does **not** apply to gifts of:

- inventory;
- real or immovable property located in Canada;
- certified cultural property (**unless it was gifted after February 10, 2014, and was acquired as part of a gifting arrangement that is a tax shelter**);
- ecologically sensitive land (including a covenant, an easement, or, in the case of land in Quebec, a real servitude [or under proposed changes, a personal servitude when certain conditions are met]);
- a share, debt obligation, or right listed on a designated stock exchange;
- a share of the capital stock of a mutual fund corporation;
- a unit of a mutual fund trust;
- an interest in a related segregated fund trust;
- a prescribed debt obligation;

- a share of the capital stock of a corporation issued by the corporation to the donor, if immediately before the share was gifted, the corporation was controlled by the donor or other persons related to the donor, **and** if the [limitations](#) described above would not have otherwise applied; or
- a property by a corporation if the property was acquired by the corporation in consideration for shares of the corporation's capital stock in a rollover transaction and, immediately before the gift, the shareholder from whom the corporation acquired the property (or other persons related to the shareholder) controlled the corporation, **and** if the [limitations](#) described on the previous page would not have otherwise applied.

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If a donor attempts to avoid the [limitation\(s\)](#) described on the previous page with the acquisition or disposition of a property before gifting it, the eligible amount of the gift is deemed to be nil.

If the [limitations](#) described on the previous page would have otherwise applied to a gift of a particular property, and where that property is instead sold to a registered political organization or candidate, or a qualified donee and where all or part of the proceeds of disposition is property that is the subject of a gift or monetary contribution, the FMV of the gift is deemed to be an amount equal to the **lesser** of the FMV of the property sold and its cost, or a pro-rata portion thereof.

If the property was acquired as part of a gifting arrangement that is a tax shelter, the eligible amount will be reported in box 13 of [Form T5003, Statement of Tax Shelter Information](#).

## Notes

Despite numerous warnings and audit actions by the Canada Revenue Agency (CRA), some taxpayers may be tempted to participate in gifting arrangements that are tax shelters. If you are considering entering into such an arrangement, you should obtain independent professional advice from a tax advisor before signing any documents. For more information, go to [Tax Alert](#).

For tax years ending after March 20, 2013, the normal reassessment period in respect of a participant in a tax shelter or reportable transaction will be extended when an information return that is required for the tax shelter or reportable transaction is not filed as and when required. The normal reassessment period will be extended to three years after the date that the relevant information return is filed. For more information, go to [Extended Reassessment Period – Tax Shelters and Reportable Transactions](#).

For amounts assessed for the 2013 and subsequent tax years in respect of tax shelter claims that involve a charitable donation, the following rules apply:

- When a taxpayer has filed an objection or an appeal to the Tax Court of Canada, we can take collection action in respect of 50% of amounts, interest, and penalties in dispute.
- If an amount in dispute has already been paid, the taxpayer can apply in writing to have us repay that amount or to release the security that is held in respect of the amounts in dispute, but only up to 50% of the amounts.

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For more information, go to [Taxes in Dispute and Charitable Donation Tax Shelters](#).

### **Gifts of securities acquired under a security option plan**

You can claim an additional deduction on **line 249** of your income tax and benefit return for donating publicly-listed shares of corporations or mutual fund units you acquired through your employer's security option plan. However, you must meet **all** of the following conditions:

- You acquired a security under an option that was granted to you as an employee of a corporation or a mutual fund trust.
- You disposed of the security in the year it was acquired, and not more than 30 days after its acquisition, by donating it to a qualified donee.
- You are entitled to claim a security option deduction on line 249 for the acquisition of the security.

The additional deduction is equal to 50% of the amount of the taxable benefit, which may effectively exempt from tax the employment benefit associated with the exercising of the stock option.

When calculating the amount of the additional deduction that can be claimed on line 249, you determine the employment benefit by using the **lesser of**:

- the FMV of the security at the time of acquisition; and
- the FMV of the security at the time of disposition (through donation).

You may have a capital gain on the disposition of the security. For more information, see [Capital gains and losses](#).

### **Granting of options to a qualified donee**

You may not claim a gift in respect of an option to acquire a property that is granted to a qualified donee after March 21, 2011, until such time as the qualified donee either exercises or sells the option. At that time, the amount of the gift that you may claim is generally equal to:

- where the option is exercised by the qualified donee, the FMV of the underlying property **minus** any consideration that you receive from the qualified donee for the property and the option; or
- where the option is sold by the qualified donee, the **lesser of**:
  - the FMV of the underlying property; and
  - the FMV of any consideration, other than a non-qualifying security of any person, received by the qualified donee for the option, **minus** any consideration that you receive from the qualified donee for the option.

## Are you an artist?

If you are an artist, we usually consider any works you create and own as inventory, not capital property. When an artist creates a work of art intending to sell it but instead donates it to a qualified donee, we consider the gift to be a disposition of property from the artist's inventory.

As an artist, if you donate a gift from your inventory and if the gift's fair market value (FMV) is **more than** its cost amount, you can designate any amount for the value of the donated property as long as it is:

- not greater than the FMV; and
- not less than the greater of:
  - the amount of any **advantage** in respect of the gift; and
  - the cost amount.

Use the amount you choose for the value of the gift as proceeds of disposition to determine your income. This amount will also be used to calculate the **eligible amount** of the gift, which you need to calculate the tax credit.

If, at the time you made the donation, the FMV is **less than** the cost amount, the proceeds of disposition must equal the FMV of the donated property. This amount will also be used to calculate the **eligible amount** of the gift, which you use to calculate the tax credit.

As an artist, you may donate a **work of cultural property** you created, from your inventory, to a designated institution or public authority. If you do this, and the CCPERB certifies the gift, we consider that you received proceeds of disposition equal to the **greater** of the cost amount of your gift and the amount of any **advantage** in respect of the gift. The amount that qualifies for the tax credit on certified cultural property will be based on the **eligible amount** of the gift, provided you meet all other requirements outlined in the section called [Gifts of certified cultural property](#).

## Note

An artistic endeavour occurs when you are in the business of creating paintings, murals, original prints, drawings, sculptures, or similar works of art. An artistic endeavour does not include reproducing works of art.

When you calculate your income from an artistic endeavour, you can choose to value your ending inventory at nil. If you do this, we consider the cost amount of your gift to be nil. Your choice stays in effect for each following year, unless we allow you to change it. For more information, see [Interpretation Bulletin IT-504, Visual Artists and Writers](#).

## Are you an art or antiques dealer?

If you buy and sell art, antiques, rare books, or other cultural property as a business, and you donate one of these objects, we consider the objects as part of your inventory, not capital property or personal-use property. Therefore, we consider the proceeds to be business income based on the fair market value of the donated property at the time you donated it. You can claim a tax credit based on the **eligible amount** of the gift if it otherwise qualifies.

If your gift is from a private collection that you maintain apart from those works we consider to be your business inventory, the usual rules for donating capital property or personal-use property apply.

### **Listed personal property**

Personal-use property includes a special class of property called **listed personal property**. Items in this class usually increase in value.

Listed personal properties include:

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- prints, etchings, drawings, paintings, sculptures, or other similar works of art;
- jewellery;
- rare folios, rare manuscripts, or rare books;
- stamps; and
- coins.

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We consider all or any part of such properties, a part interest in them, or any right to them, as listed personal property. You should have a Valuation Day value established for any listed personal property you acquired before December 31, 1971, that is worth more than \$1,000, either separately or as a set. In most cases, you may find an indication of the fair market value for many of these items by checking dealers' catalogues, or by asking art, antiques, coin, jewellery, or stamp dealers.

Special rules may apply to personal-use property and listed personal property. For more information, see [Guide T4037, Capital Gains](#).

### **Capital gains and losses**

To have a capital gain or loss, the property involved has to be capital property. You will find examples of capital property in the section called [Gifts of capital property](#).

If you donate capital property, we consider you to have disposed of that property. You have to report any resulting capital gain or loss on your return for the year that you donate the property.

You need to know the following three amounts to calculate a capital gain or a capital loss:

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- the proceeds of disposition (generally the fair market value of the property at the time of donation);

- the adjusted cost base (ACB) of the property; and
- the outlays and expenses you incurred when donating the property.

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You have a capital gain when you dispose of a capital property for **more** than its ACB plus the outlays and expenses incurred to dispose of it.

When you dispose of a non-depreciable capital property for **less** than its ACB plus the outlays and expenses incurred to dispose of it, you have a capital loss.

For details, see [Guide T4037, Capital Gains](#).

### **Capital gains realized on gifts of certain capital property**

If you donated certain types of capital property to a registered charity or other qualified donee, you may not have to include in your income any amount of capital gain realized on such gifts. You may be entitled to an inclusion rate of **zero** on any capital gain realized on such gifts.

The inclusion rate of **zero** applies if you donate the following property:

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- a share of the capital stock of a mutual fund corporation;
- a unit of a mutual fund trust;
- an interest in a related segregated fund trust;
- a prescribed debt obligation;
- ecologically sensitive land (including a covenant, an easement, or, in the case of land in Quebec, a real servitude [or under proposed changes, a personal servitude when certain conditions are met]) donated to a qualified donee other than a private foundation (see [Gifts of ecologically sensitive land](#) for details);

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#### **Note**

For donations of ecologically sensitive land to a private foundation made before March 22, 2017, the inclusion rate of zero does not apply. Under proposed changes, a donation of ecologically sensitive land cannot be made to a private foundation after March 21, 2017.

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- a share, debt obligation, or right listed on a designated stock exchange.

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For donations of publicly traded securities, this treatment is extended to any capital gain realized on the exchange of shares of the capital stock of a corporation for those publicly listed securities donated when:

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- at the time they were issued and at the time of disposition, the shares of the capital stock of a corporation included a condition allowing the holder to exchange them for the publicly traded securities;

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- the publicly traded securities are the only consideration received on the exchange; and
- the publicly traded securities are donated within 30 days of the exchange.

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In cases where the exchanged property is a partnership interest (other than prescribed interests in a partnership), the capital gain will generally be the **lesser of**:

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- the capital gain otherwise determined; and
- the amount, if any, by which the cost to the donor of the exchanged interests (plus any contributions to partnership capital by the donor) exceeds the ACB of those interests (determined without reference to distributions of partnership profits or capital).

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If you donate property to a qualified donee, that is, at the time of the donation included in a **flow-through share (FTS) class of property**, in addition to any capital gain that would otherwise be subject to the zero inclusion rate discussed earlier in this section, you are deemed to have a capital gain from the disposition of another capital property equal to the **lesser of**:

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- the amount of your **exemption threshold**, at that time, in respect of the FTS class of property; and
- the total capital gains from the actual disposition.

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For more information, call **1-800-959-8281**.

If there is no **advantage** received in respect of the gift, the full amount of the capital gain is eligible for the inclusion rate of **zero**. However, if there is an advantage in respect of the gift, only a portion of the capital gain is eligible for the inclusion rate of zero. The rest is subject to an inclusion rate of **50%**.

The amount subject to the inclusion rate of **zero** is calculated using the following formula:

$$A \times (B \div C)$$

Where

**A** = the capital gain

**B** = the eligible amount of the gift

**C** = the proceeds of disposition

Report all donations of these properties on [Form T1170, Capital Gains on Gifts of Certain Capital Property](#), whether the inclusion rate is **50%** or **zero**. Report the applicable amounts calculated on this form on **line 132 and/or line 153** of [Schedule 3, Capital Gains \(or Losses\)](#).

#### **Note**

The capital gain realized on an exchange of partnership interests for publicly listed securities that are then donated should not be reported on [Form T1170](#). Instead, it should be reported directly on line 174 of [Schedule 3](#).

## Calculating your increased donation limit

If you donate cash or other property to a registered charity or other qualified donee in the year, your total donations limit will generally be **75%** of your net income for the year. However, you can increase your total donations limit if you donate **capital property** in the year. If you received an **advantage** in respect of the donation of the property, include, in your calculations, only the portion of taxable capital gains and recapture of depreciation that related to the gift portion of your donation.

To do so, complete Chart 1 below, and enter the result on [Schedule 9, Donations and Gifts](#). Your donations limit cannot exceed your net income for the year.

### Chart 1 - Gifts of capital property

Amount of current-year taxable capital gains from capital property donated in the year

\$Blank space for dollar value

#### Line 1

Amount of current-year capital gains deduction from capital property donated in the year

-Blank space for dollar value

#### Line 2

Line 1 **minus** line 2

= \$Blank space for dollar value

#### Line 3

**Enter this amount on line 339 of Schedule 9.**

You can also increase your total donations limit if you have to include a recapture of depreciation on your current-year income tax and benefit return as a result of donating the property.

To do so, complete Chart 2 below, and enter the result on Schedule 9. Your total donations limit **cannot exceed** your net income for the year.

### Chart 2 - Gifts of depreciable property

Class No. of property

Blank space for dollar value

Amount of recaptured depreciation included on your current-year return

\$Blank space for dollar value

#### Line 1

Net proceeds of disposition of the current year donated property for this class

\$Blank space for dollar value

#### **Line A**

Capital cost of the current year donated property for this class

\$Blank space for dollar value

#### **Line B**

Enter the amount from line A or line B, whichever is less.

\$Blank space for dollar value

#### **Line 2** [Footnote1](#)

Enter the amount from line 1 or line 2 whichever is less.

\$Blank space for dollar value

#### **Line 3**

**Enter this amount on line 337 of Schedule 9.**

If you included on your 2017 income tax and benefit return recaptured depreciation from more than one class, complete a separate Chart 2 for each class, add the results, and enter the total on line 337 of Schedule 9.

Footnotes

#### **Footnote 1**

If you donated more than one property in this class in the year, complete lines A and B for each property and enter the total on line 2.

For more information, see [Interpretation Bulletin IT-288, Gifts of Capital Properties to a Charity and Others](#), and [Income Tax Folio S3-F4-C1, General Discussion of Capital Cost Allowance](#).

#### **The Cultural Property Export and Import Act**

The [Income Tax Act](#) and the [Cultural Property Export and Import Act \(CPEIA\)](#) provide tax incentives to individuals who want to sell or donate significant movable cultural property to Canadian heritage institutions or public authorities.

The [Canadian Cultural Property Export Review Board \(CCPERB\)](#) is responsible under the CPEIA for certifying property as cultural property that is of "outstanding significance and national importance".

It is also responsible for determining the fair market value of such property for income tax purposes. Deemed fair market value rules may apply. For more information, see [Deemed fair market value](#).

When you donate cultural property to a designated Canadian institution or public authority and the CCPERB certifies it, you do not realize a capital gain. You may use the **eligible amount** of the gift to calculate the non-refundable tax credit.

After the CCPERB certifies your donation of cultural property, it will provide you with Form T871, Cultural Property Income Tax Certificate. However, it must first receive written confirmation from the institution or public authority that the legal transfer of ownership of the donation was made, and that the gift is irrevocable.

### **Certification of cultural property**

Cultural property may be anything from paintings and sculptures to books and manuscripts to ethnographic and decorative art material. This property does not have to be of Canadian origin.

If you want your gift to be certified under the CPEIA, you need to contact the CCPERB. For contact information for the Review Board Secretariat, see [Designated institutions and public authorities](#).

The CCPERB may determine that an object is of "outstanding significance and national importance" because of its:

- close association with Canadian history or national life;
- aesthetic qualities; or
- value in the study of the arts or sciences.

Certification by the CCPERB is only necessary if you want us to treat your donation as a gift of cultural property. It is not necessary if you want us to treat your donation as a gift to a registered charity or other qualified donee.

### **Designated institutions and public authorities**

Cultural property is eligible for certification only if the receiving institution or public authority is designated by the Minister of Canadian Heritage before the legal transfer of ownership takes place.

Designation ensures that institutions receiving cultural property have the appropriate measures in place to collect, preserve, and make cultural property accessible to the public for research or display purposes.

"Category A" designation status is granted indefinitely to institutions and public authorities that are well established and meet all of the criteria for designation.

"Category B" status is granted exclusively in relation to the proposed acquisition of a specific object or collection. The concerned institution must meet most of the criteria for designation, and prove its ability to effectively preserve the specific property for which certification by the CCPERB is desired.

If you have any questions about designation or the certification of cultural property, or if you would like to consult the CCPERB's publication called Applications for Certification of Cultural Property for Income Tax Purposes by the Canadian Cultural Property Export Review Board – Application Guide and Supplementary Information, contact the Review Board Secretariat in one of the following ways:

#### **Review Board Secretariat contact information**

<b>Telephone</b>	<b>819-997-7761</b>
<b>Toll free</b>	<b>1-866-811-0055</b>
<b>Fax</b>	<b>819-997-7757</b>
<b>Website</b>	<a href="http://Canadian Cultural Property Export Review Board (CCPERB)"><b>Canadian Cultural Property Export Review Board (CCPERB)</b></a>

#### **For more information**

#### **What if you need help?**

If you need more information about charitable tax receipts after reading this pamphlet, visit our [Charities Directorate](#).

To verify if a charity is registered under the [Income Tax Act](#), and to access its information returns, please consult the [List of charities](#).

#### **Forms and publications**

To get our forms or publications, go to [Forms and publications](#) or call **1-800-959-8281**.

#### **My Account**

The CRA's My Account service is a fast, easy, and secure way to access and manage your tax and benefit information online, seven days a week.

#### **Use My Account to:**

- view your benefit and credit payment amounts and dates;
- change your address, direct deposit information, and marital status;
- sign up for account alerts;
- check your TFSA contribution room and RRSP deduction limit;

- check the status of your tax return;
- request your proof of income statement (option 'C' print); and
- link between your CRA My Account and My Service Canada Account.

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## How to register

For information, go to [My Account](#).

## Sign up for online mail

Sign up for the CRA's online mail service to get most of your CRA mail, like your notice of assessment online.

For more information, go to [Online mail – Helping you organize your Canada Revenue Agency mail](#).

## Teletypewriter (TTY) users

If you have a hearing or speech impairment and use a TTY call **1-800-665-0354**.

If you use an **operator-assisted relay service**, call our regular telephone numbers instead of the TTY number.

## Tax Information Phone Service (TIPS)

For personal and general tax information by telephone, use our automated service, TIPS, by calling **1-800-267-6999**.

## Service complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the Canada Revenue Agency (CRA); see the [Taxpayer Bill of Rights](#).

You can file a service complaint if you are not satisfied with the service you get from the CRA.

There are three steps to resolve your service-related complaint.

### Step 1 – Talk to us first

If you are not satisfied with the service you received, you can file a service complaint. Before you do this, we recommend that you try to resolve the matter with the employee you have been dealing with or call the telephone number provided in the CRA's correspondence. If you do not have contact information, go to [Contact information](#).

If you still disagree with the way your concerns were addressed, you can ask to discuss the matter with the employee's supervisor.

### Step 2 – Contact the CRA Service Complaints Program

The CRA Service Complaints Program is for individuals and businesses. The program provides another level of review if you are not satisfied with the results from step 1 in the service complaint process. Generally, service related complaints refer to the quality and timeliness of our work.

To file a complaint with the CRA Service Complaints Program, fill out [Form RC193, Service-Related Complaint](#).

For more information on the CRA Service Complaints Program and how to file a complaint, go to [Service Complaints](#).

### **Step 3 – Contact the Office of the Taxpayers' Ombudsman**

If, after following steps 1 and 2, your service-related complaint is still not resolved, you can submit a complaint with the Office of the Taxpayers' Ombudsman.

For information about the Office of the Taxpayers' Ombudsman and how to submit a complaint, go to [Office of the Taxpayers' Ombudsman](#).

### **Reprisal complaint**

If you believe that you have experienced reprisal, fill out [Form RC459, Reprisal Complaint](#).

For more information about reprisal complaints, go to [Reprisal Complaints](#).

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/receiving-gifts/what-a-gift.html>

## **What is a gift?**

On this page, the term receipt refers to an official donation receipt.

A [qualified donee](#) (such as a registered charity, a registered Canadian amateur athletic association or a registered municipality) must consider the following questions to figure out if the donation it received can be considered a gift. If the donation is considered a gift, the qualified donee can issue a receipt to the donor.

## **Was the gift made voluntarily?**

A gift must be given freely. If a gift is made as a result of a contractual or other obligation (for example, a court order) a receipt cannot be issued.

## **Was there a transfer of property?**

A receipt can only be issued for a gift of [property](#).

A gift of service is not a gift of property and a receipt cannot be issued. For more information, go to [Gifts of services](#).

A gift certificate donated by the issuer of the certificate is not considered property and a receipt can only be issued under specific circumstances. However, if someone buys a gift certificate and then donates it to a qualified donee, it is considered property and a receipt can be issued. For more information, see [Guidance CG-007, Donation of gift certificates or gift cards](#).

A pledge or promise to make a gift is not in itself a gift. Therefore, a receipt cannot be issued. However, when the donor honors the pledge or promise by making a transfer of property, a receipt can be issued.

## Did the donor receive an advantage?

When a donor receives an [advantage](#) in return for a donation, all or part of the donation may no longer qualify as a gift. For more information, go to [Split receipting](#).

Examples of advantages include:

- a ticket to an event
- the use of property
- a dinner or performance at a fundraising event

## Did the donor ask for the gift to be directed to a specific person, family, or other non-qualified donee?

A donor cannot choose a specific beneficiary for their gift or ask the qualified donee to give the gift to another **non**-qualified donee. However, a donor can ask that their gift be used in a particular program of the qualified donee as long as there is no benefit to the donor or anyone not at [arm's length](#) to the donor. The qualified donee must be able to use the gift within the particular program as it sees fit. If the donor retains control, the donation is no longer considered a gift at law and a receipt cannot be issued.

## Was there a condition attached to the gift?

There are two types of conditions that can be attached to a gift: a condition precedent or a condition subsequent.

A **condition precedent** means that a certain condition must be met **before** the gift takes effect. For example, a donor gives \$100,000 on the condition that the qualified donee also raises \$100,000 within a certain period of time. Since a condition precedent is not a gift at law until after the condition is fulfilled, a qualified donee can issue a receipt only after the condition has been met.

A **condition subsequent** means that a condition must be met **after** the gift is made. For example, a donor gives \$200,000 to a qualified donee on the condition that the funds are used to operate a shelter for the homeless. If the condition is not met, the donor can ask the court that the \$200,000 be returned. If the court orders that the gift be returned to the donor, the qualified donee must send a letter with this information to the Canada Revenue Agency. For more information, go to [Returning a gift to a donor](#) and see [Guidance CG-016 Qualified donees – Consequences of returning donated property](#).

## What types of transactions generally do not qualify as gifts?

The following transactions do not qualify as gifts:

- [gifts of services](#) (for example, donated time, labour)
- [gift certificates](#) that the issuer donated (may qualify under specific circumstances as explained in [Guidance CG-007](#))
- a non-cash gift for which the [fair market value](#) cannot be determined
- gifts provided in exchange for [advertising or sponsorship](#)
- a gift that gives the donor an advantage whose fair market value is more than 80% of the value of the gift
- a payment for a lottery ticket or other chance to win a prize
- a court-ordered donation to a qualified donee
- the admission fee to an event or program
- membership fees that give the donor an advantage that is more than 80% of the value of the membership (for example, the right to attend events, receive literature, or services)
- a payment to cover a child's adoption fees
- the purchase of goods or services from a qualified donee
- [pledges](#)
- a [loan of property](#)
- the use of a timeshare
- the lease of premises

## References

- [P113, Gifts and Income Tax](#)
- [Policy Commentary CPC-008, Union Dues - Payment to a Registered Charity](#)
- [Policy Commentary CPC-012, Out-of-Pocket Expenses](#)
- [Policy Commentary CPC-017, Gifts of Services](#)
- [Policy Commentary CPC-018, Gifts Out of Inventory](#)
- [Policy Commentary CPC-019, Payment for Participation in a Youth Band or Choir](#)
- [Jubenville v. The Queen, 2002 \[4\] CTC 2058](#) (adoption fees)
- [Dupriez v. The Queen, 1998/06/02 \(TCC\) Docket : 97-2159\(IT\)](#) (adoption fees)
- [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#)

<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/receiving-gifts/gifts-services.html>

# Gifts of services

## Can a registered charity issue official donation receipts for gifts of services?

A charity cannot issue a receipt for a gift of service. At law, a gift is a voluntary transfer of property without consideration. Contributions of services (for example, time, skills, effort) are not property. Therefore, they do not qualify as gifts for the purpose of issuing official donation receipts.

**Registered charities cannot issue official donation receipts for gifts of services. However, they can issue receipts under the following conditions:**

- If a charity pays a service provider for services rendered and the service provider then chooses to donate the money back, the charity can issue a receipt for the monetary donation (this is often referred to as a cheque exchange). In such circumstances, these two distinct transactions **must** take place:
  - a person provides a service to a charity and is paid for that service
  - that same person makes a voluntary gift of property to the charity

A charity should also make sure that it keeps a copy of the invoice issued by the service provider. The invoice and cheque exchange not only ensure that the charity is receipting a gift of property, but they also create an audit trail, as the donor must account for the taxable income that is realized either as remuneration or as business income.

A charity should **not** issue an official donation receipt to a service provider in exchange for an invoice marked "paid." This procedure raises questions as to whether in fact any payment has been transferred from the charity to the service-provider and, in turn, whether any payment has been transferred back to the charity.

## Reference

- [CPC-017, Gifts of Services](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-commentary-017-gifts-services.html>

# Gifts of services

## Policy commentary

### Release date

March 29, 2000

### Reference number

CPC-017

### Subject

Official donation receipts - Whether gifts of services qualify as charitable donations

### Purpose

To clarify the Directorate's policy regarding gifts of services.

### Commentary

1. The Income Tax Act currently permits a registered charity to issue official donation receipts for income tax purposes for donations that legally qualify as gifts.
2. Contributions of services, that is, of time, skills or efforts, are not property, and therefore they do not qualify as gifts for purposes of issuing official donation receipts. Accordingly, a charity cannot issue an official donation receipt for services rendered free of charge. However, it may be possible to issue a receipt when a right to reimbursement for any actual expense incurred on behalf of a registered charity has been established. For more information, go to [Policy commentary CPC-012, Out-of-pocket expenses](#).
3. A charity may issue an official donation receipt if a person provides a service to the charity, the charity pays for the service, and the person then returns the payment to the charity as a gift. In such circumstances, two transactions have taken place, the first being the provision of a service and the payment flowing therefrom, and the second being a gift proper.
4. The parties should be advised to proceed by way of an exchange of cheques. This ensures the presence of an audit trail, as the donor must account for the taxable income that would be realized either as remuneration (in which case the charity may also be required to issue a T4 slip) or as business income.
5. A charity should not issue an official donation receipt to a service-provider in exchange of an invoice marked "paid." While this procedure does establish an audit trail, it raises questions as to whether in fact any payment has been transferred from the charity to the service-provider which in turn is being gifted back to the charity.

### References

- [Interpretation Bulletin IT-110, Gifts and Official Donation Receipts](#)
- [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/receiving-gifts/returning-a-gift-a-donor.html>

# Returning a gift to a donor

## Can a registered charity return a gift to a donor?

In most cases, a registered charity cannot return a donor's gift. At law, a gift transfers ownership of the money or other gifted property from the donor to the charity. Once the transfer is made, the charity is obliged to use the gift in carrying out its charitable purposes.

However, a charity may try to retain the goodwill of donors seeking the return of their gifts by offering to transfer the gifted property to another registered charity.

## When a registered charity must return gifts to donors

A charity is occasionally obliged by law to return gifts to donors. This can happen, for instance, when a charity asks the public to contribute to a special project and later events make it impossible to carry out the project. Under certain laws, ownership of the gifted property can revert to the donors if the project becomes impossible to fulfill.

The return of gifts to donors falls more appropriately under trust law than the Income Tax Act and is ultimately a matter for a court to decide. A charity may wish to consult legal counsel in these instances. We also strongly suggest that the charity, or its legal counsel see [Guidance CG-016, Qualified donees - Consequences of returning donated property](#) if it appears that the charity may have to return gifts to donors.

## How to avoid having to return gifts to donors

When a charity is seeking funds for a special project, we recommend that the charity clearly inform donors, and/or state in its fundraising material, before accepting any donations, what it will do with the money if the project cannot be carried out or if more money is collected than the project requires. The charity could state, for example, that it will apply any unused donations to its other programs.

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/guidance-016-qualified-donees-consequences-returning-donated-property.html>

## Qualified donees – Consequences of returning donated property

## Guidance

### Reference number

CG-016

### Issued

October 19, 2012

## Summary

Qualified donees that return property after March 21, 2011, must file an information return if an official donation receipt was issued for the original property, and if the returned property has a fair market value of more than \$50. The information return must be filed within 90 days after the day the property is returned. This allows the Canada Revenue Agency (CRA) to disallow a tax credit or deduction that was claimed in a prior year in relation to the returned property.

## General caution

These provisions do not address whether a transfer of property to a qualified donee was a gift at law, nor do they confirm whether a qualified donee can legally return a gift. Before returning donated property, qualified donees should determine if other provincial or federal legislation may affect their ability to legally return donated property.

## Caution for registered charities

In rare and unique circumstances, there may be a legal requirement for a donee to return a gift. As a general rule, however, a registered charity cannot return a gift. The Income Tax Act requires a registered charity to devote its resources exclusively to its charitable purposes and activities, and prohibits it from making gifts to non-qualified donees. So, a registered charity that returns donated property could be regarded as making a gift to a non-qualified donee, or providing an undue benefit, which are contraventions of the Act and could result in [sanctions](#) that include revocation of registered status. Registered charities are also subject to provincial and other federal legislation, as well as common law, particularly the law of trusts, all of which might affect their ability to legally return donated property to donors.

## Commentary

A qualified donee that issued an official donation receipt and later returns donated property must file an information return with the CRA if the fair market value of the property is greater than \$50 when it is returned, and the property is returned after March 21, 2011. The information return must be filed within 90 days after the day the property is returned. The qualified donee must also give the donor a copy of the information return.

This provision applies whether the property returned is:

- the same property that was donated
- property that is identical to the donated property
- a substitute for the donated property

This provision does not apply if property is transferred to a donor as reasonable consideration or payment for another property or services.

## Contents of the information return

The information return is simply a letter that must include all of the following information:

- a description of the returned property
- the fair market value of the returned property at the time it is returned
- the date on which the property is returned
- the name and address of the person that the property is being returned to including, in the case of an individual, their first name, initial, and last name
- the information contained in the original donation receipt, or a duplicate copy of the original receipt, if the property is being returned by the qualified donee that originally issued the receipt or a person not at arm's length with the qualified donee

Send the completed return to:

Audit Section  
Compliance Division  
Charities Directorate  
Canada Revenue Agency  
Ottawa ON K1A 0L5

## Implications for donors

A donor's income tax return may be reassessed for any claim that can reasonably be regarded as relating to the returned property. Consequently, the portion of the charitable donation tax credit or deduction related to the property may be disallowed. Other consequential adjustments may also be made to the return if applicable (for example, to address the original disposition of the property).

## References

- Income Tax Act, ss. 149.1, 110.1(14) to (17), 118.1(25) to (28), 168(1)(c), 188.1 and Reg. 3501.1

## Sample information return for donated property returned by a qualified donee

This sample is for reference only. Your return does not have to appear exactly as presented, but it must contain all the required information.

Audit Section, Compliance Division  
Charities Directorate  
Canada Revenue Agency  
Ottawa ON K1A 0L5

August 23, 2012

### Subject: Information return for donated property returned by a qualified donee

Dear Sir/Madam:

On June 15, 2012, ABC charity, BN 123456789 RR0001 returned donated property with a fair market value over \$50 on that date. We are filing this information return for the returned property as required under the Income Tax Act.

**We are returning the donated property because...**

[Although it is not required under this provision, the qualified donee can include the reason they returned the property. For registered charities, in particular, this will allow the CRA to determine if there are additional tax issues that need to be addressed.]

**The required information relating to the returned property is listed below:**

- description of returned property: 10 shares of Pubco
- fair market value of the returned property at the time it was returned: \$1,500
- date the property was returned: June 15, 2012
- name of the person the property was returned to: John W. Doe
- address of the person the property was returned to: 456 Any Street, Ottawa ON A1A 2B2

We issued the original donation receipt and the information contained in that receipt (or a copy of the receipt) is included below:

- receipt #: 0001
- name of charity: ABC Charity
- Canadian charity address: 789 Anywhere Lane, Unit 2, Ottawa ON A1A 2C2
- charity BN/registration#: 123456789 RR0001
- date donation received: April 5, 2010
- donor name: John W. Doe
- donor address: 456 Any Street, Ottawa ON A1A 2B2
- eligible amount of gift for tax purposes: \$1,600 (fair market value of property)
- description of property received by charity: 10 shares of Pubco
- appraiser name: Bob D. Assessor
- appraiser address: 123 New Street, Ottawa ON A1A 3C3
- date receipt issued: May 6, 2010
- location issued: Ottawa
- authorized signature: Gerry C. Friend, treasurer

If you require additional information, please contact me at 613-123-4567.

Sincerely,

Jane Q. Smith  
President, ABC Charity

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-commentary-009-official-donation-receipts-a-newly-registered-charity.html>

# Policy Commentary

## Release Date

October 4, 1993

## Reference Number

CPC - 009

## Subject

*Official donation receipt - Whether official donation receipts can be issued by a newly registered charity for gifts received prior to the effective date of registration*

## Purpose

To clarify the Directorate's policy regarding official donation receipts issued by a newly registered charity.

## Commentary

1. Where a registered charity's objects and activities are charitable throughout the year, the charity may issue official donation receipts for all cash gifts it received in the calendar year during which it was registered.
2. A registered charity cannot issue an official donation receipt for a gift-in-kind received prior to the charity's effective date of registration. Regulation 3501(1) requires a registered charity to enter on the official donation receipt the day on which the gift-in-kind was received. For example, an organization's effective date of registration is March 1, 1993. The organization received a gift-in-kind on January 12, 1993. Since the gift was received prior to the organization's effective date of registration, a receipt cannot be issued for the gift-in-kind.

## References

- *Income Tax Regulations, C.R.C. 1978, c. 945, ss. 3501(1)*

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/donation-gift-certificates-gift-cards.html>

# Donation of gift certificates or gift cards

## Guidance

### Reference number

CG-007

**Issued**

August 15, 2011

This guidance replaces Policy statement CPS-018, Donations of gift certificates.

**Summary**

Registered charities can issue official donation receipts for income tax purposes for the eligible amount of gifts of gift certificates and gift cards under specific circumstances. This guidance outlines the Directorate's policy on these circumstances.

**1. Definitions**

**Eligible amount:** The eligible amount of a gift is, under the split-receipting rules, the amount by which the fair market value of the gift exceeds the amount of the advantage. The amount of the advantage is generally the value, at the time the gift is made, of any property, service, compensation, or other benefit received, or expected to be received in the future, as partial consideration for, or in gratitude for the gift. Generally, for the purposes of determining the eligible amount of the gift, the fair market value of a property that is the subject of a gift is deemed to be the lesser of the fair market value of the property, otherwise determined, and the cost of the property immediately before the gift is made if the donor acquired the property less than three years before the day the gift is made.

**Gift certificate:** a certificate with a clearly stated monetary value that entitles the recipient to purchase goods and/or services in the issuer's establishment.

**Gift card:** a card that has a clearly ascertainable monetary value that entitles the recipient to purchase goods and/or services in the issuer's establishment.

**Holder:** person who has acquired a gift certificate. A holder cannot be an issuer.

**Issuer:** the person (individual, retailer, business) that creates a gift certificate or a gift card redeemable for goods and/or services from that person. An issuer cannot be a holder.

For purposes of this policy statement, "gift certificate" and "gift card" are collectively referred to as "gift certificates."

**2. Application**

**2.1.** Registered charities often accept gift certificates and use them in fundraising events, such as auctions and raffles, or to acquire goods or services for use in their charitable activities.

**2.2.** A charitable donation must involve a transfer of property of any kind, real or personal, corporeal or incorporeal, which includes rights. A right is a legally enforceable claim by one person against another. Whether the donation of a gift certificate constitutes a transfer of property depends on the particular circumstances.

**2.3.** A gift certificate can be considered to be a promise from a merchant to supply goods and/or services in an amount equal to the dollar value of the certificate. A gift certificate constitutes property and a right, but only if the promise is enforceable, that is, only when the certificate is issued for consideration.

**2.4.** Registered charities may issue an official donation receipt for a gift certificate only in the following situations:

- a) when the holder of a gift certificate that has been issued for consideration (the terms of which permit its assignment) donates the gift certificate to a registered charity, the charity may issue an official receipt to the donor for the eligible amount of the gift
- b) when the issuer of a gift certificate donates it to a charity for **no** consideration, the registered charity can only issue an official receipt at the time the charity receives property when it redeems the gift certificate. The official receipt may be issued for the eligible amount of the gift of the property to the charity by the issuer
- c) when the issuer of a gift certificate gives it to a charity for partial consideration, the charity may issue an official receipt to the donor for the eligible amount of the gift

A receipt that the charity issues should specify the nature of the property it received in exchange for the gift certificate, as well as the eligible amount of the gift.

**2.5.** Registered charities **cannot** issue official donation receipts for gift certificates they receive directly from the issuer for no consideration. However, when these gift certificates are redeemed for property, official donation receipts can then be issued as stated above in 2.4.(b).

### **3. Examples**

#### **3.1. Holder owns a gift certificate and donates it to a charity**

When a gift certificate has been issued for consideration and the terms permit its assignment, upon donating the gift certificate to a registered charity, a holder who has purchased or otherwise acquired a gift certificate, can receive an official donation receipt for the eligible amount of the gift.

#### **3.2. Issuer donates a gift certificate to a charity for no consideration**

When the issuer transfers a gift certificate directly to a charity for no consideration, there has not been a valid transfer of property as noted in paragraph 2.2 above. As a result, the issuer is not entitled to an official donation receipt at the time the transfer is made. In this scenario, the issuer does not realize any income for having transferred the gift certificate since the transfer does not constitute a transfer of property. The issuer may be eligible for an official donation receipt if the charity redeems the certificate for property. Therefore, to be eligible for a receipt, redemption of the certificate must result in a transfer of property that would otherwise have constituted a gift. A receipt cannot be issued if the charity redeems the gift certificate for a contribution of services, such as time, skills, or effort, because these are not property and do not qualify as charitable donations.

In this scenario, once the charity redeems the certificate, the issuer of the gift certificate will realize income equal to the value of the property gifted. Generally, when the issuer is carrying on a business and the property gifted is inventory, the issuer can deduct an amount equal to the cost of goods gifted. (see [CPC-018, Gift Out of Inventory](#)) The charity may issue a receipt for the eligible amount, which is the amount by which the fair market value of the property received from redeeming the certificate exceeds any advantage received by the donor. Generally, for the purposes of determining the eligible amount of the gift and determining the value of the property gifted for purposes of the income inclusion noted above, the fair market value of a property that is the subject of a gift is deemed to be the lesser of the fair market value of the property otherwise determined and the cost of the property immediately

before the gift is made if the donor acquired the property less than three years before the day the gift is made. There are certain exceptions to these rules including the gifting of inventory.

### **3.3. Issuer gives a gift certificate to a charity for consideration**

When the gift certificate is issued to the registered charity for consideration equal to the fair market value, the issuer must include the consideration received in their income. Since the consideration the issuer receives constitutes an advantage, the eligible amount of the gift will be NIL. Therefore, no receipt should be issued. When the issuer is carrying on a business and the property gifted is inventory, the issuer will generally be entitled to deduct an amount equal to the cost of inventory sold when the gift certificate is redeemed.

If the consideration is less than the fair market value of the certificate, the issuer must include the fair market value of the certificate in income. However, the registered charity may issue an official receipt for the eligible amount of the gift. Again, when the issuer is carrying on a business and the property gifted is inventory, the issuer will generally be entitled to deduct an amount equal to the cost of inventory sold when the gift certificate is redeemed.

### **3.4. Charity transfers an issuer donated gift certificate to a third party**

When the issuer donates a gift certificate directly to a charity, and the charity transfers the certificate to a third party (for example, at an auction or a raffle), the redemption of the gift certificate by the third party does not entitle the issuer to a receipt. The honouring of the gift certificate by the retailer cannot transform the character of the original transfer of the gift certificate to the charity into a gift. Each transaction must be viewed independently when determining whether a gift has been made.

In this scenario, no income is realized for the donation and no donation deduction or tax credit can be claimed. However, when the issuer has donated and redeemed a gift certificate for inventory for the purpose of earning income in its business, a deduction is generally available for the cost of the goods.<sup>1</sup>

## **4. Value of a gift certificate**

In some instances, the fair market value of a gift certificate may not be the equivalent of its face value. Factors that may affect the fair market value of the gift certificate include:

- the flexibility of the certificate—does the certificate expire after a certain time, is it usable only within a specific timeframe, does it restrict the purchaser to specific merchandise within the store
- its usefulness—does the retailer offer merchandise for the amount of the gift certificate, or will the certificate account for a portion of regular selling property (for example, a \$50 gift certificate at a car dealership)

## 5. Information that must appear on official donation receipts

A registered charity must ensure that the official donation receipts it issues comply with the requirements of the Income Tax Act. The requirements are listed in the [Issuing receipts](#) section of the Charities and giving webpages.

### References

- Income Tax Act, R.S.C. 1985, (5th supp.) c.1. s.248(1)
- [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#)

### Footnotes

#### Footnote 1

Section 9 of the Income Tax Act

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/receiving-gifts/pledges.html>

## Pledges

### ***Can a charity issue official donation receipts for pledges?***

**No.** A pledge or promise to make a gift is not in itself a gift. Therefore, a registered charity cannot issue an official donation receipt for a pledge. However, when a donor honours a pledge, by making a voluntary transfer of property, a donation receipt can be issued.

### ***Is a pledge enforceable?***

**No.** Generally, a pledge does not constitute a contract, and is not enforceable.

### References

- [Registered Charities Newsletter No. 22 - Spring 2005](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/receiving-gifts/anonymous-gifts.html>

## Anonymous gifts

### Can a registered charity receipt an anonymous gift?

Under the Income Tax Act, an official donation receipt must show the name and address of the donor (and for an individual, his or her first name and initial).

However, the Canada Revenue Agency has made an administrative decision to allow registered charities to issue official donation receipts for anonymous gifts if the following procedures are followed:

- the donor establishes an agency or trust agreement to make the anonymous gift
- the donor appoints an agent for the purpose of making a gift on behalf of the donor
- the agent agrees to hold the funds in trust for the donor
- the donor directs the agent to make a gift to a registered charity on the donor's behalf
- the agent agrees to direct the registered charity to issue a receipt in the amount of the gift in the name of the agent in trust
- the agent agrees to deliver the receipt to the donor for the purpose of establishing the details of the donation

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/receiving-gifts/sponsorship.html>

## Sponsorship

### What is sponsorship?

Sponsorship occurs when a business makes a donation toward the cost of a charity's activity or event and, in return, the charity advertises or promotes the business's brand, products or services.

# Can a registered charity acknowledge a business for its donation and still issue that business an official donation receipt?

If a business receives the same level of recognition as all other donors, with no special treatment, and the recognition is minimal (for example, a simple acknowledgment), the charity can issue the business a receipt for the full amount of the donation.

If a business receives special recognition for its donation, or if it receives more than minimal recognition (for example, banners or advertising of products), this is considered sponsorship. Sponsorship is an advantage and its fair market value is generally deducted from the amount of the donation for receipting purposes. It is difficult, if not impossible, to calculate the value for sponsorship. When the value cannot be calculated, the charity **cannot** issue the business an official donation receipt. In this case, the business may choose to claim the donation as an **advertising expense**.

## Factors to consider in sponsorship situations

Sponsorship situations are unique and should be looked at individually. Here are some of the factors to consider:

- **Source:** Is the donation from an individual or a business?

Generally, individuals will not benefit financially from name recognition. If the recognition does constitute a benefit, it will have little value. There may be exceptions. For example, if the donor's name is closely associated with a business, using the donor's name may provide a valuable benefit to the business.

- **Purpose:** Is the purpose of the donation to get recognition?
- **Contracting:** Is there a written or unwritten understanding that shows the donor expects and will receive a benefit in return for the donation?
- **Naming:** How is the donor being acknowledged (for example, newsletters, plaques, cards)? If the acknowledgement is in a newsletter or similar publication, is the publication available only to members of the charity or is it available to the general public?
- **Valuation:** Can the value of the recognition (for example, promotion, advertising, sponsorship) be calculated?

## Other factors to keep in mind

Under the split-receipting rules, the value of all advantages must be calculated in order to issue a receipt for the eligible amount of a gift.

- If the value of all advantages cannot be calculated, the charity cannot issue the donor a receipt.

- If the value of all advantages is more than 80% of the value of the gift, the Canada Revenue Agency generally considers that there is no true intention to make a gift. Therefore the charity cannot issue the donor a receipt.

## Scenarios

### Scenario 1

Dan Green's Used Cars Ltd. gives a corporate donation to the local theatre company (a registered charity) to help offset production costs. The theatre company has a seasonal brochure where all donors are thanked for their support. They include "Dan Green's Used Cars Ltd." in the alphabetical list of donors. Neither Mr. Dan Green (the owner) nor the dealership will receive any other benefits.

**Q.** Can the theatre company issue an official donation receipt to Dan Green's Used Cars Ltd. for its donation?

**A.** Yes. The car dealership is simply being recognized along with all the other donors without any special recognition. Since the dealership is not being distinguished from the other donors, the theatre company can issue an official donation receipt to Dan Green's Used Cars Ltd. for its donation.

### Scenario 2

Sam Reed's Hardware Store agrees to be the major sponsor for ABC charity's walk-a-thon fundraiser. In return for a \$5,000 donation, the store's brand will be identified as the major sponsor on all advertising, banners, and the participants' T-shirts.

**Q.** Can ABC charity issue an official donation receipt to Sam Reed's Hardware Store for its donation?

**A.** Unlikely. The hardware store is getting advertising and promotional benefits for its sponsorship. The charity must be able to calculate the value of these advantages in order to issue a receipt. When the value is unknown, the charity cannot determine the eligible amount of the gift. In this case, the hardware store may choose to claim the donation as an advertising expense.

### Scenario 3

Jill Roy is an employee at a local bakery. When she hears about ABC charity's walk-a-thon fundraiser, she agrees to donate \$250 to sponsor a water station. At the water station, there will be a sign saying, "Thank you Jill Roy for sponsoring this water station."

**Q.** Can ABC charity issue an official donation receipt to Jill Roy for her \$250 donation?

**A.** Yes. Although Jill will receive some social recognition for her gift, she will receive no material advantage and neither will her employer, who is not mentioned on the sign. Therefore, ABC charity can issue an official donation receipt to Jill for her donation.

### Scenario 4

Sara Brown's Nail Salon is the only nail salon in town and is advertised heavily in social media. Miss Sara Brown donates \$300 to sponsor a water station at ABC charity's walk-a-thon. She gives the \$300

donation out of her personal bank account, and the sign at the water station says, “Thank you Sara Brown for sponsoring this water station.”

**Q.** Can ABC charity issue an official donation receipt to Sara Brown for her \$300 donation?

**A.** Unlikely. Sara Brown’s name is very closely associated with her well-recognized nail salon. Her business stands to benefit from the publicity, even though she sponsored the water station through her own income. The charity must be able to calculate the value of this advantage to issue a receipt. When the value is unknown, the charity cannot determine the eligible amount of the gift.

## References

- Income Tax Act, R.S.C. 1985 (5<sup>th</sup> supp.) c. 1, ss. 248(31) and (32)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/cause-related-marketing.html>

## Cause-related marketing

On this webpage, receipt refers to an official donation receipt.

Cause-related marketing is a fundraising activity where a registered charity (or other qualified donee) works with a for-profit partner to promote the sale of the for-profit partner’s items or services on the basis that part of the revenues will go to the registered charity.

The benefit the for-profit partner receives from this type of arrangement is considered an advantage. For the charity to issue a receipt for a donation made as a result of cause-related marketing, it must be able to calculate the value of any advantage the donor received. The value of the advantage is generally subtracted from the amount of the donation to calculate the eligible amount of the gift for the receipt. See Other factors to keep in mind for some exceptions.

## Example

Can the charity issue a receipt to the retail company for its donation?

**Unlikely.**

Although the amount received by the charity is clear, the amount of the retail company's advantage is not. The retail company's reputation is being improved and its sales have increased, but it is unclear how much is because of the arrangement with the charity. The charity must be able to calculate the value of all advantages before it can issue a receipt to the retail company for the eligible amount of the gift. When the total value of all advantages cannot be calculated, the charity cannot issue a receipt.

In this case, however, the retail company may be able to claim the donation as an advertising expense.

Image description

Example:

A major retail company agrees to donate a percentage of its sales to a charity. The retail company and the charity promote the arrangement on their websites. The charity receives \$20,000 in the first year of the arrangement. The retail company increases its sales and its reputation is improved.

Q. Can the charity issue a receipt to the retail company for its donation?

A. Unlikely. Although the amount received by the charity is clear, the amount of the retail company's advantage is not. The retail company's reputation is being improved and its sales have increased, but it is unclear how much is because of the arrangement with the charity. The charity must be able to calculate the value of all advantages before it can issue a receipt to the retail company for the eligible amount of the gift. When the total value of all advantages cannot be calculated, the charity cannot issue a receipt.

In this case, however, the retail company may be able to claim the donation as an advertising expense.

## Other factors to keep in mind

### Intention to make a gift threshold

If an advantage is more than 80% of the amount gifted to the charity, the Canada Revenue Agency generally considers that there is no true intention to make a gift. Therefore, the charity cannot issue a receipt.

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/receiving-gifts/gifts-other-registered-charities.html>

# Gifts from other registered charities

A registered charity should **not** issue official donation receipts for gifts (cash or gifts in kind) it receives from other registered charities nor should other registered charities insist on receiving official donation receipts. Official donation receipts that bear a charity's registration number and other information are required for tax deduction or credit purposes only; registered charities do not pay income tax and, therefore, do not need a donation receipt.

A charity can acknowledge gifts received from other registered charities by way of a letter or ordinary receipt - one that does not state that it is an official receipt for income tax purposes.

The charity should still provide its [registration number](#) to donor charities for their reporting requirements.

## Related topic

- [Disbursement quota calculation](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/does-a-registered-charity-have-issue-official-donation-receipts-gifts-receives.html>

# Does a registered charity have to issue official donation receipts for gifts it receives?

**No.** Receipting carries with it a certain administrative burden. Therefore, registered charities may choose to issue receipts according to certain criteria, or they may choose not to issue receipts at all.

Some registered charities set minimum donation thresholds for receipting. Others do not provide receipts during certain fundraising events.

Remember that donors cannot claim a charitable tax credit or deduction unless they are issued an official donation receipt. Therefore, registered charities are strongly advised to make potential donors aware of any circumstances in which a receipt will not be issued.

## Related topics

- [What is a gift?](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/when-should-a-charity-issue-a-receipt.html>

## When should a charity issue a receipt?

There is no requirement in the Income Tax Act for a registered charity to issue an official donation receipt or that it issue a receipt within a certain timeframe.

The Canada Revenue Agency suggests that registered charities issue receipts by February 28 of the calendar year that follows the year of the donation. This allows individual taxpayers to claim their donations on their annual income tax returns.

A registered charity may issue receipts periodically through the year or, for cash donations, issue one cumulative receipt for the year.

A separate receipt must be issued for each gift in kind (non-cash) donation.

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/what-you-need-know-issue-official-donation-receipt.html>

## What you need to know to issue an official donation receipt

### Is the donation a gift?

To issue an official donation receipt, a registered charity must determine whether or not the donation constitutes a gift (see [What is a gift](#)).

#### Who is the donor?

A registered charity can only issue an official donation receipt to the individual or organization that made the gift, and the name and address of the donor must appear on the receipt. A charity cannot issue an official donation receipt in the name of anyone but the true donor.

[Graphic educational tool: Who is the true donor? \(PDF\)](#)



# WHO IS THE TRUE DONOR?



## SCENARIO 1



Your charity receives a cash donation by cheque from Albert Smith.

The name on the cheque is Albert Smith.

### WHO IS THE TRUE DONOR?

Albert Smith is the true donor, and you can issue an official donation receipt in his name.

### WHAT IF THERE ARE TWO NAMES ON THE CHEQUE?

MATTEO RENDA  
EMILIA RENDA



Matteo Renda

### WHO IS THE TRUE DONOR?

- a. Matteo Renda
- b. Emilia Renda
- c. Both

All the choices are correct. When people make a donation using their joint account, you can write one or both of their names on the donation receipt.



## SCENARIO 4



Chun has a party at her house. She tells her friends that she is collecting funds for your registered charity and asks them to donate. Chun raises \$45.

The next day she takes this cash to your charity and asks for a donation receipt.

### CAN YOU ISSUE A DONATION RECEIPT TO CHUN FOR \$45?

No. Chun's friends knew that they were donating to your charity. The friends are the true donors.

Since Chun doesn't know who put money in the box, you cannot name the true donors, and hence cannot issue a receipt.

## SCENARIO 2



Miguel and Hanna own Clean It Yourself, a laundromat. Hanna donates a used washing machine from the laundromat to your charity.

The fair market value of the used machine is \$100. Hanna asks you to put her name on the donation receipt.



### WHO IS THE TRUE DONOR?

- a. Hanna
- b. The business Clean It Yourself

Since the used washing machine is the property of Clean It Yourself, the business is the true donor. Unless the business can give you written evidence that Hanna bought the washing machine from Clean It Yourself using her funds, you cannot issue a tax receipt to Hanna.

## SCENARIO 3



A grocery store asks customers to donate to a charity as they go through the check-out. The store then donates the amount collected to your charity.

### CAN THE STORE GET A RECEIPT FOR THE AMOUNT DONATED TO THE CHARITY?

No. When a store collects donations from customers for a registered charity, it is the customers who are making the donations, not the store.

The customers are the true donors.

## SCENARIO 5



Two brothers co-own property and decide to donate the property to your charity. The fair market value of the land is \$200,000.



### WHO IS THE TRUE DONOR?

According to the property title, each brother owns 50% of the land. Both brothers are true donors.

### DO YOU ISSUE ONE OR TWO DONATION RECEIPTS?

You issue two donation receipts, one to each brother. Each receipt will reference the full value of the property and identify the donation as being 50% of the full value, or \$100,000.

### NOTE:

You need to have evidence of the true donor for every receipt you issue. The Canada Revenue Agency may ask you for this.

## What is the eligible amount of the gift for receipting purposes?

Once a registered charity has determined that a gift has been made, it must determine the eligible amount of that gift for receipting purposes in order to issue an official donation receipt.

To determine the eligible amount of a gift, a charity must know:

- The fair market value of the donated property
- The fair market value of any advantage provided to the donor

Before the charity can issue an official donation receipt, any advantage must normally be deducted from the fair market value of the donation.

### Determining fair market value of gifts in kind (non-cash gifts)

## What is the date of donation?

The date of donation is the date the gift is actually received by the charity. However, when a charity receives a donation by mail, the Canada Revenue Agency considers the date of donation to be the date of the postmark on the envelope. The charity should keep the stamped envelope as part of its books and records.

## References

- [When should a charity issue a receipt?](#)
- [CPC-010, Issuing a receipt in a name other than the donor's](#)
- [P113, Gifts and Income Tax](#)
- [Registered Charities Newsletter No. 24 - Late Summer 2005](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/what-information-must-on-official-donation-receipt-a-registered-charity.html>

# What information must be on an official donation receipt from a registered charity?

## Note

To find out what information must be on official donation receipts from other qualified donees, go to [Other organizations that can issue donation receipts \(qualified donees\)](#).

The information on an official donation receipt must be readable and not easily altered.

## Receipts for cash gifts must have the following:

- a statement that it is an official receipt for income tax purposes
- the name and address of the charity as on file with the Canada Revenue Agency (CRA)
- a unique serial number
- the registration number issued by the CRA
- the location where the receipt was issued (city, town, municipality)
- the date or year the gift was received
- the date the receipt was issued
- the full name, including middle initial, and address of the donor
- the amount of the gift
- the amount and description of any [advantage](#) received by the donor
- the [eligible amount of the gift](#)
- the signature of an individual authorized by the charity to acknowledge gifts
- the name and website address of the CRA

## Receipts for non-cash gifts (gifts in kind) must also include:

- the date the gift was received (if not already included)
- a brief description of the gift received by the charity
- the name and address of the appraiser (if the gift was appraised)

The amount of a non-cash gift must be its [fair market value](#) at the time the gift was made.

For examples of receipts, see [Sample official donation receipts](#).

### Related topics

- [Registration number](#)
- [Deemed fair market value rule](#)
- [Determining fair market value of gifts in kind \(non-cash gifts\)](#)

### References

- [Policy Commentary CPC-010, Issuing a Receipt in a Name Other than the Donor's](#)
- [Policy Commentary CPC-015, Charity's Address](#)

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# Issuing a receipt in a name other than the donor's

## Policy commentary

### Release date

February 21, 1994

### Reference number

CPC-010

### Subject

Official donation receipt - Whether receipts can be issued in a name other than the donor's

### Purpose

To clarify the Directorate's policy regarding official donation receipts.

### Commentary

1. It is a question of fact whether property donated from one individual to a registered charity is the property of that individual and/or another. An individual can act as trustee or agent for another in making a gift to a registered charity. For example, a corporation may issue a cheque to a registered charity representing contributions collected from its employees. Although the corporation's name appears on the cheque, the property donated was, in fact, that of the corporation's employees.
2. Where a charitable donation is provided by way of a cheque written on an account held jointly by spouses, that is both names appear on the cheque, the charity can issue the official donation receipt in either or both names, regardless of how the cheque is endorsed.
3. Where a registered charity receives a cheque from a corporation and is subsequently asked to issue the official donation receipt in the name of an individual who controls the corporation, the charity must refuse to issue the receipt to the individual. The charity may only issue a receipt to the individual if there is evidence to show that the individual is the true donor, for example, the donation is by way of that individual's personal cheque or by way of the corporation making the donation in the name or on behalf of the individual (for example, a corporation accounts for the donation from a shareholder in the shareholder's account). This guideline also applies to a gift from a partnership in which both spouses are business partners.
4. In other circumstances, where the provider of the gift asks the charity to issue an official donation receipt in another name and there is no obvious indication as to the true donor, the registered charity must be reasonably sure that the name it records on the receipt is that of the true donor. In these

circumstances, the charity should request a written declaration as to the identity of the true donor from the party providing the donation.

## References

- [Interpretation Bulletin IT-297, Gifts in Kind to Charity and Others](#)
- Income Tax Regulations, C.R.C. 1978, c. 945, ss. 3501(1)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-commentary-015-charitys-address.html>

# Charity's address

## Policy commentary

### Release date

October 21, 1998

### Reference number

CPC-015

## Subject

Official donation receipts - Whether the registered charity's address required on an official donation receipt can be a post office box, rather than a physical address

## Purpose

To clarify the Directorate's policy regarding the content of official donation receipts.

## Commentary

1. Section 3501 of the Income Tax Regulations, provides for the content of official donation receipts issued by registered charities. Paragraph 3501(1)(a) refers to an address "as recorded with the Minister."
2. When applying for registration, many charities provide both a street address and post office box number. In some cases, the books and records of the charity change locations from year to year, essentially residing with the current treasurer of the charity and therefore affecting the actual street address of the charity for the Canada Revenue Agency's purposes. It is therefore more economical for the charity to have receipts printed showing a post office box rather than a street address.
3. Certain charities, such as shelters for battered women, have an interest in not disclosing the location where they operate.

4. Since the Canada Revenue Agency already has on file the physical location of the charity's books and records, the use of a post office box on a charity's official donation receipts is acceptable for income tax purposes.

## References

- Income Tax Regulations, C.R.C. 1978, c. 945, para. 3501(1)(a)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/determining-fair-market-value-gifts-kind-non-cash-gifts.html>

# Determining fair market value of gifts in kind (non-cash gifts)

## What is fair market value (FMV)?

Fair market value is normally the highest price, expressed in dollars, that property would bring in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other.

## Why is it important to understand the fair market value?

If a receipt is being issued for a gift in kind (non-cash gift), it must reflect the fair market value of the gift.

Registered charities must usually deduct the FMV of any advantages from the FMV of gifts to determine if there is an eligible amount of a gift for receipting purposes (see Split receipting).

When the FMV at the time of donation, of either a gift in kind or of an advantage cannot be determined, an official donation receipt cannot be issued.

The onus is on charities to ensure that the fair market value reflected on official donation receipts is accurate.

## How does a registered charity determine the fair market value of a gift in kind?

Generally, if the fair market value of the property is less than \$1,000, a member of the registered charity, or another individual, with sufficient knowledge of the property may determine its value.

The person who determines the fair market value of the item should be competent and qualified to evaluate the particular property being donated.

If the fair market value is expected to be more than \$1,000, we strongly recommend that the property be professionally appraised by a third party (that is, someone who is not associated with either the donor or the charity).

If the property is appraised, the name and address of the appraiser must be included on the official donation receipt.

### Note

If the property was donated within ten years of acquisition or was acquired through a tax shelter arrangement, the "deemed fair market value rule" may also apply.

## What is an advantage and how does a registered charity determine the fair market value of an advantage?

An advantage is what a donor may receive in return for his or her donation (for example, a meal, tickets to a show), and it must be taken into consideration when determining the eligible amount of a gift for receipting purposes.

Determining the fair market value of an advantage is similar to determining the fair market value of a gift in kind. However, while only donations of property can be receipted as gifts in kind, the fair market value of any type of advantage (for example services, accommodation, meals) must be taken into consideration when determining the eligible amount of a gift for receipting purposes.

If the value of the advantage is 80% or less of the fair market value of the donation, then a receipt may be issued for the difference (see Split receipting).

If the value of the advantage is greater than 80% of the value of the donation, no gift is deemed to have been made, and a receipt cannot be issued.

If the value of an advantage is not more than \$75 or 10% of the value of the donation, whichever is less, it is considered nominal (de minimis), and it need not be deducted from the amount of the gift for receipting purposes.

If the FMV of the advantage cannot be determined, a receipt cannot be issued.

### Example

An individual donates \$500 to a charity and, in appreciation, the donor receives two theatre tickets worth a combined value of \$90 from the charity. The following calculations are used to determine the eligible amount of the gift for receipting purposes:

- **Nominal threshold:** 10% of \$500 is \$50.  
Therefore the advantage must be \$50 or less to be considered de minimis.
- **Advantage threshold:** 80% of \$500 is \$400.  
Therefore the advantage must be less than \$400 for a receipt to be issued.

In this example, the advantage is not de minimis, and must be deducted from the value of the gift. However, the value of the advantage does not exceed 80% of the value of the donation, so a receipt can be issued.

The eligible amount for which a receipt can be issued is **\$500 - \$90 = \$410.**

## Possible advantages include:

- property (for example, cash, non-cash gifts)
- the use of or enjoyment of property
- the provision of services
- other benefits (for example, assumption of debt by donee, sponsorship)

## Gifts of cultural property and ecological gifts:

Special incentives, rules, and procedures apply to gifts of cultural property and to ecological gifts. For detailed information on how to issue receipts for these gifts, please refer to the following publications:

- [Registered Charities Newsletter No. 22 - Spring 2005](#)
- [Registered Charities Newsletter No. 24 - Late Summer 2005](#)
- [P113, Gifts and Income Tax](#)

Environment and Climate Change Canada also has a website devoted to the [Ecological Gifts Program](#).

## References

- [CPC-006, Fair market value of donated item and taxes](#)
- Income Tax Regulations, C.R.C. 1978, c. 945, subparas. 3501(1)(h)(ii) and (1.1)(h)(ii)
- [Registered Charities Newsletter No. 24 - Late Summer 2005](#)
- [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/deemed-fair-market-value-rule.html>

# Deemed fair market value rule

On this webpage, receipt refers to an official donation receipt.

## What is deemed fair market value?

The deemed fair market value rule states that, under certain conditions, a receipt issued for a non-cash gift must be issued for the lesser of the gift's fair market value and its cost to the donor (or in the case of capital property, its adjusted cost base) immediately before the gift is made. The conditions are as follows:

- the gift was donated to the charity after December 5, 2003; **and**
- the gift received by the charity was initially acquired by the donor as part of a tax shelter arrangement; **or**
- the gift was acquired less than three years before the time of donation; **or**
- the gift was acquired less than ten years before the time of donation, with one of the main purposes being to gift the property to a qualified donee (for example, a registered charity).

### Examples

#### Example 1

A donor purchases a work of art for \$300, and six months later donates the work to a registered charity. Prior to gifting the art, the donor has the work appraised at a value of \$1,000.

Because the donor is gifting the art within three years of purchasing it, if the charity issues a receipt for the gift, it must be for the lesser of its fair market value and its cost to the donor immediately before the gift was made. In this example the amount of the receipt should be \$300.

#### Example 2

A donor receives jewellery valued at \$1,500 through an inheritance. Two years later, she donates the jewellery to a registered charity. Prior to gifting the jewellery, the donor has it appraised at a value of \$2,000.

Because the donor is gifting the jewellery within three years of receiving it, if the charity issues a receipt for the jewellery, it must be for the lesser of its fair market value and its cost to the donor immediately before the gift was made. In this example, the cost to the donor is deemed to be the fair market value of \$1,500 at the time she received the jewellery. Therefore, the amount of the receipt should be \$1,500.

#### Note

If a donor makes a gift in kind (non-cash) donation to a charity, for which a receipt is issued, and fails to notify the charity that the gift in kind is subject to the deemed fair market value rule, the value of that donor's gift could be reduced to nil.

## Gifts exempt from the deemed fair market value rule (normally assessed at fair market value):

- gifts made as a consequence of a taxpayer's death
- gifts of inventory
- gifts of real property situated in Canada
- gifts of certified cultural property (special valuation procedures apply)
- gifts of certain publicly-traded securities

## If the registered charity is not a private foundation, the following property is also exempt:

- ecological gifts (See the Canadian Ecological Gifts Program for applicable valuation procedures)

## References

- P113, Gifts and Income Tax
- Registered Charities Newsletter No. 24 - Late Summer 2005
- S7-F1-C1, Split-receipting and Deemed Fair Market Value
- Income Tax Act, R.S.C. 1985 (5<sup>th</sup> supp.) c. 1, ss. 248(35)
- Income Tax Act, R.S.C. 1985 (5<sup>th</sup> supp.) c. 1, ss. 69(1)(c)
- Income Tax Act, R.S.C. 1985 (5<sup>th</sup> supp.) c. 1, ss. 52(4)

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[http://www.pch.gc.ca/DAMAssetPub/DAM-bcm-mcp/STAGING/texte-text/abc-ccp2011\\_1374525897937\\_eng.pdf?WT.contentAuthority=15.1.2](http://www.pch.gc.ca/DAMAssetPub/DAM-bcm-mcp/STAGING/texte-text/abc-ccp2011_1374525897937_eng.pdf?WT.contentAuthority=15.1.2)

### **CPERB Definition of Fair Market Value**

Here are Annex I and II from the CPERB Certification of Cultural Property Application Guide which might be relevant in other contexts in determining fair market value.

Certification of Cultural Property for Income Tax Purposes by the Canadian Cultural Property Export Review Board Application Guide and Supplementary Information

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### **ANNEX I: Definition of Fair Market Value (FMV)**

Review Board determinations of fair market value are made for the purposes of subparagraph 39(1)(a)(i.1) or paragraph 110(1)(b.1) of the Income Tax Act, which establishes the additional tax benefits for which donors or vendors of certified cultural property are eligible. When making

determinations of fair market value of cultural property for income tax purposes, the Canadian Cultural Property Export Review Board relies on the definition of “fair market value” that is endorsed by the Canada Revenue Agency, as follows:

The highest price, expressed in terms of money, that a property would bring, in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other. The above definition stems from the decision of Cattanach, J. in *Henderson v. Minister of National Revenue*, 1973 Carswell Nat 189, [1973] C.T.C. 636, 73 D.T.C. 5471), as follows:

The statute does not define the expression “fair market value”, but the expression has been defined in many different ways depending generally on the subject matter which the person seeking to define it had in mind. I do not think it necessary to attempt an exact definition of the expression as used in the statute other than to say that the words must be construed in accordance with the common understanding of them. That common understanding I take to mean the highest price an asset might reasonably be expected to bring if sold by the owner in the normal method applicable to the asset in question in the ordinary course of business in a market not exposed to any undue stresses and composed of willing buyers and sellers dealing at arm's length and under no compulsion to buy or sell. I would add that the foregoing understanding as I have expressed it in a general way includes what I conceive to be the essential element which is an open and unrestricted market in which the price is hammered out between willing and informed buyers and sellers on the anvil of supply and demand. These definitions are equally applicable to “fair market value” and “market value” and it is doubtful if the word “fair” adds anything to the words “market value” [Emphasis added].

The factors that are implicit in the definition of fair market value are:

1. Highest price means the highest price that is consistently achieved.
2. The transaction occurs in the market where such properties are most commonly and consistently sold to the public.
3. The public is the customary purchaser or ultimate consumer.
4. An ultimate consumer is a person, institution or corporation who does not hold the item for subsequent resale.
5. The appropriate or relevant market for a determination of fair market value is the most active market for the particular asset and is determined by the frequency and aggregate number of sales.
6. The buyer and seller are typically motivated, where neither is under compulsion to buy or sell.
7. Each party is knowledgeable, informed of all of the relevant facts and acting in their own best interests.
8. An unrestricted and open market is one that is available to the public.

9. The property has been exposed to an unrestricted and open market for an adequate amount of time.
10. The transaction is not influenced by time restrictions that would have a significant effect on the price; for example, fair market value cannot be determined by a forced sale.
11. Payment is made in terms of Canadian dollars. To convert currency to Canadian dollars, appraisers should consult the rates published by the Bank of Canada, and take the higher of the noon and closing nominal rates. This information is available at <http://www.bankofcanada.ca/en/rates/exchange.html>.

## **Highest Price**

Certain aspects of fair market value are widely misunderstood, particularly the meaning of “highest price” and “public” and the issue of the appropriate or relevant market. Highest price means the highest price that is consistently achieved. It does not mean an extraordinary price that, when viewed in the context of the market for that asset, is an anomaly. Atypically high and low prices are irrelevant to the issue of fair market value. Statistically averaged prices may be distorted if the appraiser includes abnormally high or low prices and the resulting value conclusion will be inaccurate. The frequency of a price being achieved and the aggregate number of sales are most significant to fair market value. Highest price does not mean the single highest price that has ever been achieved or could conceivably be achieved. Fair market value reflects the highest price at which an item might reasonably be expected to change hands in the normal course of business, in the usual market for that item, and it is evidenced by a consistent pattern of sales.

## **Public = Customary Purchaser**

Within the context of the definition of fair market value, the “public” refers to the customary purchaser for the item in its existing form when not purchased for resale. It does not mean all purchasers. A customary purchaser is often an individual buying at the retail market level but, in some circumstance because of the nature of the item [e.g. uncut gemstones], the customary purchaser may also be a wholesaler buying for resale. The customary purchaser may be an individual, a business, a museum or an archival institution. For example, the customary purchaser of an antique artefact may be a private collector, but the customary purchaser of a large quantity of archival material may be a public institution and not an individual.

## **Selling Price and the Ultimate Consumer**

Fair market value represents the amount of money that a property would bring in an open and unrestricted market, in other words, the price, before taxes, that the buyer would pay and at which the property would be sold, and not the amount of money that would be retained by the seller. The ultimate purchaser is akin to the end-user of the property. If a dealer or consultant purchases an object for a client, the ultimate purchaser is the client: the relevant purchase to take into consideration for the estimation of fair market value is the price paid by the end-user, the person who will be “enjoying” the

property. If the end-user purchases an object at a discounted price, the relevant value for fair market value purposes is the discounted price paid, not the asking price. The discounted price paid by a consultant/dealer, however, is not relevant to fair market value if the purchase is made for inventory with the express purpose of reselling it to an end-user. In the auction arena, the buyer's premium that is customarily added to the hammer price is a component of the sales price. The hammer price + premium is relevant to fair market value if paid by an end-user, the ultimate purchaser, but not as relevant if purchased by a dealer for the purposes of resale.

### **Which Market?**

Personal property is traded at various market levels, and determining the most active market, where sales are made to the end user or ultimate consumer, is fundamental to a determination of fair market value. The appraiser must research and consider all active markets. The appropriate market is the market in which such items are customarily sold to the public and is determined by the frequency and total number of sales. For example, if an artist's work is most frequently sold through commercial galleries and only occasionally at public auctions, the relevant market is the gallery market and not the auction market. Similarly, if the artist's work is offered for sale through a gallery but the artist sells most of his work directly from his studio, the relevant market is the artist's studio and not the gallery. In the same way, if the most active market for an artist's work is the tax shelter market, and relatively few objects are sold at the gallery level, the relevant market for that artist's work is the tax shelter market, but only in cases where such a market is available to the public in an open and unrestricted manner. The sales that occur in the most active market available to the public are indicative of fair market value.

### **ANNEX II: Two Approaches to Value**

In preparing appraisal reports for submission to the Canadian Cultural Property Export Review Board, appraisers are expected to be knowledgeable about the fundamental principles of value.

The Review Board stipulates two approaches to value that appraisers may take into consideration in conducting their appraisal assignments: the sales comparison approach and the cost approach. The appraiser is required to select the approach(es) most applicable to the appraisal exercise, based on the availability of data and the purpose of the appraisal.

#### **Sales Comparison Approach**

The fair market value of charitable donations estimated by using the sales comparison approach is a process of analyzing an object in comparison with similar objects that have been sold in the past around the effective date of the appraisal in the market where they are customarily sold to the public. Data analysis is composed of sale prices and their relationship to attributes that contribute to or detract from value. In other words, conclusions of value are derived by comparing the characteristics of the property being appraised with the corresponding characteristics of sold items used as a standard of comparison. Adjustments are then made to reflect differences. The reliability of the sales

comparison approach is dependent upon the degree of similarity between the donated object and the sold items, including the physical attributes and condition of the objects, the nature of the transactions, the market conditions and when the sale took place. Atypically high and low prices are not indicative of fair market value. Fair market value reflects the highest price at which an item might reasonably be expected to change hands in the normal course of business, in the usual market for that item and it is best indicated by a consistent pattern of sales. As a saying from the auction world goes: "One is a fluke, two is a coincidence, three is a trend, four is a market."

## **Cost Approach**

The cost approach to appraisals is based on the principle of substitution that states that an informed buyer would not pay more for an item than it would cost to acquire an equally desirable substitute property. This approach is most typically used to estimate replacement cost for insurance purposes. While not strictly applicable to the determination of fair market value, it can be used for unique properties or when there is limited or no evidence of comparable sales. The cost approach compares the item being appraised with the cost to acquire, by purchase or production (e.g. by commission), a substitute that is comparable in all respects, in the market and fashion in which it would customarily be acquired. Appraisals of objects that are unique, oversized, site specific, or created in new media, for which there is usually a limited market, are special cases in which the production cost (including a creator's fee) may be an important factor in determining fair market value.

In using the cost approach, the appraiser will recognize that cost is not synonymous with value and that appreciable property, such as that certified by the Review Board, cannot be replaced by a new item or by reproduction. The appraiser will therefore need to make adjustments to reflect the attributes of the appraised item that contribute to or detract from value such as condition, period, and provenance. A new item or a reproduction cannot replace these value characteristics. The appraiser therefore needs to develop a reasoned justification (Annex III) that takes into consideration the replacement or production cost as a monetary reference point in conjunction with all other relevant factors.

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/split-receipting.html>

# **Split receipting**

Split receipting is the method used to calculate the eligible amount of a gift for receipting purposes when the donor has received an advantage (consideration) in return for his or her donation.

To figure out the eligible amount of the gift, a charity has to subtract the fair market value (FMV) of the advantage from the FMV of the gift.

## Criteria for split receipting

- Where a donor receives an advantage in exchange for a gift, a charity must be able to come up with an accurate figure for the FMV of that advantage.
- The gift, minus the advantage, still has to constitute a voluntary transfer of property and meet the intention to make a gift threshold.

## What is the intention to make a gift threshold?

When the FMV of an advantage received for a gift is more than 80% of the FMV of the gift itself, the Canada Revenue Agency (CRA) generally considers that there is no true intention to make a gift. Therefore, a charity cannot issue a receipt.

### Example

An individual donates \$100 to a charity and in return receives a ticket to an art exhibit valued at \$50.

FMV of gift	\$100
FMV of advantage (ticket received by donor)	\$ 50
Intention to make a gift threshold (80% of FMV of gift)	\$ 80

Since the FMV of the advantage received by the donor (\$50) falls within the intention to make a gift threshold (\$80) the charity can issue a receipt.

If the FMV of the advantage had been \$81 or more, the intention to make a gift threshold would not have been met and the charity could not issue a receipt.

Sometimes, although not very often, the intention to make a gift threshold has not been met but there was a clear intention to make a gift. In these cases, the donor must be able to prove to the CRA that they intended to make a gift.

## Understanding the de minimis rule

Certain advantages are of nominal value, and are considered too minimal to affect the value of a gift.

Advantages that have a combined FMV that is not more than \$75 or 10% of the FMV of the gift, whichever is less, are considered too minimal to affect the amount of the gift. A charity does not have to subtract these advantages from the FMV of the gift when issuing receipts.

## Example

An individual donates \$100 to a charity and in return receives a mug valued at \$6 and a pen valued at \$2.

FMV of gift	\$100
Combined value of advantages	\$ 8
De minimis threshold (lesser of \$75 or 10% of value of gift)	\$ 10

Since the combined value of the advantages (\$8) is less than the de minimis threshold (\$10), the charity does not need to subtract these advantages from the value of the gift when issuing the receipt.

If the FMV of the advantages had been \$11 or more, the charity would have to subtract the advantages from the value of the gift when issuing the receipt.

In addition, if the FMV of the advantages had been more than \$80 (80% of the FMV of the gift), the intention to make a gift threshold would not have been met and the charity could not issue a receipt.

The de minimis rule does **not** apply to:

- cash or near-cash equivalents (for example, redeemable gift certificates, vouchers, and coupons)
- the object of a fundraising event (for example, the meal at a fundraising dinner, or the green fees, cart rental and meal at a golf tournament)

The charity must always subtract the value of these items from the FMV of the gift before issuing a receipt.

## Related Topics

- [Receipting for fundraising events](#)
- [What is a gift?](#)

## References

- [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#)

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<https://www.canada.ca/en/revenue-agency/services/tax/technical-information/income-tax/income-tax-folios-index/series-7-charities-non-profit-organizations/series/income-tax-folio-s7-f1-c1-split-receipting-deemed-fair-market-value.html>

# Income Tax Folio S7-F1-C1, Split-receipting and Deemed Fair Market Value

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Series 7: Charities and Non-profit Organizations

Folio 1: Charitable Gifts and Deductions

# Summary

The purpose of this Chapter is to provide the CRA's views on the application of subsections 248(30) to (41), which include the rules commonly referred to as the **split-receipting rules** and the **deemed fair market value rule**. These rules were enacted on June 26, 2013 and are generally applicable to charitable gifts made after December 20, 2002. In effect, the meaning of a **gift** under common law is modified for purposes of the split-receipting rules. The rules allow for the recognition of a gift for income tax purposes in certain circumstances where there is a transfer of property for partial consideration. Such a transfer may already result in a gift under civil law in certain circumstances.

This Chapter also provides guidelines on how to determine:

- whether there is a gift;
- the amount of the advantage in respect of the gift; and
- the eligible amount of the gift in common fundraising situations.

Persons seeking a less technical discussion of the split-receipting rules may prefer to first review [Pamphlet P113, Gifts and Income Tax](#).

The Canada Revenue Agency (CRA) issues income tax folios to provide technical interpretations and positions regarding certain provisions contained in income tax law. Due to their technical nature, folios are used primarily by tax specialists and other individuals who have an interest in tax matters. While the comments in a particular paragraph in a folio may relate to provisions of the law in force at the time they were made, such comments are not a substitute for the law. The reader should, therefore, consider such comments in light of the relevant provisions of the law in force for the particular tax year being considered.

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## Discussion and interpretation

### Meaning of the term gift

**1.1** The Act encourages taxpayers to support the activities of registered charities and certain other recipients (**qualified donees**) by allowing gifts to such donees to qualify for special tax treatment. If the gift is made by a corporation, section 110.1 allows the corporation a deduction in computing taxable income. A non-refundable tax credit under section 118.1 is available if the gift is made by an individual. Because the term **gift** is not defined in the Act, it is necessary to refer to the applicable common or civil law for its meaning.

**1.2** Under the common law, “a gift is a voluntary transfer of property owned by a donor to a donee, in return for which no benefit or consideration flows to the donor” (*The Queen v Friedberg*, [1992] 1 CTC 1, 92 DTC 6031 (FCA)). Generally, for purposes of sections 110.1 and 118.1, a gift under common law is made if a taxpayer has donative intent, and all three of the following conditions are satisfied:

- there must be a voluntary transfer of property to a qualified donee;
- the property transferred must be owned by the donor; and
- no benefit or consideration must flow to the donor.

**1.3** Under the civil law, Article 1806 of the *Civil Code of Québec* (C.C.Q.) provides that a gift is a contract by which the donor transfers ownership of property to the donee by gratuitous title.

It is generally accepted that a transfer is made by gratuitous title when:

- the transfer impoverishes the donor to the benefit of the donee and is made without any corresponding consideration; and
- it is the donor's intention to enrich the donee without receiving any corresponding consideration.

The donor's intention to enrich the donee does not need to involve the full value of the transferred property. Therefore, a transfer of property for partial consideration may result in a gift under the civil law. For example, under the civil law, it is possible to sell a property to a qualified donee at a price below fair market value, resulting in a gift of the difference, if all the other requirements of the civil law are met. Article 1810 of the C.C.Q. also formally recognizes the validity of gifts with partial consideration that are remunerative gifts or gifts with a charge.

**1.4** The paragraphs that follow discuss the rules in subsections 248(30) to (41), including those that deal with the tax implications of a transfer of property for partial consideration in the context of charitable giving.

## Split-receipting – intention to give

**1.5** Subsection 248(30) allows for the recognition of a gift for tax purposes in certain circumstances even though some form of benefit or consideration flows back to the taxpayer. Under this rule, the existence of an amount of an advantage in respect of a transfer of property to a qualified donee does not in and of itself disqualify the transfer from being a gift for tax purposes. Specifically, under paragraph 248(30)(a), a gift can be recognized if the amount of the advantage does not exceed 80% of the fair market value of the transferred property. If the amount of the advantage exceeds 80% of the fair market value of the transferred property, the transfer might nevertheless qualify as a gift for tax purposes under paragraph 248(30)(b). To qualify, the taxpayer must be able to establish to the satisfaction of the Minister that the transfer was made with the intention to make a gift. It is the CRA's view that even if the requirements in paragraph 248(30)(a) or (b) are met, the other requirements with respect to whether a transfer of property qualifies as a gift at law must still be met.

**1.6** When a registered charity makes a gift to another qualified donee, subsection 248(40) provides that subsection 248(30) does not apply.

## Eligible amount of a gift

**1.7** The tax deduction or credit for purposes of sections 110.1 and 118.1 is based on the **eligible amount** of a gift. The eligible amount of a gift is defined in subsection 248(31) as the amount by which the fair market value of the property that is the subject of a gift (**gifted property**) exceeds the **amount of the advantage**, if any, in respect of the gift.

**1.8** Generally, if there is no advantage, the eligible amount of the gift is the fair market value of the gifted property (see exceptions in ¶1.29 - 1.32). Where appropriate, the donee should consider obtaining a qualified independent valuation of the fair market value of the gifted property.

## Advantage in respect of a gift

**1.9** The **amount of the advantage** is defined in subsection 248(32) as the total value, at the time the gift is made, of any property, service, compensation, use or other benefit that the taxpayer obtained, received or enjoyed as consideration for, in gratitude for or in any other way related to the gift. An advantage might exist even though it is not received at the time of the gift. For example, it might have been received prior to the time of the gift or may be contingent or receivable in the future. The advantage might accrue either to the taxpayer or to a person or partnership not dealing at arm's length with the taxpayer. Furthermore, it is not necessary that the advantage be received or receivable from the qualified donee.

In addition, the amount of the advantage includes any **limited-recourse debt** in respect of the gift at the time the gift is made (see ¶1.39).

[Income Tax Folio S1-F5-C1, Related Persons and Dealing at Arm's Length](#), discusses the meaning of arm's length and non-arm's-length.

**1.10** Any advantage in respect of a gift must be clearly identified and its value ascertainable. Where appropriate, the donee should consider obtaining a qualified independent valuation of the amount of the advantage. If the value of the advantage cannot be reasonably ascertained, the eligible amount of the gift cannot be determined and an official receipt cannot be issued.

**1.11** Section 3501 of the Regulations describes the information that must be included on the official receipt when one is issued. Where there is an advantage, the receipt must include a description and the amount of the advantage in addition to the other required information.

## Nominal threshold

**1.12** A taxpayer might receive an advantage from a qualified donee as a token of gratitude for making a gift. Such tokens often have a nominal value. Accordingly, the CRA administratively provides for a **nominal threshold** that simplifies matters for both taxpayers and qualified donees where such advantages are insignificant. If the amount of an advantage received by the taxpayer does not exceed the lesser of 10% of the fair market value of the gifted property and \$75, it will not be regarded as an advantage for the purposes of determining the eligible amount.

**1.13** The nominal threshold does not apply to cash or near-cash items (for example, gift certificates and gift cards). An advantage is not considered nominal if its fair market value cannot be ascertained.

## Fundraising guidelines

**1.14** The following general guidelines may assist in determining the existence of an advantage at fundraising events:

- The attendance of celebrities at fundraising events will not be viewed as an advantage per se. However, any incremental amount paid for the right to participate in an activity with a particular individual (for example, dinner or golf) would not be viewed as a gift.
- Participants might receive complimentary benefits (for example, pens and key chains) and/or be eligible for door and achievement prizes by simply attending the event. The value of any complimentary benefits and door and achievement prizes will be viewed as an advantage unless the total value of such items, per ticket sold or per attendee, is within the nominal threshold. For this purpose, the total value of door and achievement prizes will be allocated to all participants on a pro rata basis.
- The value of the activity that is the object of the fundraising event is to be taken into account in determining the amount of the advantage. This would apply, for example, to the value of a meal at a fundraising dinner, a ticket to a charity concert, or green fees, cart rental and meal at a fundraising golf tournament. The value of the activity that is the object of the fundraising event will not be considered for purposes of applying the nominal threshold.

The guidelines in ¶1.15 - 1.22 address specific fundraising events.

## Fundraising dinners

**1.15** Where there is a fundraising dinner, the value of a comparable meal provided by a comparable facility determines the amount of the advantage. If the event is held at a restaurant, then the price the

restaurant would charge a regular customer would be the comparable value. In this regard, it is acceptable to take into account group or banquet rates.

## Example 1

A registered charity holds a fundraising dinner for which 500 tickets are sold for \$250 each.

- A comparable meal could be purchased for \$100, excluding harmonized and any other sales taxes and gratuities.
- The total value of the door prizes is \$3,500. Based on 500 tickets sold, the value per ticket is \$7.
- Each attendee receives a logo pen and a key chain with a total retail value of \$10.

The door prizes, the key chain and the logo pen are complimentary benefits or items provided to all participants for attending the fundraising dinner.

The total value of the door prizes and complimentary items is \$17 per ticket sold, which is less than the lesser of 10% of \$250 (\$25) and \$75. This means that by applying the nominal threshold, the value of the door prizes and the complimentary items will not be viewed as an advantage in determining the eligible amount.

The eligible amount is determined as follows:

Ticket price	\$250
Less: meal	\$100
Less: complimentary items/door prizes	\$0
<b>Eligible amount</b>	<b>\$150</b>

The amount of the advantage is \$100, which is not more than 80% of the ticket price (\$200). Accordingly, an official receipt may be issued for the eligible amount of \$150.

## Charity auctions

**1.16** Generally, it is the CRA's position that there will not be an eligible amount with respect to items purchased at charity auctions on the basis that the bid determines the value of the various items put up for auction. Therefore, with regard to certain personal items (for example, the jersey of a hockey player, the right to play golf with a particular person or the right to dine with a particular person), the value of the item will be the amount of the bid. As a result, there will not be an eligible amount.

**1.17** However, where the value of an item is clearly otherwise ascertainable (for example, there is a retail price for the item) and made known to all bidders in advance, an eligible amount might be present where the amount of the bid is in excess of the posted value (advantage). As noted in ¶1.5, a gift can be recognized if the amount of the advantage does not exceed 80% of the fair market value of

the transferred property. Therefore, where the posted value of the item does not exceed 80% of the accepted bid, an official receipt can be issued for the eligible amount, computed as the amount by which the accepted bid exceeds the posted value.

**1.18** The right to participate in an auction to be held at a fundraising event will not be viewed as an advantage.

## **Example 2**

One of the items available at a charity auction is a mountain bike. The bike was donated by a corporate retailer from its inventory and has a retail value of \$400. The retailer's cost was \$250. The \$400 retail value is posted with the bike at the auction. Mr. X bids \$500 and wins the bike.

### **Tax treatment for the successful bidder:**

Since the retail value of \$400 does not exceed 80% of the bid amount of \$500, Mr. X is entitled to an official receipt for the difference. An official receipt for the eligible amount of \$100 could therefore be issued.

### **Tax treatment for the corporate retailer:**

If the donation of the bike represents a gift by the retailer, the retailer will be deemed to receive proceeds of \$400, pursuant to paragraph 69(1)(b). The retailer will also have a donation deduction of \$400. The retailer would also be entitled to deduct the \$250 cost of the bike.

If the retailer characterizes the transfer of the bike as a promotion or advertising expense instead of a gift, the retailer will only be entitled to deduct the bike cost of \$250.

## **Lotteries/raffles**

**1.19** It is the CRA's view that participants in lotteries, while perhaps influenced in choosing which lottery they will participate in by the identity of the organizing charity, are primarily motivated by the chance to win the prizes that are offered. Therefore, while there may be an element of a gift in some cases, the amount of the advantage cannot be reasonably quantified. Accordingly, no part of the cost of a lottery ticket is a gift which may be receipted for income tax purposes.

## **Concerts, shows and sporting events**

**1.20** A particular event might be a charity fundraiser, all or a portion of the proceeds from which are designated in favour of a qualified donee. However, for receipting purposes, the qualified donee must be able to establish that there is an eligible amount. This would be the case where the ticket price for the charity fundraising event exceeds the ticket price for a reasonably comparable event. If there is no reasonably comparable event, then no portion of the ticket price can be viewed as an eligible amount.

## **Golf tournaments**

**1.21** Generally, various components are present at a fundraising golf tournament. The following is the CRA's view on determining their value in order to calculate the amount of an advantage received by a participant.

- **Green fees**

The value of green fees is the regular green fee charge that would be paid by a non-member playing the course at the time of the event.

No amount would be allocated to participants who are members of the particular golf course if members are not required to pay green fees.

- **Cart rental**

The value of a cart rental is the regular cost of a cart rental at the particular golf course.

- **Meals**

The value of a meal is the retail price charged by the golf course.

- **Hole-in-one prize**

Given the remote odds of a hole-in-one for an average golfer, the value of the chance to win the prize is considered insignificant, and can therefore be ignored.

### **Example 3**

A registered charity holds a fundraising golf tournament with a participation fee of \$200. The tournament is held at a golf course at which members are not required to pay green fees.

- There are 100 participants in the tournament, some of whom are members of the golf course.
- The regular green fee for non-members on that day is \$50.
- The cart rental (included in the participation fee) is normally \$20.
- Each participant receives golf balls with a retail price of \$15.
- The retail value of door and achievement prizes is \$2,000. Based on 100 participants, the value is \$20 per participant.
- The retail price of supplied food and beverage excluding harmonized and any other sales taxes and gratuities is \$30 per participant.
- The hole-in-one prize is the use of an automobile for one year.

The total value of the complimentary items and the door and achievement prizes is \$35 per participant. The nominal threshold does not apply as the total value of \$35 exceeds the lesser of \$20 (10% of the participation fee of \$200) and \$75. Accordingly, such items constitute part of the advantage in determining the eligible amount.

Determination of the eligible amount for non-members:

<b>Participation fee</b>	<b>\$200</b>
<b>Less:</b>	
Green fee	\$50
Cart rental	\$20
Complimentary items/door and achievement prizes	\$35

Food and beverage	\$30
Hole-in-one prize	\$0
<b>Amount of the advantage</b>	<b>\$135</b>
<b>Eligible amount (non-members)</b>	<b>\$65</b>

In the case of non-members, the amount of the advantage is \$135, so an official receipt may be issued for the eligible amount of \$65.

Members would not otherwise have to pay the \$50 green fee, which means the amount of their advantage is reduced to \$85. Therefore, the eligible amount for which an official receipt could be issued for members is \$115.

If the golf course normally offers group rates, this would be taken into account. In this example, if the course offers a reduced green fee of \$40 for tournaments where there are more than 50 participants, then \$40 instead of \$50 would be used for non-member green fees, which would result in an eligible amount for non-members of \$75.

## Membership fees

**1.22** A taxpayer might pay a membership fee or a similar amount to an organization that is a qualified donee. If the payment exceeds the amount of any advantage received, there might be an eligible amount for receipting purposes.

### Example 4

The purpose of a registered charity is the promotion of Canadian theatre. For a fee of \$250, a taxpayer becomes a member of this registered charity and receives the following:

- inclusion of the taxpayer's name in a listing of donors in the charity's newsletter (nil value);
- a subscription to the charity's quarterly newsletter (otherwise available free of charge);
- the right to attend annual meetings (nil value);
- a monthly calendar of performances (otherwise available free of charge);
- an advance invitation to certain performances (nil value);
- an invitation to dress rehearsals (open to the general public);
- a pewter key chain (normally sold for \$10);
- a discount for certain performances (value of \$40); and
- parking vouchers (value of \$40).

Determination of the eligible amount:

<b>Membership fee</b>	<b>\$250</b>
<b>Less: Complimentary items</b>	
Key chain	\$10

Tickets discount	\$40
Parking vouchers	\$40
<b>Amount of the advantage</b>	<b>\$90</b>
<b>Eligible amount</b>	<b>\$160</b>

The onus is on the charity to provide a value for these complimentary items. The value must be reasonable, given the facts of the particular situation.

The nominal threshold does not apply as the total value of the complimentary items of \$90 exceeds the lesser of \$25 (10% of \$250) and \$75.

The amount of the advantage (\$90) received by the member is not more than 80% of \$250 (\$200), so an official receipt may be issued for the eligible amount of \$160.

## Donor recognition

**1.23** Qualified donees might, at times, thank their donors with some form of recognition. Where donor recognition is provided in gratitude for a gift, the amount of the advantage in respect of the gift would be determined at the time the gift is made. Depending on the nature of the donor recognition, the value of the advantage might be nominal. This might be the case where the recognition consists of publishing a list of donors (see [Example 4](#) ).

## Property subject to mortgage or hypothec

**1.24** Where property subject to a mortgage or hypothec is transferred to a qualified donee, all relevant factors, such as encumbrances other than mortgages and hypothecs, need to be taken into account in determining the value of the transferred property. The terms and conditions of the mortgage or hypothec must be considered when determining the amount of the advantage and the eligible amount.

## Cost of property acquired

**1.25** Where a taxpayer receives property in the course of making a gift and the fair market value of the property is included in computing the amount of the advantage, the rule in subsection 248(33) applies. Under this rule, the cost to the taxpayer of such property is its fair market value at the time the gift is made.

## Deemed fair market value rule

**1.26** Subject to the exceptions described in [¶1.29](#) - 1.32, the fair market value of a property gifted by a taxpayer to a qualified donee might be deemed to be an amount that is less than its actual fair market value. Subsection 248(35), which applies for the purposes of determining the eligible amount of a gift under subsection 248(31), deems the fair market value of a gifted property to be the lesser of:

- a. the fair market value of the property otherwise determined; and
- b. the cost of the property to the taxpayer (or the adjusted cost base in the case of capital property, or the adjusted cost basis of a life insurance policy where the taxpayer is a policyholder) immediately before the gift is made.

**1.27** This deemed fair market value rule applies where the taxpayer acquired the property under a gifting arrangement that is a tax shelter as defined in subsection 237.1(1). Unless the gift was made as a consequence of the taxpayer's death, this deeming rule also applies where the taxpayer acquired the property

- a. less than three years before the day the gift is made; or
- b. less than 10 years before the day the gift is made and it is reasonable to conclude that one of the main reasons the taxpayer acquired the property was to gift the property to a qualified donee.

**1.28** The deemed fair market value rule also applies for the purposes of determining the proceeds of disposition under paragraph 69(1)(b), as well as the fair market value of the gifted property and the proceeds of disposition under subsections 110.1(2.1) and (3) and 118.1(5.4), (6) and (13.2).

## **Example 5**

In an arm's length transaction, an individual acquires 100 shares of a manufacturing company at the cost of \$40 per share. The shares are not listed on a designated stock exchange and are considered capital property to the individual.

Two years later, the unlisted shares are worth \$60 each. The individual gifts 50 shares to a qualified donee.

### **Tax consequences to the individual**

Since the shares were acquired less than three years before they were gifted, subsection 248(35) applies to deem the fair market value of the shares to be \$40 per share, representing the lesser of:

- the individual's adjusted cost base (\$40 per share) and
- the fair market value at the time the gift is made (\$60 per share).

Therefore, having gifted 50 shares at \$40 per share, the eligible amount of the individual's gift (and the proceeds of disposition) is \$2,000.

## **Exceptions to the deemed fair market value rule**

**1.29** Subsection 248(37) provides exceptions to the deemed fair market value rule in subsection 248(35). The deemed fair market value rule does not apply to a gift of:

- a. inventory;
- b. a real property or an immovable situated in Canada;

- c. an object certified by the Canadian Cultural Property Export Review Board. This exception does not apply to a gift of an object made after February 10, 2014 that was acquired by the taxpayer as part of a gifting arrangement that is a tax shelter;
- d. securities described in paragraph 38(a.1). This might include shares, debt obligations or rights listed on a designated stock exchange, shares of a mutual fund corporation, units of a mutual fund trust, an interest in a related segregated fund trust or a prescribed debt obligation;
- e. ecologically sensitive land (including a covenant, an easement, or, in the case of land in Quebec, a real servitude) described in paragraph 110.1(1)(d) or in the definition of total ecological gifts in subsection 118.1(1). This exception does not apply to a gift of such property to a private foundation; or
- f. property in situations described in ¶1.30 - 1.32.

**1.30** A taxpayer might transfer a property (**transferred property**) to a corporation controlled by the taxpayer (or by a person related to the taxpayer or a group of persons each of whom is related to the taxpayer) in exchange for shares issued by the corporation. If the taxpayer subsequently gifts those shares to a qualified donee, the deemed fair market value rule will not apply to the gifted shares if this rule would not otherwise have applied had the transferred property been gifted by the taxpayer instead of the shares.

**1.31** Another exception to the deemed fair market value rule exists for certain property gifted by a corporation to a qualified donee. This exception applies if the property was transferred to the corporation under subsection 85(1) or (2) by a shareholder that controlled the corporation or by a shareholder who was related to a person or each member of a group of persons that controlled the corporation. The deemed fair market value rule will not apply to the gifted property if this rule would not otherwise have applied had that property been gifted by the shareholder instead of the corporation.

**1.32** The deemed fair market rule will also not apply to a gift of property that was originally acquired by the donor on a tax-deferred rollover basis under subsection 70(6) or (9) or 73(1), (3) or (4), unless the rule in subsection 248(36) would have applied (see ¶1.33).

## Non-arm's-length transactions

**1.33** Under subsection 248(36), where a taxpayer gifts a property that was acquired from a non-arm's-length person or partnership, the taxpayer's cost of the gifted property for the purposes of applying the deemed fair market value rule might be less than its actual cost to the taxpayer. Subsection 248(36) applies if:

- a. the deemed fair market value rule applies because the taxpayer acquired the gifted property within the 3-year or 10-year period described in ¶1.27(a) and (b); and
- b. the gifted property had been acquired at any time in that 3-year or 10-year period by any person or partnership that does not deal at arm's length with the taxpayer.

Where these conditions are met, the taxpayer's cost (or in the case of capital property, the adjusted cost base) of the gifted property immediately before the gift is made is deemed to be the lowest of the cost or adjusted cost base, as the case may be, to:

- the taxpayer, or

- the non-arm's-length person or partnership immediately before the person or partnership disposed of the property.

However, subsection 248(36) does not apply where the taxpayer acquired the property as a result of the death of an individual.

## Artificial transactions

**1.34** Subsection 248(38) is intended to prevent a taxpayer from artificially increasing the cost of a property by entering into transactions designed to circumvent the application of the deemed fair market value rule. Subsection 248(38) deems the eligible amount of a gift to be nil if it can be reasonably concluded that the particular gift relates to a transaction or series of transactions:

- one of the purposes of which is to avoid the application of the deemed fair market value rule; or
- that would otherwise result in a benefit to which the general anti-avoidance rule in subsection 245(2) applies.

Under subsection 248(10), a series of transactions includes any related transactions completed in contemplation of the series.

## Substantive gift (selling property and donating proceeds)

### Important notice

On December 15, 2016, Parliament passed [Bill C-29](#) implementing measures announced in the March 22, 2016 federal budget that reclassify eligible capital property as depreciable property of a new Class 14.1 of Schedule II to the Regulations, effective January 1, 2017. As a consequence of the repeal of the eligible capital property regime, subsection 248(39) was amended to delete any reference to eligible capital property. This Chapter makes reference to eligible capital property in ¶1.35 and ¶1.38. The impact of the repeal of the eligible capital property regime has not yet been incorporated into this Chapter.

An update to this Chapter is being prepared for publication.

**1.35** Subsection 248(39) prevents a taxpayer from avoiding the application of the deemed fair market value rule by disposing of a capital property or an eligible capital property (the **substantive gift**) to a qualified donee and gifting the proceeds of disposition (or any property substituted, directly or indirectly for the proceeds of disposition) to the qualified donee, rather than gifting the property itself. Subsection 248(39) applies if:

- the deemed fair market value rule would have applied if the substantive gift had itself been gifted to a qualified donee; and
- the taxpayer gifts all or part of the proceeds of disposition or any such substituted property to the qualified donee or any person not dealing at arm's length with the qualified donee.

**1.36** Where the conditions described in ¶1.35 are met and the taxpayer gifts all of the proceeds of disposition or any such substituted property to the qualified donee, for the purpose of determining the

eligible amount under subsection 248(31), the fair market value of the gifted property is deemed to be the lesser of:

- a. the fair market value of the substantive gift; and
- b. the cost of the substantive gift (or if the substantive gift is capital property of the taxpayer, its adjusted cost base).

Where the taxpayer gifts only part of the proceeds of disposition or any such substituted property, the fair market value of the gifted property is deemed to be the proportion of the lesser of (a) and (b) above that the fair market value of the gifted property is of the proceeds of disposition of the substantive gift (see Example 6).

**1.37** Where the substantive gift is capital property, if the fair market value of the gifted property (determined without reference to section 248) exceeds its deemed fair market value as determined in ¶1.36, the excess amount will reduce the sale price of the substantive gift for purposes of determining the **proceeds of disposition** of property in subsection 13(21) and section 54 (see Example 6).

**1.38** Similarly, if the substantive gift is eligible capital property, the excess amount will reduce the amounts the taxpayer received or is entitled to receive from the sale of eligible capital property determined under paragraph (a) in the description of E in the definition of **cumulative eligible capital** in subsection 14(5).

## **Example 6**

In 2013, a taxpayer acquires a capital property with an adjusted cost base of \$2,000. The property is not a property listed in the exceptions to the deemed fair market value rule in subsection 248(37).

In 2014, the taxpayer sells the property (substantive gift) to a registered charity for \$2,500, which represents the property's fair market value.

In 2015, the taxpayer makes a cash donation (gifted property) to the registered charity.

### **Computation of deemed fair market value**

#### *Donation of full proceeds*

If, in 2015, the taxpayer gifts the full proceeds of disposition (\$2,500) to the registered charity, the fair market value of the gifted property for purposes of determining the eligible amount of the gift under subsection 248(31) is deemed to be \$2,000, which is the lesser of:

- a. \$2,000, the taxpayer's adjusted cost base of the capital property, and
- b. \$2,500, the fair market value of the capital property.

#### *Donation of partial proceeds*

If, in 2015, the taxpayer makes a \$500 cash donation to the registered charity, the fair market value of the gifted property for purposes of determining the eligible amount of the gift under subsection 248(31) is deemed to be \$400. This amount is computed as the lesser of (a) and (b) above multiplied by the proportion of the fair market value of the gifted property is of the fair market value of the capital property, as follows:

$$\$2,000 \times \$500/\$2,500 = \$400$$

Further, for the purposes of determining the proceeds of disposition of the substantive gift, the sale price of the substantive gift (\$2,500) is reduced by the difference between the fair market value of the gifted property (\$500) and its deemed fair market value (\$400). In this example, the proceeds of disposition of the substantive gift will be reduced to \$2,400 (\$2,500 - (\$500 - \$400)).

## Limited-recourse debt

**1.39** A limited-recourse debt in respect of a gift of a taxpayer at the time the gift is made is considered an advantage pursuant to paragraph 248(32)(b). Under subsection 143.2(6.1), the limited recourse debt is the total of the following amounts, each of which can reasonably be considered to relate to the gift:

- a. a **limited-recourse amount** of the taxpayer and all other taxpayers not dealing at arm's length with the taxpayer;
- b. a limited-recourse amount of other taxpayers dealing at arm's length with the taxpayer and holding, directly or indirectly, an interest in the taxpayer; and
- c. the unpaid amount of any other indebtedness, of any taxpayer referred to in (a) or (b) above, if there is a guarantee, security or similar indemnity or covenant in respect of that or any other indebtedness.

For this purpose, the term **limited-recourse amount** is defined in subsection 143.2(1) as the unpaid principal amount of any indebtedness for which recourse is limited either immediately or in the future and either absolutely or contingently. For example, if a taxpayer enters into a contract of insurance whereby all or part of a debt will be paid upon the occurrence of either a certain or contingent event, the debt is a limited-recourse debt in respect of a gift if it is in any way related to the gift.

**1.40** A taxpayer might repay an amount on account of the principal of an indebtedness that was a limited-recourse debt in respect of a gift (**original gift**). In this situation, paragraph 248(34)(a) deems the taxpayer to have made a gift (**deemed gift**) to a qualified donee in the year of repayment. The eligible amount of the deemed gift is determined by taking into account:

- the eligible amount of the original gift;
- the amount of prior repayments; and
- the eligible amount of all prior gifts deemed by paragraph 248(34)(a) to have been made in respect of the original gift.

However, a repayment financed by other limited-recourse debt or made by way of assignment or transfer of a guarantee, security or similar indemnity or covenant is not recognized for the purpose of paragraph 248(34)(a).

## Information not provided by the taxpayer

**1.41** Subsection 248(41) provides that the eligible amount of a gift made by a taxpayer is nil if the taxpayer fails to inform the qualified donee, before the issuance of an official receipt in respect of the gift, of any information that would cause the eligible amount of the gift to be less than the fair market value of the gifted property for the purposes of subsection 248(31), (35), (36), (38) or (39) (determined

without reference to subsections 248(35), 110.1(3) and 118.1(6)). Information that might be relevant includes, but is not limited to:

- a. length of time for which the property was held;
- b. whether it was acquired as part of a tax shelter arrangement or from a non-arm's-length party; and
- c. whether the taxpayer engaged in a transaction or series of transactions to avoid the deemed fair market value rule.

The qualified donee requires such information to prepare the official receipt (see [¶1.11](#)).

## Application

This updated Chapter, which may be referenced as S7-F1-C1, is effective April 21, 2017.

When it was first published on November 8, 2016, this Chapter replaced and cancelled Interpretation Bulletin IT-110R3, *Gifts and Official Donation Receipts and Income Tax Technical News No. 26*.

The history of updates to this Chapter as well as any technical updates from the cancelled interpretation bulletin and income tax technical news can be viewed in the [Chapter History](#) page.

Except as otherwise noted, all statutory references herein are references to the provisions of the *Income Tax Act*, R.S.C., 1985, c.1 (5th Supp.), as amended and all references to a Regulation are to the *Income Tax Regulations*, C.R.C., c. 945, as amended.

Links to jurisprudence are provided through CanLII.

Income tax folios are available in electronic format only.

## Reference

Subsections 248(30) to (41) (also sections 54, 110.1 and 118.1, subsections 13(21), 14(5), 70(6), 70(9), 73(1), 73(3), 73(4), 85(1), 85(2), 143.2(1), 143.2(6.1), 237.1(1), 245(2) and 248(10), and paragraphs 38(a.1) and 69(1)(b) of the Act and section 3501 of the Regulations).

Additional information about charitable gifts can be found in the following CRA publications:

- [Pamphlet P113, Gifts and Income Tax](#)
- [Guidance CG-013, Fundraising by Registered Charities](#)
- The CRA webpage [Issuing receipts](#) provides sample donation receipts and information on determining [fair market value of gifts in kind \(non-cash gifts\)](#).

<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/fundraising-activities-charities-other-qualified-donees.html>

# Issuing receipts for fundraising events

Rules for issuing receipts for fundraising events or activities, including golf tournaments, auctions, and dinners.

Services and information

[General guidelines for fundraising events or activities](#)

General guidelines for fundraising events or activities

[Issuing receipts for auctions](#)

General information about receipting for items donated to, or purchased from, an auction

[Issuing receipts for fundraising dinners](#)

General information about receipting for fundraising dinners

[Issuing receipts for golf tournaments](#)

General information about receipting for golf tournaments

## General guidelines for fundraising events or activities

### On this page:

- ["Intention to make a gift" threshold](#)

- Advantages that are the purpose of the event

If you hold a fundraising event for a charity, you **cannot** issue receipts for donations received on behalf of that charity. Only the charity itself can issue receipts for donations. If a charity lends its registration number for receipting purposes, its registration could be revoked.

To issue a receipt for a fundraising event or activity, you must first determine the value of the benefits provided to all participants. These benefits are considered an advantage and must be deducted from the amount of the gift before you can issue a receipt for the eligible amount. The method of calculating the eligible amount of a gift is called split receipting.

## "Intention to make a gift" threshold

When the value of the advantage received is more than 80% of the value of the gift, it is generally considered that there is no true intention to make a gift; therefore, you cannot issue a receipt.

## Advantages that are the purpose of the event

The value of these advantages must always be deducted from the amount of the gift to determine the eligible amount. Examples:

- the meal at a fundraising dinner
- the green fees, cart rental, and meal at a golf tournament
- a comparable ticket price for a fundraising concert

## Other advantages

The value of these advantages must be deducted from the amount of the gift to determine the eligible amount unless the de minimis rule applies. Examples:

- door prizes
- complimentary gifts (pens and key chains)
- achievement prizes (the prize for the longest drive at a golf tournament)

### Note

The attendance of celebrities at fundraising events is not viewed as an advantage. When an additional amount is paid to participate in an activity (for example, dinner, golf, etc.) with a particular individual, it is not considered a gift. You cannot issue a receipt for the additional amount paid.

## Related links

- What is a gift?

- [Determining fair market value](#)

## References

- [CG-013, Fundraising by registered charities](#)
- [Policy commentary CPC-026, Third-party fundraisers](#)
- [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#)

# Auctions

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## On this page:

- [General information and example](#)
- [Questions and answers](#)

## General information and example

- **Receipting for items donated for an auction:**
  - A receipt can be issued to the donor for the [fair market value](#) of the item at the time it is donated to the charity.
  - The donated item may be subject to the [deemed fair market value rule](#).
  - If the fair market value of the donated item cannot be established, you cannot issue a receipt.
- **Receipting for items bought at an auction:**
  - The fair market value of the item must be established and made known to all bidders in advance of the auction, or you cannot issue a receipt.
  - The winning bid must meet the intention to make a gift threshold (the posted value of the item cannot exceed 80% of the winning bid).

### Tip

The charity can calculate the minimum bid that is required to meet the **intention to make a gift threshold** by multiplying the fair market value of the item by 125%.

### Example

A bike is donated to a charity for an auction

- The fair market value of the bike at the time of donation is \$400
- The fair market value of the bike is posted at the auction
- The winning bid for the bike at the auction is \$550

## Calculation of eligible amount

Winning bid (the gift)	\$550
Less advantage: Bike \$400	
Total advantage	\$400
Eligible amount	\$150

The amount of the advantage is \$400 and a receipt may be issued to the winning bidder for the eligible amount of \$150.

The fair market value of \$400 for the bike was established at the time it was donated, and a receipt may be issued to the donor for \$400.

If the fair market value of the bike was not made known to bidders in advance of the auction, a receipt could not be issued to the winning bidder.

The minimum bid required to meet the intention to give threshold is \$500 (fair market value x 125%).

If the total advantage had been greater than \$440 (80% of the \$550 winning bid), it would not have met the intention to make a gift threshold and a receipt could not have been issued to the winning bidder.

## Questions and answers

- Can receipts be issued for items donated for sale at an auction?

Yes. However, the fair market value of the item must be determined before a receipt can be issued. Keep in mind that gifts of services cannot be receipted. For more information, go to [Gifts of services](#).

- Can a charity issue a receipt for a hockey jersey signed by an NHL player?

Yes. If the charity can determine the fair market value of the jersey when it is donated, it can issue a receipt. If the charity is not able to determine the fair market value, a receipt cannot be issued. See [Determining fair market value of gifts in kind \(non-cash gifts\)](#).

- Can a charity issue a receipt to the donor for the appraised value of a donated item if the item is sold at the auction for less?

Yes. The charity may issue a receipt to the donor for the appraised value of the donated item even if the item is sold for less at the auction.

- If a business owner donates a gift certificate to a charity for the purchase of goods and services from his business, can the charity issue a receipt to the business (the issuer)?

No. When the issuer donates a gift certificate directly to a charity, there has not been a valid transfer of property. As a result, the issuer is not entitled to a receipt at the time the donation is made. The issuer may be eligible for a receipt if the charity redeems the certificate for property. For more information, see [Guidance CG-007, Donation of gift certificates or gift cards](#).

- Does it make a difference for receipting purposes if the auction is a silent auction?

No. It does not make a difference.

## Related links

- [Split receipting](#)
- [What is a gift?](#)
- [Determining fair market value](#)

## References

- [CG-013, Fundraising by registered charities](#)
- [Policy commentary CPC-026, Third-party fundraisers](#)
- [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#)

# Fundraising dinners

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## On this page:

- [General information and example](#)
- [Questions and answers](#)

## General information and example

- **Meals** are valued at the price that would be charged for a comparable meal provided by a comparable facility. If the event is held at a restaurant, then the price the restaurant would charge a regular customer is the comparable value. It is also acceptable to take into account group or banquet rates.
- **Complimentary items** are valued at the amount that would normally be paid for them at a retail outlet.
- **Door and achievement prizes** are valued at their retail value, totalled, and prorated per ticket sold.
- **Entertainment** is valued at the usual and current ticket price.

- **Raffle tickets** – if they are **included** in the attendance fee, the prizes are treated as door prizes and must be taken into account in determining the amount of the advantage. However, if the raffle is conducted **separately**, this is essentially a lottery, and the cost of the raffle tickets is not considered a gift. The value of the various prizes that could be won should not be taken into account in determining the amount of the advantage.
- **Auctions** - Generally, an auction at a fundraising dinner will not be viewed as an advantage.

## Example

A charity holds a fundraising dinner and sells 500 tickets for \$250 each.

- A comparable meal could be purchased for \$100 (excluding GST/HST, PST, and gratuities).
- The door prizes are a trip with a value of \$3,000 and jewellery with a retail value of \$500 ( $\$3,500/500$  or \$7 per ticket sold).
- Each attendee receives a logo pen and a key chain with a total retail value of \$10.
- There is a performer at the dinner. The usual and current ticket price to see that performer is \$50.
- A silent auction will take place at the dinner.

## Calculation of eligible amount:

Ticket price (the gift)	\$250
Less advantage:	
Meal	\$100
Complimentary items (pen & key chain, door prizes)	\$0
Entertainment	\$50
Total advantage	\$150
Eligible amount	\$100

The amount of the advantage is \$150 and a receipt may be issued for the eligible amount of \$100.

The de minimis threshold is \$25 (the lesser of \$75 or 10% of the \$250 ticket price). The total value of the complimentary items and the door and achievement prizes to each attendee (\$17) fits within the de minimis threshold. Therefore, the value of these items does not need to be included in the total amount of the advantage.

If the total advantage had exceeded \$200 (80% of the \$250 ticket price), it would not have met the intention to make a gift threshold and a receipt could not have been issued.

## Questions and answers

- Does a charity have to deduct the value of a dinner as an advantage, if the dinner did not cost the charity anything?

Yes. The fair market value of the advantage must be deducted to calculate the eligible amount of the gift, regardless of the cost to the charity for the dinner.

- If an individual buys multiple tickets for a fundraising dinner, how does the charity figure out the eligible amount of the gift for the receipt?

When one individual buys multiple tickets for a fundraising dinner, the charity has to add up the advantages that apply to each ticket and subtract that amount from the total amount paid to arrive at the eligible amount of the gift.

- If an individual buys a ticket for a fundraising event but is unable to go to the event, does the charity still subtract the advantage from the amount of the gift when issuing the receipt?

Yes. The charity still has to subtract the amount of the advantage to figure out the eligible amount of the gift. The individual bought the right to that advantage, and the advantage must be subtracted, whether or not the individual exercises that right.

- If a charity hires a local band to provide the entertainment at a fundraising dinner, does the value of the entertainment have to be included as an advantage?

This depends on the identity of the entertainer. If a member of the public would normally purchase a ticket to attend a performance by the entertainer, then the charity would have to include the value of the usual and current ticket price as an advantage, regardless of what it pays the entertainer to perform at the event.

- If a volunteer bakes a cake for a charity fundraising dinner, can the charity issue him a receipt?

No. Unless the volunteer is a caterer or professional baker, valuing his skill, time, and effort for preparation of the cake is not possible. Since the fair market value of the gift cannot be determined, a receipt cannot be issued. The charity could reimburse the volunteer for the cost of the ingredients and the volunteer could give all or part of the payment back to the charity as a gift, so long as the amount is given voluntarily. For more information, see [Policy commentary CPC-012, Out-of-pocket expenses](#).

- If someone holds a dinner party at their home as a fundraiser for a charity, can the charity issue receipts to the attendees?

No. If someone cooks a meal in their home, the fair market value of that meal could not be determined. It may be possible to determine the value of the ingredients, but unless the cook is a professional who sells meals on the open market, valuing the skill, time, and effort for the preparation of the meal is not possible. When the fair market value of an advantage (in this case, the meal) cannot be determined, you cannot issue a receipt.

## Related links

- [Split receipting](#)
- [What is a gift?](#)
- [Determining fair market value](#)

## References

- [CG-013, Fundraising by registered charities](#)
- [Policy commentary CPC-026, Third-party fundraisers](#)
- [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#)

## Golf tournaments

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### On this page:

- [General information and example](#)
- [Questions and answers](#)

[Graphic educational tool: Hosting a golf tournament? \(PDF\)](#)

# HOSTING A GOLF TOURNAMENT?

Participants in golf tournaments often receive benefits with their registration. These are called advantages. Below are a number of commonly used advantages, and an example of how to issue a donation receipt.

## GOLF CARTS

Determine the value of the advantage by using the fair market value of the rental (divide by two if the cart is shared by two people).

## FOOD AND BEVERAGES

Use the fair market value of the meal charged by the restaurant or caterer, excluding tips.

Determine this value only after the final catering bill is paid.

### NOTE

Green fees, golf cart rentals and meals must always be subtracted from the registration fee to determine the value of the donation receipt.

## TOKENS OF APPRECIATION

Tokens of appreciation, such as water bottles or T-shirts, can be given to participants without being considered an advantage if their total value does not exceed a certain limit (the de minimis rule). Think of them collectively as one big "thank you" for participating.

Note: Tokens of appreciation that are cash or near-cash gifts, such as gift cards and certificates, vouchers and coupons, are always an advantage to the donor.

## DOOR PRIZES

Determine the fair market value of each door prize and divide the total value by the number of tickets sold to the tournament.

### EXAMPLE:

## PUTTING IT INTO PRACTICE

Your charity is hosting a golf tournament to raise funds for its charitable activities. It is charging a \$300 registration fee. The following advantages are given to participants:

- A round of golf with green fees worth \$100
- A golf cart worth \$40 shared by two participants (\$20 per person)
- A meal worth \$50
- A polo shirt worth \$25

Learn more about golf tournaments at  
[canada.ca/charities-giving](http://canada.ca/charities-giving)

## GREEN FEES

Use the fair market value of green fees normally charged by the golf club.

## CLUB MEMBERS

If participants are members of the host club, the green and golf cart fees are generally not advantages if they are included in their membership plans.

## THE DE MINIMIS RULE

If the total value of the tokens of appreciation and door prizes exceeds \$75 or 10% of the registration fee, whichever is less, they are considered part of the advantage and must be subtracted from the donation receipt.

## HOLE-IN-ONE PRIZE

A hole-in-one prize is not considered an advantage, as the chance of winning is very small.

## HOW DO YOU CALCULATE THE VALUE OF EACH RECEIPT?

Your charity can give a \$130 donation receipt to each participant.

At \$25, the polo shirt is less than 10% of the registration fee and doesn't need to be subtracted.

\$300 registration fee
- \$100 round of golf
- \$20 golf cart fee
- \$50 meal
<hr/>
\$130 donation receipt

## General information and example

- **Green fees** are calculated at the rate (group or individual) normally charged to non-members playing the course at the time of the event. However, no amount is allocated to members if they are not normally required to pay green fees.
- **Cart rentals** are valued at their regular cost.
- **Meals** are valued at the price (group or individual) normally charged if the meals were purchased separately at the course.
- **Complimentary items** are valued at the amount that would normally be paid for the merchandise at a retail outlet.
- **Door and achievement prizes** are valued at their retail value, totalled, and prorated per ticket sold.
- Hole-in-one prizes can be excluded. The Canada Revenue Agency (CRA) accepts that the chance of winning a hole-in-one prize is nominal.
- **Raffle tickets** – if they are **included** in the participation fee, the prizes are treated as door prizes and must be taken into account in determining the amount of the advantage. However, if the raffle is conducted **separately**, this is essentially a lottery, and the cost of the raffle tickets is not considered a gift. You should not take into account the value of the various prizes that could be won when determining the amount of the advantage.

### Note

It is the CRA's view that the purchase of a lottery ticket is not a gift; therefore, you cannot issue a receipt for the cost of the ticket.

## Example

A charity holds a fundraising golf tournament and sells 100 tickets for \$200 each.

- Some of the participants are members of the golf course and do not have to pay green fees.
- The regular green fee for non-members on that day is \$50.
- The cart rental (included in the participation fee) is normally \$20.
- The retail value of supplied food and beverages (excluding GST/HST, PST and gratuities) is \$30.
- Each participant receives golf balls with a retail value of \$15.
- The retail value of door and achievement prizes is \$2,000 (\$2,000/100 or \$20 per ticket sold).
- Raffle tickets for a chance to win a number of other prizes are sold separately.
- The hole-in-one prize is the use of an automobile for one year.

## Calculation of eligible amount

Participation fee (the gift)	\$200
Less advantage:	
Green fee	\$50
Cart rental	\$20
Food and beverage	\$30

Complimentary items (golf balls, door and achievement prizes)	\$35
Hole-in-one prize	\$ 0
Total advantage	\$135
Eligible amount (non-members)	\$ 65

For non-members, the amount of the advantage is \$135 and a receipt may be issued for the eligible amount of \$65.

For members who do not have to pay green fees, the green fee of \$50 can be excluded from the advantage and a receipt may be issued for the eligible amount of \$115.

The de minimis threshold is \$20 (the lesser of \$75 or 10% of the \$200 participation fee). Since the total value of the complimentary items and the door and achievement prizes to each participant (\$35) exceeds the de minimis threshold, you must include these items in the total amount of the advantage.

If the total advantage had exceeded \$160 (80% of the \$200 participation fee), it would not have met the intention to make a gift threshold, and a receipt could not have been issued.

## Questions and answers

- If a private foundation holds an annual golf tournament, is it considered to be carrying on a business?

No. An annual golf tournament held by a charity is considered a fundraising event.

- When calculating the eligible amount of the gift for participants at a golf tournament, is the calculation based on the number of participants or the number of tickets sold?

The calculation is based on the number of tickets sold.

- If a company sponsors a hole by making a donation to a charity, is this considered a gift?

This depends on whether the company receives an advantage as a result of the donation. If the company receives nothing in return, it has made a gift and you can issue a receipt. However, when a company sponsors a hole, it is the CRA's experience that this generally involves some form of recognition of that gift.

Providing simple recognition of the gift will not, generally, constitute an advantage to the company (for example, naming a hole after the company and placing a small, discreet sign at the hole). However, as the level of recognition increases, it is likely that the company is receiving a benefit in the form of advertising. For more information, go to [Sponsorship](#).

- If a business buys a block of tickets to a charity golf tournament, should the charity issue the receipt(s) in the name of the golfers who use the tickets or in the name of the business?

The charity must issue the receipt in the name of the true donor(s) of the gift. If the business is the true donor of the funds, the receipt must be issued in the name of the business. If the employees buy tickets for the tournament by giving the money to the business, and the

business issues a cheque for the tickets, the employees are the true donors. In this case, the charity should ask the business for documents showing that the individuals bought the tickets before issuing receipts in the name of each golfer. For more information, see [Policy commentary CPC-010, Issuing a receipt in a name other than the donor's](#).

- Can a charity have an organization hold a golf tournament on its behalf?

Yes. A charity can hire a third-party organization or retain the services of a fundraiser as an agent or other contractor to organize the golf tournament. However, the charity should maintain control over all the funds received from the event and over any receipts issued. For more information, see [Policy commentary CPC-026, Third-party fundraisers](#).

- If an organization advises a charity that they held a golf tournament on its behalf, can the charity issue receipts to the attendees?

No. When an activity is carried on that a charity is not aware of, it is not an activity of the charity, so the charity cannot issue receipts. However, as mentioned above, a charity can hire a third-party organization as an agent to carry on activities on its behalf.

## Related links

- [Split receipting](#)
- [What is a gift?](#)
- [Determining fair market value](#)

## References

- [CG-013, Fundraising by registered charities](#)
- [Policy commentary CPC-026, Third-party fundraisers](#)
- [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/correcting-replacing-official-donation-receipts.html>

## Correcting or replacing official donation receipts

## How can a registered charity correct pre-printed receipts?

If a registered charity has pre-printed receipts that contain errors (for example, as a result of changing their name, address, or registration number), and wants to use its remaining stock before ordering a new supply, we recommend that the charity:

- cross out the errors
- add the correct information using a stamp (if possible)
- make the changes on both the donor's and the duplicate copies

## How can a registered charity replace a receipt?

If a registered charity has issued a receipt that was lost or contained incorrect information, the charity can issue a replacement receipt. The replacement receipt must include:

- all the required information
- the serial number of the original receipt
- a statement that it replaces the original receipt

The registered charity should keep its copy of the original receipt and mark "cancelled" on it.

If a registered charity prepared a receipt that contained incorrect information, but has **not** sent it to the donor, the charity can prepare a new receipt. However, the charity must keep both copies of the original receipt and mark "cancelled" on them.

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/computer-generated-receipts.html>

## Computer-generated receipts

### Can a charity issue computer-generated receipts?

Computer-generated official donation receipts are acceptable as long as:

- they have all the required information
- they are clear and easy to read
- the data on them cannot be altered and is protected from unauthorized access

To protect computer-generated receipts from unauthorized access, registered charities should ensure that:

- the computer system used to store the receipts is password protected and restricts entry to and modification of donor contribution records
- donor records are stored on non-erasable media, such as CD-ROMs or printouts, with copies kept off-site for recovery purposes
- hard copies of issued receipts can be printed on request

## Can official donation receipts be sent by email?

Yes. However a registered charity should take the following precautions to protect its electronic receipts:

- receipts should be in a read-only or non-editable format
- receipts should be protected from hackers through the use of appropriate software
- the document should be encrypted and signed with an electronic signature
- the use of a secure electronic signature should be kept under the control of a responsible individual authorized by the charity
- copies of email-issued receipts must be retained by the charity

## Can receipts be issued with facsimile signatures?

A facsimile signature can be used under the following conditions:

- all copies of receipts are distinctively imprinted (usually by a commercial printer) with the name, address, and registration number of the charity
- receipts are serially numbered by a printing press or numbering machine
- all unused receipt forms are kept at the registered charity's Canadian address (this address must be the address recorded with the Canada Revenue Agency)

### Related topics

- [Books and records](#)

### References

- [CPS-014, Computer-Generated Official Donation Receipts](#)
- [IC05-1R1, Electronic Record Keeping](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/consequences-improper-receipting.html>

## Consequences of improper receipting

# What are the consequences for charities that issue receipts with incorrect or false information?

A registered charity that issues an official donation receipt that includes **incorrect or incomplete** information is liable to a penalty equal to 5% of the eligible amount stated on the receipt. This penalty increases to 10% for a repeat offence within five years.

A registered charity that issues an official donation receipt that includes **deliberately false** information is liable to a penalty equal to 125% of the eligible amount stated on the receipt.

- If the charity is liable for penalties in excess of \$25,000 for issuing false receipts, that charity is also liable to one year's suspension of its charitable status.

A registered charity that contravenes or continues to contravene the receipting requirements of the Income Tax Act could also have its registration revoked.

## Related Topics

- [Guidelines for Applying Sanctions](#)
- [Penalties - Suspensions Chart](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/guidelines-applying-sanctions.html>

## Guidelines for applying sanctions

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# Introduction

The purpose of a sanction is to encourage compliance with the requirements of the *Income Tax Act* (the Act). Until recently, the only tool the Canada Revenue Agency (CRA) had to enforce these requirements for registered charities was to take away ("revoke") a charity's registration. This was widely recognized as overly severe for many forms of non-compliance. The government and charity representatives who sat together on the Joint Regulatory Table recommended the introduction of less severe, "intermediate" sanctions.

Amendments to the Act have now created a number of these additional sanctions. They apply to non-compliance occurring during a charity's fiscal period that began after March 22, 2004. (For example, a charity that started its fiscal period on April 1, 2004, could be subject to a sanction if it broke the rules on or after April 1, 2004.)

This document describes the types of non-compliance and the sanctions specified in the legislation but first let us look at how the Charities Directorate proposes to use the provisions.

## General approach

Ranked in terms of their potential severity, the tools the Directorate can use to obtain compliance are:

- Education (for example, by making written advice available in publications and on this website, answering questions from individual charities, offering advice during an audit, and holding seminars) - An audit may result in what is called an "education letter" that explains the rules to a charity.
- Compliance agreement - Such an agreement is reached through discussion with and agreement from the charity. The terms of the agreement are spelled out in a formal document called a compliance agreement that is signed by both the charity and the CRA. The agreement identifies the problems, the steps the charity will take to bring itself into compliance, and the potential consequences to the charity of not abiding by the agreement.
- Sanction – A financial penalty, or a suspension of the charity's status as a qualified donee along with its ability to issue official donation receipts.
- Revocation of the charity's registration.

As a general rule, the Directorate intends to start with educational methods to obtain compliance, and then move progressively through compliance agreements, sanctions, and the ultimate sanction of revocation, if necessary. However, the Act allows us to select the tool appropriate to the circumstances. As such, in serious cases of non-compliance, we are prepared to move directly to a sanction or revocation.

Serious cases of non-compliance include those where:

- the non-compliance reaches certain thresholds (either in absolute terms, such as the dollar value of expenditures on non-charitable activities, or relatively, such as the percentage of expenditures devoted to non-charitable activities);
- the non-compliance involves breaches of the *Criminal Code* (such as fraud or hate crime) or other quasi-criminal statutes;

- the non-compliance involves breaches of the core requirements of the *Income Tax Act* (such as the requirement that an organization be established for exclusively charitable purposes, as compared to a less central provision, such as that requiring charities designated as charitable organizations to concentrate on operating their own programs, rather than funding other charities); or
- the organization is not abiding by the terms of a compliance agreement.

In cases of **aggravated** non-compliance, we will likely move directly to revoking the charity's registration. These include cases where one or more of the following factors are present:

- the organization has a previous record of serious non-compliance, and the current form of non-compliance is both serious and intentional;
- the non-compliance has resulted in a substantial adverse impact on others (beneficiaries, donors, or funders), particularly where the organization cannot or will not remedy the harm done; and
- the organization cannot or will not bring itself into compliance.

There are two other cases where we are likely to move directly to revocation. The first is when a charity does not file its annual return. The Directorate will continue its zero-tolerance policy for non-filers - if a charity does not file its return after we have reminded it to do so, we will simply revoke its registration. In our view, filing is a fundamental obligation for all registered charities. In its annual return, a charity accounts to donors and Canadians generally for its tax-advantaged status. The return also provides the Directorate with key information needed to administer and enforce the legislation. The second are serious cases for which there is no appropriate sanction, such as engaging in non-charitable activities. However, we intend to exercise some discretion in these instances, as it is not our intention to move directly to revocation in those cases where it is possible and appropriate to work with the charity to get its operations back onside. It is our goal, in cases where the non-compliance is less severe, to work with charities through a compliance agreement as a first measure.

This describes our general approach. However, we know that exceptional circumstances arise, and we intend to allow for them. For example, we would be more likely to use a compliance agreement than a sanction for a case of serious non-compliance resulting from the unauthorized actions of a single employee, where the charity is ready to take steps to rectify the situation and prevent a recurrence. We also do not generally revoke a charity's registration if it is unable to file its return because of events beyond its control, such as a flood that destroyed its financial records.

## Procedures

The decision whether to **educate** or use a **compliance agreement** is made by individual auditors across the CRA. The auditor may discuss the matter with staff in the Charities Directorate and their subsequent decision requires the approval of their immediate supervisors. Auditors will then contact the charity to negotiate a compliance agreement or they will send the charity an educational letter.

Decisions about **sanctions other than revocation** are first discussed between the auditor and his or her supervisor, and with Charities Directorate staff. The charity is given a 30-day period in which it can make representations to the auditor as to why it should not be subject to a sanction. If we do not hear from the charity or do not accept its representations, the Charities Directorate will make the final

decision whether to apply a sanction. The Director General of the Charities Directorate will notify the charity if a sanction is imposed. The affected charity then has 90 days in which it can choose to file a notice of objection. If the charity files a notice of objection, the matter is no longer in the hands of the Charities Directorate. The charity will deal directly with the CRA's Appeals Branch, and further recourse will lie with the Tax Court of Canada.

Decisions about **revoking a charity's registration** follow a similar path. Before any decision is made, Charities Directorate staff will first give a charity the opportunity to explain why the CRA's views are incorrect or, if the charity agrees it has not been compliant, it may still wish to present reasons why its registration should not be revoked (for example, the non-compliance is being remedied). If the Directorate decides to revoke the charity's registration, the Director General (Charities Directorate) will notify the charity. As with other sanctions, the charity will generally then have 90 days to file a notice of objection, after which it will be dealing with the CRA's Appeals Branch. Further recourse on revocation decisions will lie with the Federal Court of Appeal. In extreme cases of aggravated non-compliance, the CRA will proceed to revoke after 30 days unless the charity files a stay with the Federal Court of Appeal.

## The sanctions

The *Income Tax Act* introduces two types of sanctions:

- financial penalties; and
- suspension of the charity's right to issue official donation receipts for one year.

In most cases, the financial penalty will be the first sanction levied with charities generally being penalized more severely for repeat infractions. Repeat infraction means the charity has previously received a sanction involving the same type of non-compliance. For repeat infractions the penalty may be increased and, in some situations, the charity's receipting privileges may also be suspended.

It is important to note, however, certain infractions invoke the suspension of a charity's right to issue official donation receipts or to accept gifts from other registered charities for one year as a first measure.

Charities subject to one of these sanctions will have the following information made public on the Charities Directorate website:

- the name of the charity
- the particular sanction that is being applied (including the amount, as applicable)
- the effective date
- the reason for the sanction

Financial penalties above \$1,000 may be paid to another qualifying charity an [eligible donee](#), rather than to the Receiver General.

When a charity has been sanctioned it must fulfill certain obligations to avoid a more severe sanction. For instance, while under suspension, a charity is obliged to inform anyone (including other registered charities) planning to donate to it of its suspended status. It can still receive gifts, but it cannot issue an official donation receipt for them. We intend to revoke the registration of any suspended charity that

issues an official donation receipt for a gift made to it during the suspension period. If the suspended charity arranges for another charity to receive and receipt gifts on its behalf, we intend to suspend the other charity as well.

A charity that receives a sanction has 90 days to file a notice of objection. Additionally, a charity that has received a suspension can apply to the Tax Court for a postponement. The Court can grant the postponement if it considers that it "would be just and equitable to do so."

The following paragraphs outline the specific legislative provisions. As we administer them, we expect to encounter varying fact situations and ambiguities in the wording of the provisions. At that point, we will need to develop more detailed policies to ensure consistent treatment. We will make these policies available on this website.

Sanctions are now provided for the following types of non-compliance.

## Business activities

The penalty applies to a charitable organization or public foundation that carries on an unrelated business, and to a private foundation that carries on any business.

We would usually give a charity an opportunity to divest itself of the business, or unrelated business. Such cases would typically be the subject of a compliance agreement, with the sanction being applied only if the charity does not live up to the terms of the agreement.

For a first infraction, the penalty is 5% of the gross revenue from the business. For a repeat infraction, the penalty is 100% of the gross revenue, plus a year's suspension.

For more information, see [Policy Statement CPS-019, What is a related business?](#).

## Control of a corporation (foundations only)

The penalty applies to a public or private foundation that acquires control over a corporation, unless the charity receives the controlling shares as a gift.

For more information, see [Summary Policy CSP-C28, Control of corporation](#).

Usually, we would expect to enter into a compliance agreement with a charity before invoking this sanction, unless the infraction is serious.

For a first infraction, the penalty is 5% of the dividends the corporation pays to the charity in a year. For a repeat infraction, the penalty is 100% of the dividends.

## Gifts to non-qualified donees

The penalty applies to a charity that makes a gift to a person <sup>1</sup> who is not a [qualified donee](#). (Qualified donees are the entities that can issue official donation receipts for the gifts they receive. The largest category is formed by other registered charities, but other categories include registered Canadian amateur athletic associations, municipalities, and the United Nations and its agencies.) Gifts made to

individuals in the course of a charity's programs, such as a scholarship award, are not subject to this penalty.

Usually, we would expect to enter into a compliance agreement with a charity that makes a gift to a non-qualified donee, but if the infraction is serious we may invoke this sanction or even revoke the organization's registration.

For a first infraction, the penalty is 105% of the amount gifted to a non-qualified donee. For a repeat infraction, the penalty is 110% of the amount.

## Undue benefit

The penalty applies to a charity that confers an "undue benefit" on:

- a member of the charity or of its governing board;
- a person who has contributed more than 50% of the charity's capital;
- a person who is not **at arm's length** to a person:
  - who is a member of the charity or its governing board; or
  - who has contributed more than 50% of the charity's capital; or
- a person who is not at arm's length to the charity.

The undue benefit does not necessarily have to come directly from the charity. It can also come from a third party if the charity instructs or allows the third party to redirect an amount that is legally payable to the charity.

A charity is **not** conferring an undue benefit if it makes reasonable payment for property or services it receives from one of the persons listed above. Thus, a member, who does work for a charity and is paid for it, is not receiving an undue benefit unless the amount paid is out of line with the usual rates for the work performed. Nor is it conferring an undue benefit if the person would be eligible for the benefit in the course of the ordinary operation of the charity's programs. For example, a hospital that sets the broken leg of a board member is not conferring an undue benefit on the member.

Usually, we would expect to enter into a compliance agreement with a charity before invoking this sanction, unless the infraction is serious.

For a first infraction, the penalty is 105% of the amount of the benefit. For a repeat infraction, the penalty is 110% of the amount, plus a year's suspension.

## False information on official donation receipts

The penalty applies to a charity or anyone else that issues an official donation receipt that contains false information.

This is the extreme end of improperly issued donation receipts covering the cases where a receipt is deliberately falsified, perhaps as to the date when the gift was received but more frequently as to the amount of the gift (for example, inflated value of receipt with respect to actual value of gift). If the

person responsible is an officer, employee, official, or agent of a charity, the charity is subject to the penalty. But the penalty also applies to people who:

- counterfeit the receipts of a legitimate charity; or
- issue false receipts on behalf of an organization that has no right to issue official donation receipts.

In our experience, these cases typically form serious incidents of non-compliance. As a result, we anticipate that, faced with receipts containing false information, we will not use compliance agreements, but rather proceed directly to imposing a sanction, which may include revoking the registration of any implicated charity.

For any infraction, the penalty is 125% of the eligible amount of the gift as it appears on any false receipt, plus a year's suspension if the total of all such penalties exceeds \$25,000. If by issuing false receipts, the person is also subject to a penalty under section 163.2 of the *Income Tax Act* (the section that provides for penalties for those who help or encourage others to make false claims on their tax returns, usually as part of a tax-shelter promotion), <sup>2</sup> the person is subject to whichever penalty is larger.

## Incorrect information on official donation receipts

The penalty applies to a charity that issues an official donation receipt that contains incorrect information.

This sanction targets all other errors on a receipt not amounting to false information. Incorrect information includes omitting information that should be on the receipt (for example, not including the CRA's website address). The information that should be on official donation receipts is listed in [Sample official donation receipts](#).

Generally, we would anticipate using compliance agreements before proceeding to one of the sanctions unless the infraction is serious.

For any infraction, the penalty is 5% of the eligible amount of the gift as it appears on any incorrect receipt, or 10% for a repeat infraction.

## Inadequate books and records

The penalty applies to a charity that does not maintain adequate books and records. It also applies to a charity that does not give an auditor access to its books and records or does not allow the auditor to copy them.

Information about books and records can be found in [Books and records](#).

Inadequate books and records can range from minor oversights on the part of the charity, to very serious infractions including records that are deliberately altered, destroyed, hidden, or not collected in order to conceal non-compliance. While we will generally use compliance agreements first, in cases of serious non-compliance we will likely move directly to a sanction, and possibly even revocation of the charity's registration.

The sanction for any books and records infraction is a year's suspension.

## Inter-charity gifting to delay expenditures

The penalty applies to charities that exchange gifts as a way to delay expenditures required to meet their disbursement quota.

### Example

Two charities each have a disbursement quota of \$10,000. Charity A writes a \$10,000 cheque to Charity B, and Charity B writes an equivalent cheque to Charity A. Both claim to have met their disbursement quota on the basis of a \$10,000 gift to a qualified donee, but in reality neither charity has made any expenditure.

In this type of abusive inter-charity gifting, we anticipate most cases will qualify as serious forms of non-compliance, and we would proceed directly to applying the sanction.

Both charities involved are subject to a penalty equal to 110% of the amount exchanged. Usually, we would ask Charity A and Charity B each to pay half the penalty, but we have the discretion to assess the full penalty against either of them.

## Not filing the annual return

The penalty applies to charities that do not file their annual return on time.

The legislation allows for a \$500 penalty for failure to file the return on time. However, we intend, for the present, to apply this penalty only to charities that:

- have had their registration revoked for not filing the annual return; and
- apply for re-registration.

Organizations in this situation have to act quickly to avoid the revocation tax that the Act imposes on charities if they lose their registration. <sup>3</sup> Within 12 months of the time we send the notice that we intend to revoke their registration, they will have to:

- rectify their filing deficiency;
- pay any outstanding penalties (including the \$500 non-filing penalty), taxes, and interest under the *Income Tax Act* and the *Excise Tax Act*; and
- obtain re-registration.

One of the first things we will check in an application for re-registration is whether a cheque for the \$500 has been enclosed.

## Conclusion

The Charities Directorate has a responsibility to ensure that registered charities comply with their legal requirements under the *Income Tax Act*. We prefer to do this through educating charities about the rules and working with them to sort out any problems that arise.

However, organizations that deliberately flout the law, or ignore their agreements with us, are telling us that stronger measures are necessary. Accordingly, the CRA will use one of the sanctions or revoke a registration if and when required.

## Footnotes

### Footnote 1

Note that, in the *Income Tax Act*, "person" means not just individuals but entities like companies and partnerships. As noted previously, charities under suspension are not qualified donees.

### Footnote 2

For more information on section 163.2, see [Information Circular IC01-1, Third-Party Civil Penalties](#).

### Footnote 3

The revocation tax is not new. For more on re-registration and the revocation tax, see [Guide RC4424, Completing the Tax Return Where Registration of a Charity is Revoked](#).

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-commentary-018-gifts-inventory.html>

# Gifts out of inventory

## Policy Commentary

### Release date

March 29, 2000

### Reference number

CPC-018

## Subject

Official donation receipts - Whether gifts out of inventory qualify as charitable donations

## Purpose

To clarify the Directorate's policy regarding gifts out of inventory.

## Commentary

1. A registered charity can issue an official donation receipt to a business for the market value of a gift out of inventory.

2. The charity's responsibilities are:

- determining that it has in fact received a gift
- determining the value of the gift

3. If the transaction results in a material benefit to the business, such as promotion or advertising, there has been no gift at law, and the charity should not issue an official donation receipt.

4. It is the Canada Revenue Agency's responsibility to ensure that businesses comply with the provisions of the Income Tax Act, not the charity's. If asked, the charity may advise a business of the tax implications as follows:

- the business can, of course, deduct the cost of acquiring or producing the item given to the charity from its income
- if the business does make a true gift out of inventory, it must add the fair market value of the item to its income per subparagraph 69(1)(b)(ii) of the Income Tax Act, and then claim a charitable tax deduction
- if the business obtains a material benefit from the transaction, it can probably write off the cost as a business expense

5. The following example explains the tax consequences for a business where a gift is made out of inventory.

### Calculation of taxable income

Sale of bread	\$50,000
Plus the value of bread donated to charity	+ 1,000
Income	\$51,000
Less production costs	25,500
Net income	\$25,500
Less tax deduction for donated bread	- 1,000
Taxable income	\$24,500

## References

- [Interpretation Bulletin IT-297, Gifts in Kind to Charity and Others](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-commentary-012-pocket-expenses.html>

# Out-of-pocket expenses

## Policy commentary

### Release date

December 3, 1997 (Revised April 28, 2009)

### Reference number

CPC-012

### Subject

Out of pocket expenses - Whether an official donation receipt can be issued in place of a cheque to reimburse volunteers for expenses incurred on behalf of the charity

### Purpose

To clarify the Directorate's policy regarding expenses incurred by volunteers on behalf of a registered charity.

### Commentary

1. A charity cannot simply issue an official donation receipt to a volunteer for the amount of the expenses, in lieu of reimbursing the expenses.
2. A charity can reimburse a volunteer for the expenses incurred on behalf of the charity and later accept the return of the payment as a gift, provided that the amount is returned voluntarily.
3. The parties are encouraged to proceed by way of an exchange of cheques, that is, the charity issues a cheque to the volunteer covering the costs incurred, and the volunteer then writes a cheque to the charity for an equivalent or lesser amount. By using the cheque-exchange method, a charity will have proper financial records justifying the receipt it issues to the volunteer and the volunteer can document that he or she has transferred property to the charity.
4. However, provided the volunteer has a right to reimbursement from the registered charity for the expenses incurred, the charity may treat the right to reimbursement as a gift in kind and issue a receipt for income tax purposes.

When a registered charity wants to issue a receipt for income tax purposes to a volunteer in lieu of reimbursement, it should have a written direction from the volunteer. The written direction should

confirm the right to reimbursement and direct the registered charity to issue a receipt rather than provide reimbursement. The following is an example of acceptable wording for such a direction:

I \_\_\_\_\_ direct that the funds to which I am entitled by way of reimbursement for \_\_\_\_\_, and would otherwise be forwarded to me by cash or cheque, be transferred to \_\_\_\_\_ as my gift.

If the charity issues a receipt for income tax purposes upon the transfer of a right to reimbursement, it should report the amount of the gift on Form T3010, Registered Charity Information Return both as revenue, and as an expenditure.

5. A charity should also have a policy in place on reimbursing volunteers. The policy should specify both the type of expenditures the charity is prepared to repay (for example, for materials purchased for the use on a charitable activity or for reasonable accommodation if the volunteer is travelling on the charity's business), and appropriate procedures to document the volunteers' payments, such as submitting credit-card slips. Such a policy enables the charity to demonstrate it is controlling the use of its resources for charitable purposes.

## References

- [Policy commentary CPC-025, Expenses incurred by volunteers](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-commentary-019-payment-participation-a-youth-band-choir.html>

# Payment for participation in a youth band or choir

## Policy commentary

### Release date

June 28, 2000

### Reference number

CPC-019

### Subject

Official donation receipts - Whether a payment for participation in a youth band or choir qualifies as a charitable donation

### Purpose

To clarify the Directorate's policy regarding payments to youth bands and choirs that are registered charities.

## **Commentary**

1. The Income Tax Act permits a registered charity to issue official donation receipts for tax purposes only for donations that legally qualify as gifts.
2. A charity may not issue an official donation receipt if the donor has directed the charity to use the funds to defray or pay the costs of a particular band player or chorister's participation in the band or choir. In reality, such a transaction can be viewed in one of two ways, neither of them acceptable:
  - it is either a gift made to an individual rather than the charity - the charity merely being an intermediary to facilitate the issuance of an official donation receipt
  - it is a quid pro quo arrangement rather than a gift - the benefit to the individual is tied to the payment
3. If a band member has to collect amounts corresponding to his/her expenses to participate in band or choir activities, failing which the member will not be able to participate in the activities, it is likely that payments collected particularly from friends and family are not gifts at law, but rather payments made for the benefit of that particular member.
4. If a member can participate in the band or choir activities regardless of the amounts he/she raises, those amounts will likely be considered gifts.

## **References**

- [Interpretation Bulletin IT-110, Gifts and Official Donation Receipts](#)
- [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-commentary-008-union-dues-payment-a-registered-charity.html>

# **Union dues - Payment to a registered charity**

## **Policy commentary**

### **Release date**

June 23, 1993

### **Reference number**

CPC-008

## **Subject**

Gift - Whether the payment to a registered charity instead of paying union dues is voluntary and therefore considered a gift

## Purpose

To clarify the Directorate's policy regarding payments to a registered charity.

## Commentary

1. A payment to a registered charity in lieu of paying union dues is not considered a gift. For example, a company employee, for religious reasons, objects to paying union dues. The collective agreement under which the employee works contains a provision allowing the employee to pay an equivalent amount to a registered charity in place of union dues. There is an expression of free will on the part of the payer only to the extent that the payment is directed to a registered charity rather than the union.
2. The payment of a sum to the union or to a charity in the context of adhering to a collective agreement can be seen as making a payment for consideration; that is, in return for paying the amount, the employee gets a job. The presence of a substantial consideration invalidates the payment as a gift.

## References

- Income Tax Act, R.S.C. 1985 (5<sup>th</sup> supp.) c. 1, para. 8(1)(i)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-commentary-006-fair-market-value-donated-item-taxes.html>

# Fair market value of donated item and taxes

## Policy commentary

### Release date

August 19, 1992

### Reference number

CPC-006

## Subject

Gift in kind - Whether the fair market value of an item donated to a registered charity or other qualified donee includes taxes paid by the donor

## Purpose

To clarify the Directorate's policy regarding the establishment of fair market value.

## Commentary

The fair market value of an item does not include taxes paid on purchasing the item. Taxes are a cost incurred by the purchaser and are payable to the Crown. The seller merely acts as an agent of the

Crown in collecting the taxes. For example, a donor purchases an item from a dealer, pays sales tax and GST on the transaction, then subsequently donates the item to a registered charity. The amount entered on the official donation receipt should be the fair market value of the item before taxes.

## References

- [Pamphlet P113, Gifts and Income Tax](#)
- Income Tax Regulations, C.R.C. 1978, c. 945, subparas. 3501(1)(h)(ii) and (1.1)(h)(ii)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/sample-official-donation-receipts.html>

# Sample official donation receipts

Use these samples to help your charity or other [qualified donee](#) prepare official donation receipts that meet the requirements of the Income Tax Act and its Regulations. Your receipts do not have to be exactly as shown, but they must contain the same information based on the following four types of gifts:

- [Sample 1 – Cash gift no advantage](#)
- [Sample 2 – Cash gift with advantage](#)
- [Sample 3 – Non-cash gift no advantage](#)
- [Sample 4 – Non-cash gift with advantage](#)

## Note

You can use Sample 4 for all your receipts, since it includes information for all types of gifts.

For more information on the requirements for these receipts, go to [Definitions](#).

## Sample 1 - Cash gift no advantage

A donor makes a cash gift of \$20. The donor, or any other person associated with the donor, has not and will not, receive an [advantage](#) for the gift. So, the [amount of the gift](#) and the [eligible amount of the gift](#) are both \$20.

# Official donation receipt for income tax purposes

Receipt # XXXXX



Charity or qualified donee name

Address

Charitable registration #: 000000000 RR 0000\*

Receipt issued \_\_\_\_\_ DD/MM/YYYY

Location issued \_\_\_\_\_ City, Prov.

Donated by \_\_\_\_\_  
(First and last name, and initial)

Address \_\_\_\_\_

Donation received \_\_\_\_\_ Amount of gift \_\_\_\_\_  
(Date or year)\*\*

Eligible amount of gift \_\_\_\_\_

Authorized signature: \_\_\_\_\_

Canada Revenue Agency - [canada.ca/charities-giving](http://canada.ca/charities-giving)

\*Only registered charities, Canadian athletic associations and national arts service organizations have a charitable registration number.

\*\*Registered charities and registered Canadian amateur athletic associations can choose to use only the year the cash gift was received.

## Text Version

### Official donation receipt for income tax purposes

Receipt No. XXX

Charity or qualified donee name

Charity or qualified donee address

Charitable registration No. (for registered charities or registered Canadian amateur athletic associations only)

Date or year\* gift was received \_\_\_\_\_

Donor name (first and last name, and initial) \_\_\_\_\_

Donor address \_\_\_\_\_

Amount of gift \_\_\_\_\_

Eligible amount of gift \_\_\_\_\_

Date receipt issued \_\_\_\_\_

Location receipt issued \_\_\_\_\_

Authorized signature \_\_\_\_\_

Canada Revenue Agency <https://www.canada.ca/charities-giving>

## Sample 2 - Cash gift with advantage

A donor pays \$50 to attend a fundraising dinner and receives a meal valued at \$20. The amount of the advantage (the \$20 meal), must be subtracted from the amount of the gift (the \$50 to attend the dinner). So, the eligible amount of the gift is \$30.

### Note

If the amount of the advantage is more than 80% of the cash gift, an official donation receipt cannot be issued. For more information, go to [Split receipting](#).

### Official donation receipt for income tax purposes

Receipt # XXXXX



**Charity or qualified donee name**

Receipt issued \_\_\_\_\_ DD/MM/YYYY

**Address**

**Charitable registration #: 000000000 RR 0000\*** Location issued \_\_\_\_\_ City, Prov.

**Donated by** \_\_\_\_\_  
(First and last name, and initial)

**Address** \_\_\_\_\_

**Donation received** \_\_\_\_\_  
(Date or year)\*\*

**Total \$ received by charity** \_\_\_\_\_ A **Eligible amount of gift** \_\_\_\_\_ C

**Value of advantage** \_\_\_\_\_ B  
(Cash/Fair market value of property)

**Description of advantage** \_\_\_\_\_

Authorized signature: \_\_\_\_\_

Canada Revenue Agency - [canada.ca/charities-giving](https://www.canada.ca/charities-giving)

\*Only registered charities, Canadian athletic associations and national arts service organizations have a charitable registration number.

\*\*Registered charities and registered Canadian amateur athletic associations can choose to use only the year the cash gift was received.

## Text Version

### Official donation receipt for income tax purposes

Receipt No. XXX

Charity or qualified donee name

Charity or qualified donee address

Charitable registration No. (for registered charities or registered Canadian amateur athletic associations only)

Date or year\* gift was received \_\_\_\_\_

Donor name (first and last name, and initial) \_\_\_\_\_

Donor address \_\_\_\_\_

**Line A** Amount of gift \_\_\_\_\_

**Line B** Amount of advantage to donor (cash/fair market value of property) \_\_\_\_\_

Eligible amount of gift (**line A minus line B**) \_\_\_\_\_

Description of advantage to donor \_\_\_\_\_

Date receipt issued \_\_\_\_\_

Location receipt issued \_\_\_\_\_

Authorized signature \_\_\_\_\_

Canada Revenue Agency <https://www.canada.ca/charities-giving>

## Sample 3 - Non-cash gift no advantage

A donor makes a gift of a piece of artwork with an appraised value of \$1,500. The donor, or any other person associated with the donor, has not and will not, receive an advantage for the gift. So, the amount of the gift and the eligible amount of the gift are both \$1,500.

## Official donation receipt for income tax purposes

Receipt # XXXXX



**Charity or qualified donee name**

Receipt issued \_\_\_\_\_ DD/MM/YYYY

**Address**

**Charitable registration #: 000000000 RR 0000\***      **Location issued** \_\_\_\_\_ **City, Prov.**

**Donated by** \_\_\_\_\_  
(First and last name, and initial)

**Address** \_\_\_\_\_

**Donation received** \_\_\_\_\_ **Amount of gift** \_\_\_\_\_  
(Date) (Fair market value of property)

**Eligible amount of gift** \_\_\_\_\_  
(Fair market value of property)

**Description of property donated** \_\_\_\_\_

**Fair market value appraised by** \_\_\_\_\_

**Address of appraiser** \_\_\_\_\_

**Authorized signature:** \_\_\_\_\_

**Canada Revenue Agency** - [canada.ca/charities-giving](http://canada.ca/charities-giving)

\*Only registered charities, Canadian athletic associations and national arts service organizations have a charitable registration number.

### Text Version

## Official donation receipt for income tax purposes

Receipt No. XXX

**Charity or qualified donee name**

**Charity or qualified donee address**

**Charitable registration No. (for registered charities or registered Canadian amateur athletic associations only)**

Date gift received \_\_\_\_\_

Donor name (first and last name, and initial) \_\_\_\_\_

Donor address \_\_\_\_\_

Amount of gift (fair market value of property) \_\_\_\_\_

Eligible amount of gift (fair market value of property) \_\_\_\_\_

Description of property received by charity or qualified donee \_\_\_\_\_

Appraiser name (if appraised) \_\_\_\_\_

Appraiser address \_\_\_\_\_

Date receipt issued \_\_\_\_\_

Location receipt issued \_\_\_\_\_

Authorized signature \_\_\_\_\_

Canada Revenue Agency <https://www.canada.ca/charities-giving>

## Sample 4 - Non-cash gift with advantage

A donor gives a charity a house valued at \$100,000. The charity gives the donor \$20,000 in return. The amount of the advantage (\$20,000) must be subtracted from the amount of the gift (the \$100,000 value of the house). So, the eligible amount of the gift is \$80,000.

### Note

If the amount of the advantage is more than 80% of the fair market value of the gift, an official donation receipt cannot be issued. For more information, go to [Split receipting](#).

### Official donation receipt for income tax purposes

Receipt # XXXXX



Charity or qualified donee name

Address

Charitable registration #: 000000000 RR 0000\*      Location issued \_\_\_\_\_ City, Prov.

Donated by \_\_\_\_\_  
(First and last name, and initial)

Address \_\_\_\_\_

Donation received \_\_\_\_\_      Amount of gift \_\_\_\_\_ A  
(Date)      (Fair market value of property)

Value of advantage to \_\_\_\_\_ B      Eligible amount of gift \_\_\_\_\_ C  
(Cash/Fair market value of property)      (Line A minus Line B)

Description of property received \_\_\_\_\_

Fair market value appraised by \_\_\_\_\_

Address of appraiser \_\_\_\_\_

Description of advantage \_\_\_\_\_

Authorized signature: \_\_\_\_\_

Canada Revenue Agency - [canada.ca/charities-giving](https://www.canada.ca/charities-giving)

\*Only registered charities, Canadian athletic associations and national arts service organizations have a charitable registration number.

## Text Version

### Official donation receipt for income tax purposes

Receipt No. XXX

Charity or qualified donee name

Charity or qualified donee address

Charitable registration No. (for registered charities or registered Canadian amateur athletic associations only)

Date gift

received \_\_\_\_\_

Donor name (first and last name, and

initial) \_\_\_\_\_

Donor address

**Line A** Amount of gift (fair market value of property)

**Line B** Amount of advantage to donor (cash/fair market value of property)

Eligible amount of gift (**line A minus line**

**B**) \_\_\_\_\_

Description of property received by charity or qualified donee

Appraiser name (if appraised)

Appraiser address

Description of advantage to donor

Date receipt issued

Location receipt issued

Authorized signature

Canada Revenue Agency <https://www.canada.ca/charities-giving>

# Definitions

## Amount of advantage to donor

The total amount of all benefits, property, or services the donor, or any other person associated with the donor, received or will receive for the gift (such as the value of books, meals, or theatre tickets). For more information on the limits of an advantage, go to [Split receipting](#).

## Amount of gift

The amount of cash or the [fair market value](#) of the property at the time the gift was made. For more information, go to [Determining fair market value of gifts in kind \(non-cash gifts\)](#).

## Appraiser address

The address of the appraiser (if the property was appraised).

## Appraiser name

The name of the appraiser (if the property was appraised).

## Note

We recommend that you appraise the property if its value is over \$1,000, but there is no legal requirement to do so. If the property has not been appraised, you must be able to justify the value of the property.

## Authorized signature

The signature of an individual who has been authorized to sign official donation receipts for your charity, registered Canadian amateur athletic association (RCAAA), or qualified donee. For information on facsimile signatures, go to [Computer-generated receipts](#).

## Charitable registration No.

The [registration number](#) assigned by the Canada Revenue Agency (CRA). Only registered charities and RCAs are issued a charitable registration number. Other qualified donees do not need one to issue official donation receipts.

## Charity or qualified donee address

The Canadian address of your registered charity or RCAA as on file with the CRA, or if you are a qualified donee, your current address.

## Charity or qualified donee name

The name of your registered charity or RCAA as on file with the CRA, or if you are a qualified donee, your current name.

## Date gift received

The day, month, and year you received the gift. For **cash** gifts, registered charities and RCAs can choose to use only the year they received the gift.

## Date receipt issued

The day, month, and year you issued the receipt.

## Description of advantage to donor

A brief description of all benefits, property, or services the donor, or any other person associated with the donor, received or will receive for the gift (such as books, meals, or theatre tickets).

**Description of property received by charity or qualified donee**

A brief description of the property (non-cash gift) received.

**Donor address**

The address of the donor.

**Donor name**

The name of the donor (corporation/business/individual). For an individual, the donor's first and last name, and initial.

**Eligible amount of gift**

The amount of the gift that the donor can claim for income tax purposes.

**Location receipt issued**

The location where you issued the receipt (for example, city, town, or municipality).

**Name and website of the Canada Revenue Agency**

We recommend using [canada.ca/charities-giving](https://canada.ca/charities-giving).

**Official donation receipt for income tax purposes**

A statement that identifies the form as an official donation receipt for income tax purposes. It acknowledges that a gift was made to you, and that the receipt contains the information required under the Income Tax Regulations.

**Receipt No. XXX**

The serial number of the receipt. Each receipt must have its own serial number.

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/summary-policy-m05-membership-fees.html>

# Membership fees

## Summary policy

**Date**

September 3, 2003 (Revised June 7, 2016)

**Reference number**

CSP-M05

## Key words

Membership fees

## Policy statement

A qualified donee can issue an official donation receipt for the eligible amount of a payment for membership fees. To determine the eligible amount, the donee must determine the advantage received by the member in return for the payment.

Where the advantage is not more than \$75 or 10% of the amount paid for the membership fees (whichever is less), a receipt can be issued for the full amount.

Where the advantage is more than \$75 or 10%, the amount of the advantage must be deducted from the amount paid for the membership fees to determine the eligible amount of the receipt.

## Example

For a membership fee of \$100, the member receives a hat valued at \$15 and a pen valued at \$2.

Membership fee	\$100
Total value of advantages (\$15 + \$2)	\$17
Eligible amount (\$100 - \$17)	\$83

Since the total value of the advantages is more than 10% of the membership fee, the advantages must be deducted to determine the eligible amount. The donee can issue an official donation receipt for \$83.

## Note

Where the advantage is more than 80% of the amount paid for the membership fees, it is generally considered that there is no true intention to make a gift, and a receipt cannot be issued.

## References

- [Split receipting](#)
- [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-commentary-026-third-party-fundraisers.html>

# Third party fundraisers

## Policy commentary

### Release date

February 26, 2003

### Reference number

CPC-026

### Subject

Fundraising - Third-party fundraisers for the benefit of a particular registered charity

### Purpose

To clarify the Directorate's policy regarding fundraising events for the benefit of a particular registered charity.

### Definitions

**Amount of advantage:** The total value of all property, services, compensation or other benefits to which the donor of a property, or a person not dealing at arm's length with the donor, is entitled as partial consideration for, or in gratitude for, the gift.

**Intention to give:** The amount of the advantage that accrues to the donor does not exceed 80% of the fair market value of the property transferred.

**Eligible amount of gift:** The amount by which the fair market value of the property that is the subject of the gift exceeds the amount of the advantage, if any, in respect of a gift.

### Commentary

1. Under the Income Tax Act, registered charities can issue official donation receipts to donors for gifts. This tax-receiving privilege is not to be casually farmed out to third parties, even if some of the resulting funds will be flowing back to the charity. A charity that substantially relinquishes to a third party its receipt-issuing function or the control over the funds that are donated to it, can jeopardize its registered status.

2. A registered charity can enroll a third-party organization or retain a fundraiser or other contractor as an agent to organize a fundraising event. However, the charity should maintain control over all monies that are earned as part of the event, and over the receipts that are issued for part of those monies.

3. If the charity does not run the event substantially by itself, through its own employees or volunteers, it should:

- put in place a written agreement setting out the modalities of the fundraising arrangement
- ensure that official donation receipts are only issued to donors for the eligible amount of the gift
- ensure that official donation receipts are signed by an authorized individual in conformity with ss. 3501(1)(i), 3501(2), 3501(3) and 3502 of the Income Tax Regulations
- be able to provide to the Canada Revenue Agency a full accounting of the monies or that portion of the monies donated to it, and the receipts that were issued in return

- be able to account to the Canada Revenue Agency for the amount of the advantage received by the participants as a result of their participation in the fundraising event

## References

- [Guidance CG-002, Canadian registered charities carrying out activities outside Canada](#)
- Income Tax Act, R.S.C. 1985 (5th supp.) c. 1, ss. 248(30), (31) and (32)
- Income Tax Regulations, C.R.C. 1978, c. 945, s. 3501(1)
- [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-commentary-025-expenses-incurred-volunteers.html>

# Expenses incurred by volunteers

## Policy commentary

### Release date

February 26, 2003

### Reference number

CPC-025

### Subject

Gift - Expenses - Volunteer - Whether expenses incurred by a volunteer on behalf of a registered charity qualify as a gift

### Purpose

To clarify the Directorate's policy regarding expenses incurred by volunteers on behalf of a registered charity.

### Definitions

**Amount of advantage:** The total value of all property, services, compensation or other benefits to which the donor of a property, or a person not dealing at arm's length with the donor, is entitled as partial consideration for, or in gratitude for, the gift.

**Intention to give:** The amount of the advantage that accrues to the donor does not exceed 80% of the fair market value of the property transferred.

**Eligible amount of gift:** The amount by which the fair market value of the property that is the subject of the gift exceeds the amount of the advantage, if any, in respect of a gift.

## Commentary

1. To qualify as a gift for purposes of the Income Tax Act, there must be a voluntary transfer of property to a donee with a clearly ascertainable value, any advantage received or obtained by the donor in respect of the transfer must be clearly identified and its value ascertainable and there must be a clear intent to enrich the donee.
2. In the case of expenses incurred by volunteers on behalf of registered charities, the facts of each case will determine whether they qualify as a gift.
3. To determine whether there is a gift, certain factors are taken into consideration, including:

- whether the expenses are incurred voluntarily or whether the volunteer was compelled to assume them

For example, prior to agreeing to work on behalf of a charity, the individual voluntarily agrees to incur the hardships and costs associated with the work. The payment of the expenses would not constitute a gift if the volunteer is somehow compelled to assume them.

- whether the consideration accruing to the volunteer negates donative intent (that is, intention to give)

For example, where a volunteer agrees to assume travel costs to work abroad for the charity, and then takes the opportunity to take a three-week vacation at the end or beginning of the work term. This may be acceptable where the volunteer has worked abroad for several months. However, if the volunteer only works a few days and receives a substantial rebate on travel costs as a result of travel arrangements made through the charity, it is likely that the amount of the advantage that accrues back to the volunteer would negate donative intent.

- whether the amenities that are being provided to the volunteer that works for the charity are reasonable, are provided in the context of the work with the charity, and are priced at market rates or lower

For example, where a missionary, who agrees to travel abroad on behalf of the charity, agrees to make a gift to the charity to cover his/her airfare and accommodations. The travel arrangements include a return ticket at the economy rate and accommodations at a bed and breakfast for two weeks. Since the amenities provided to the volunteer are reasonable and the purpose of the travel relates to the charity's work, the amount donated to the charity to cover the travel expenses can be considered as a gift to the charity and therefore, receiptable.

## References

- [Guidance CG-002, Canadian registered charities carrying out activities outside Canada](#)
- Income Tax Act, R.S.C. 1985 (5th supp.) c. 1, ss. 248(30), (31) and (32)
- [S7-F1-C1, Split-receipting and Deemed Fair Market Value](#)

# Income Tax Regulations

C.R.C., c. 945

## INCOME TAX ACT

...

### PART XXXV GIFTS

[SOR/81-269, s. 1; 2011, c. 24, s. 80]

#### INTERPRETATION

3500 IN THIS PART,

EMPLOYEES' CHARITY TRUST MEANS A REGISTERED CHARITY THAT IS ORGANIZED FOR THE PURPOSE OF REMITTING, TO OTHER REGISTERED CHARITIES, DONATIONS THAT ARE COLLECTED FROM EMPLOYEES BY AN EMPLOYER; (FUDUCIE DE BIENFAISANCE D'EMPLOYÉS)

OFFICIAL RECEIPT MEANS A RECEIPT FOR THE PURPOSES OF SUBSECTION 110.1(2) OR (3) OR 118.1(2), (6) OR (7) OF THE ACT, CONTAINING INFORMATION AS REQUIRED BY SECTION 3501 OR 3502; (REÇU OFFICIEL)

OFFICIAL RECEIPT FORM MEANS ANY PRINTED FORM THAT A REGISTERED ORGANIZATION OR OTHER RECIPIENT OF A GIFT HAS THAT IS CAPABLE OF BEING COMPLETED, OR THAT ORIGINALLY WAS INTENDED TO BE COMPLETED, AS AN OFFICIAL RECEIPT BY IT; (FORMULE DE REÇU OFFICIEL)

OTHER RECIPIENT OF A GIFT MEANS A PERSON, TO WHOM A GIFT IS MADE BY A TAXPAYER, REFERRED TO IN ANY OF PARAGRAPHS (A) AND (D) OF THE DEFINITION QUALIFIED DONEE IN SUBSECTION 149.1(1), PARAGRAPH 110.1(1)(C) AND SUBPARAGRAPH 110.1(3)(A)(II) OF THE ACT; (AUTRE BÉNÉFICIAIRE D'UN DON)

REGISTERED ORGANIZATION MEANS A REGISTERED CHARITY, A REGISTERED CANADIAN AMATEUR ATHLETIC ASSOCIATION OR A REGISTERED NATIONAL ARTS SERVICE ORGANIZATION. (ORGANISATION ENREGISTRÉE)

NOTE: APPLICATION PROVISIONS ARE NOT INCLUDED IN THE CONSOLIDATED TEXT;

SEE RELEVANT AMENDING ACTS AND REGULATIONS. SOR/81-269, s. 2;

SOR/86-488, s. 5;

SOR/88-165, s. 18;

SOR/94-140, s. 8;

SOR/94-686, s. 51(F);

2011, c. 24, s. 81.

#### CONTENTS OF RECEIPTS

3501 (1) EVERY OFFICIAL RECEIPT ISSUED BY A REGISTERED ORGANIZATION SHALL CONTAIN A STATEMENT THAT IT IS AN OFFICIAL RECEIPT FOR INCOME TAX PURPOSES AND SHALL SHOW CLEARLY IN SUCH A MANNER THAT IT CANNOT READILY BE ALTERED,

(A) THE NAME AND ADDRESS IN CANADA OF THE ORGANIZATION AS RECORDED WITH THE MINISTER;

(B) THE REGISTRATION NUMBER ASSIGNED BY THE MINISTER TO THE ORGANIZATION;

- (C) THE SERIAL NUMBER OF THE RECEIPT;
- (D) THE PLACE OR LOCALITY WHERE THE RECEIPT WAS ISSUED;
- (E) WHERE THE GIFT IS A CASH GIFT, THE DATE ON WHICH OR THE YEAR DURING WHICH THE GIFT WAS RECEIVED;
- (E.1) WHERE THE GIFT IS OF PROPERTY OTHER THAN CASH
  - (I) THE DATE ON WHICH THE GIFT WAS RECEIVED,
  - (II) A BRIEF DESCRIPTION OF THE PROPERTY, AND
  - (III) THE NAME AND ADDRESS OF THE APPRAISER OF THE PROPERTY IF AN APPRAISAL IS DONE;
- (F) THE DATE ON WHICH THE RECEIPT WAS ISSUED;
- (G) THE NAME AND ADDRESS OF THE DONOR INCLUDING, IN THE CASE OF AN INDIVIDUAL, THE INDIVIDUAL'S FIRST NAME AND INITIAL;
- (H) THE AMOUNT THAT IS
  - (I) THE AMOUNT OF A CASH GIFT, OR
  - (II) IF THE GIFT IS OF PROPERTY OTHER THAN CASH, THE AMOUNT THAT IS THE FAIR MARKET VALUE OF THE PROPERTY AT THE TIME THAT THE GIFT IS MADE;
- (H.1) A DESCRIPTION OF THE ADVANTAGE, IF ANY, IN RESPECT OF THE GIFT AND THE AMOUNT OF THAT ADVANTAGE;
- (H.2) THE ELIGIBLE AMOUNT OF THE GIFT;
- (I) THE SIGNATURE, AS PROVIDED IN SUBSECTION (2) OR (3), OF A RESPONSIBLE INDIVIDUAL WHO HAS BEEN AUTHORIZED BY THE ORGANIZATION TO ACKNOWLEDGE GIFTS; AND
- (J) THE NAME AND INTERNET WEBSITE OF THE CANADA REVENUE AGENCY.

(1.1) EVERY OFFICIAL RECEIPT ISSUED BY ANOTHER RECIPIENT OF A GIFT SHALL CONTAIN A STATEMENT THAT IT IS AN OFFICIAL RECEIPT FOR INCOME TAX PURPOSES AND SHALL SHOW CLEARLY IN SUCH A MANNER THAT IT CANNOT READILY BE ALTERED,

- (A) THE NAME AND ADDRESS OF THE OTHER RECIPIENT OF THE GIFT;
- (B) THE SERIAL NUMBER OF THE RECEIPT;
- (C) THE PLACE OR LOCALITY WHERE THE RECEIPT WAS ISSUED;
- (D) WHERE THE GIFT IS A CASH GIFT, THE DATE ON WHICH THE GIFT WAS RECEIVED;
- (E) WHERE THE GIFT IS OF PROPERTY OTHER THAN CASH
  - (I) THE DATE ON WHICH THE GIFT WAS RECEIVED,
  - (II) A BRIEF DESCRIPTION OF THE PROPERTY, AND
  - (III) THE NAME AND ADDRESS OF THE APPRAISER OF THE PROPERTY IF AN APPRAISAL IS DONE;
- (F) THE DATE ON WHICH THE RECEIPT WAS ISSUED;
- (G) THE NAME AND ADDRESS OF THE DONOR INCLUDING, IN THE CASE OF AN INDIVIDUAL, THE INDIVIDUAL'S FIRST NAME AND INITIAL;
- (H) THE AMOUNT THAT IS
  - (I) THE AMOUNT OF A CASH GIFT, OR

(II) IF THE GIFT IS OF PROPERTY OTHER THAN CASH, THE AMOUNT THAT IS THE FAIR MARKET VALUE OF THE PROPERTY AT THE TIME THAT THE GIFT WAS MADE;

(H.1) A DESCRIPTION OF THE ADVANTAGE, IF ANY, IN RESPECT OF THE GIFT AND THE AMOUNT OF THAT ADVANTAGE;

(H.2) THE ELIGIBLE AMOUNT OF THE GIFT;

(I) THE SIGNATURE, AS PROVIDED IN SUBSECTION (2) OR (3.1), OF A RESPONSIBLE INDIVIDUAL WHO HAS BEEN AUTHORIZED BY THE OTHER RECIPIENT OF THE GIFT TO ACKNOWLEDGE DONATIONS; AND

(J) THE NAME AND INTERNET WEBSITE OF THE CANADA REVENUE AGENCY.

(2) EXCEPT AS PROVIDED IN SUBSECTION (3) OR (3.1), EVERY OFFICIAL RECEIPT SHALL BE SIGNED PERSONALLY BY AN INDIVIDUAL REFERRED TO IN PARAGRAPH (1)(I) OR (1.1)(I).

(3) WHERE ALL OFFICIAL RECEIPT FORMS OF A REGISTERED ORGANIZATION ARE

(A) DISTINCTIVELY IMPRINTED WITH THE NAME, ADDRESS IN CANADA AND REGISTRATION NUMBER OF THE ORGANIZATION,

(B) SERIALLY NUMBERED BY A PRINTING PRESS OR NUMBERING MACHINE, AND

(C) KEPT AT THE PLACE REFERRED TO IN SUBSECTION 230(2) OF THE ACT UNTIL COMPLETED AS AN OFFICIAL RECEIPT,

THE OFFICIAL RECEIPTS MAY BEAR A FACSIMILE SIGNATURE.

(3.1) WHERE ALL OFFICIAL RECEIPT FORMS OF ANOTHER RECIPIENT OF THE GIFT ARE

(A) DISTINCTIVELY IMPRINTED WITH THE NAME AND ADDRESS OF THE OTHER RECIPIENT OF THE GIFT,

(B) SERIALLY NUMBERED BY A PRINTING PRESS OR NUMBERING MACHINE, AND

(C) IF APPLICABLE, KEPT AT A PLACE REFERRED TO IN SUBSECTION 230(1) OF THE ACT UNTIL COMPLETED AS AN OFFICIAL RECEIPT,

THE OFFICIAL RECEIPTS MAY BEAR A FACSIMILE SIGNATURE.

(4) AN OFFICIAL RECEIPT ISSUED TO REPLACE AN OFFICIAL RECEIPT PREVIOUSLY ISSUED SHALL SHOW CLEARLY THAT IT REPLACES THE ORIGINAL RECEIPT AND, IN ADDITION TO ITS OWN SERIAL NUMBER, SHALL SHOW THE SERIAL NUMBER OF THE RECEIPT ORIGINALLY ISSUED.

(5) A SPOILED OFFICIAL RECEIPT FORM SHALL BE MARKED "CANCELLED" AND SUCH FORM, TOGETHER WITH THE DUPLICATE THEREOF, SHALL BE RETAINED BY THE REGISTERED ORGANIZATION OR THE OTHER RECIPIENT OF A GIFT AS PART OF ITS RECORDS.

(6) EVERY OFFICIAL RECEIPT FORM ON WHICH ANY OF THE FOLLOWING IS INCORRECTLY OR ILLEGIBLY ENTERED IS DEEMED TO BE SPOILED:

(A) THE DATE ON WHICH THE GIFT IS RECEIVED;

(B) THE AMOUNT OF THE GIFT, IN THE CASE OF A CASH GIFT;

(C) A DESCRIPTION OF THE ADVANTAGE, IF ANY, IN RESPECT OF THE GIFT AND THE AMOUNT OF THAT ADVANTAGE; AND

(D) THE ELIGIBLE AMOUNT OF THE GIFT.

NOTE: APPLICATION PROVISIONS ARE NOT INCLUDED IN THE CONSOLIDATED TEXT;

SEE RELEVANT AMENDING ACTS AND REGULATIONS. SOR/81-269, s. 3;

SOR/2007-74, s. 1;

2013, c. 34, s. 393.

CONTENTS OF INFORMATION RETURNS

3501.1 EVERY INFORMATION RETURN REQUIRED TO BE FILED UNDER SUBSECTION 110.1(16) OR 118.1(27) OF THE ACT IN RESPECT OF A TRANSFER OF PROPERTY MUST CONTAIN

- (A) A DESCRIPTION OF THE TRANSFERRED PROPERTY;
- (B) THE FAIR MARKET VALUE OF THE TRANSFERRED PROPERTY AT THE TIME OF THE TRANSFER;
- (C) THE DATE ON WHICH THE PROPERTY WAS TRANSFERRED;
- (D) THE NAME AND ADDRESS OF THE TRANSFeree OF THE PROPERTY INCLUDING, IN THE CASE OF AN INDIVIDUAL, THEIR FIRST NAME AND INITIAL; AND
- (E) IF THE TRANSFEROR OF THE PROPERTY, OR A PERSON NOT DEALING AT ARM'S LENGTH WITH THE TRANSFEROR, ISSUED THE RECEIPT REFERRED TO IN SUBSECTION 110.1(14) OR 118.1(25) OF THE ACT, THE INFORMATION CONTAINED IN THAT RECEIPT.

NOTE: APPLICATION PROVISIONS ARE NOT INCLUDED IN THE CONSOLIDATED TEXT;

SEE RELEVANT AMENDING ACTS AND REGULATIONS. 2011, c. 24, s. 82.

# Charities Connection

## CRA news, information, and events for registered charities

*Charities Connection* is an electronic publication that gives registered charities information on technical issues, new guidance and policy changes, CRA initiatives, and reminders.

No. 8 – August 2011

- Keep your eye on the ball
- East Africa Drought Relief Fund
- Prime Minister's Volunteer Awards - Update

## Keep your eye on the ball

Summer is here and for many people summer means golf. An annual golf tournament is a popular and fun way to raise funds for your charity. However, there are a few things you must keep in mind.

## Receipts

In most cases, a gift is a voluntary transfer of property without valuable consideration to the donor. However, under proposed changes, a transfer of property for which the donor received an advantage will still be considered a gift for purposes of the *Income Tax Act* as long as we are satisfied that the transfer of property was made with the intention to make a gift. An intention to make a gift will generally be presumed when the fair market value (FMV) of the advantage does not exceed 80% of the FMV of the transferred property.

Where a gift has been made, the charity may issue an official donation receipt for the eligible amount of the gift. This is the amount by which the FMV of the gifted property exceeds the amount of an advantage, if any, received or receivable for the gift. The advantage is generally the total value of any property, service, compensation, use or any other benefit that the donor is entitled to as partial consideration for, or in gratitude for, the gift. The advantage may be contingent or receivable in the future, either to the donor or a person or partnership not dealing at arm's length with the donor. If the FMV of an advantage cannot be reasonably determined, no receipt can be issued.

**For fundraising golf tournaments**, a charity can issue a receipt to a participant for the part of the cost of entering that qualifies as the eligible amount of the gift. For example, green fees that would ordinarily be charged to a non-member playing the course at the time of the event would be considered a benefit and therefore an advantage to be included in determining the eligible amount. However, for members there would be no benefit and thus no advantage for green fees if membership already includes full green fees.

[Income Tax Technical News No. 26](#) gives detailed information about determining the value of the various components that may be present at a fundraising golf tournament.

### **Corporate purchases and sponsorships**

If a company buys a block of tickets for a golf tournament for its employees to participate, any receipt for the eligible amount of a gift goes to the purchaser (i.e., the company).

Let's say that a company sponsors a hole by transferring property to a charity. Under the right circumstances the transferred property could be considered a gift and therefore eligible for a receipt. Whether the FMV of the property transferred to a charity to sponsor a hole is the eligible amount of a gift depends on whether the company receives an advantage as a consequence of the transfer of property to the charity. If nothing is received in return for the sponsorship, the charity may issue a receipt. However, when a company sponsors a hole, it typically receives some form of recognition of that gift.

It is the Directorate's position that providing simple recognition of a gift does not, generally, constitute an advantage to a donor. In this context, naming a hole after a donor company and/or placing a small, discrete sign at the hole is not necessarily an advantage. However, as the level of recognition increases (e.g., size, quantity and visibility of signage), it is likely that the company is receiving a benefit in the form of advertising. In order to issue a receipt, the value of this advantage must be calculated in determining whether a gift has been made and its eligible amount. If the value cannot be reasonably determined, then no receipt can be issued.

Alternatively, a company may be able to deduct the cost of the sponsorship as an advertising expense to the extent it was incurred to earn income and as long as the company doesn't claim the amount twice, both as an expense and gift.

### **Third party fundraisers**

A registered charity can engage a third-party organization or retain a fundraiser as an agent or other contractor to organize a fundraising event such as a golf tournament. However, the charity should maintain control over all the monies that are received as part of the event, and over any receipts that

are issued. For more information on fundraisers, see Guidance CPS-028, *Fundraising by Registered Charities*.

In particular, if the charity does not run the event substantially by itself through its own employees or volunteers, it should:

- put in place a written agreement stating the details of the fundraising arrangement;
- make sure that tax receipts are issued only for the eligible amount of any gift and be able to demonstrate how the amount of any advantages were determined in calculating the eligible amount;
- make sure its tax receipts are signed by an authorized individual in conformity with the *Income Tax Regulations*; and
- be able to give the Canada Revenue Agency a full accounting of the monies donated to it and the receipts that were issued in return.

A registered charity can contract with an organization to carry on activities on its behalf. However, when an activity is carried on that a charity is not aware of, it is not possible to say that this is an activity of the charity. Regardless of the circumstances, it is never permissible to issue receipts on behalf of another organization.

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/summary-policy-c02-charitable-remainder-trust.html>

## Charitable Remainder Trust

### Summary Policy

#### Date

October 25, 2002

#### Reference number

CSP-C02

#### Key words

Charitable remainder trust (gift of residual interest) - Planned giving

### Policy statement

A charitable remainder trust involves transferring property into a trust whereby the donor retains a life interest in the property but makes an irrevocable gift of the residual interest to a registered charity. A registered charity can issue an official donation receipt for the fair market value of the residual interest in the property at the time that the residual interest vests in the charity.

## References

- [Interpretation Bulletin IT-226, Gift to a Charity of a Residual Interest in Real Property or an Equitable Interest in a Trust](#)
- [Registered Charities Newsletter, Issue No. 27](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/summary-policy-e05-ecologically-sensitive-land.html>

# Ecologically sensitive land

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## *Summary policy*

### Date

September 3, 2003

### Reference number

CSP-E05

## **Key words**

Ecological gift - Eco-gift - Ecological property

## **Policy statement**

Ecologically sensitive land is land that the Minister of the Environment has certified as important to the preservation of Canada's environmental heritage.

The Income Tax Act provides favourable tax treatment for the disposition of ecologically sensitive land (including a covenant, an easement, or a servitude) to Canada, a province, or a territory, a Canadian municipality or a registered charity that the Minister of the Environment has designated. This treatment includes a reduction in capital gains realized on the disposition of ecologically sensitive land and the provision of a tax credit or a deduction to donors, up to 100% of their net income.

## References

- [Summary policy CSP-P19, Disposition of property](#)
- [Registered Charities Newsletter, Issue No. 22](#)
- Income Tax Act, R.S.C. 1985 (5<sup>th</sup> supp.) c. 1, sub-paras. 38(a.2)(i), 69(1)(b)(ii), para. 110.1(1)(d) and ss. 118.1(1)
- [Ecological Gifts Program](#)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/loanbacks.html>

## Loanbacks

In the context of charitable giving and taxation, a loanback occurs when a donor makes a gift to a qualified donee and within 60 months of making the gift, at least one of the following two situations occur. These situations have the effect of reducing the fair market value of the gift for income tax purposes.

### Situation one:

- the qualified donee holds a [non-qualifying security](#) of the donor that it acquired **after** the time that is 60 months before the gift was made

### Situation two:

- the donor (or a person or partnership not dealing at arm's length with the donor) uses the qualified donee's property under an agreement that was made or modified **after** the time that is 60 months before the gift was made
- the property was not used by the qualified donee in its charitable activities

### Notes

Separate rules may also apply to reduce the [eligible amount](#) of the gift where an [advantage](#) is received in respect of a gift.

These are complex provisions. If necessary, we recommend obtaining advice from legal or accounting experts.

# How is the value of the gift affected?

When the loanback provisions apply, the qualified donee that receives the gift should reduce the amount that would otherwise be reported on the official receipt that it may issue, according to the two possible situations as follows:

## Situation one:

- the fair market value of the gift is reduced by the fair market value of the consideration given by the qualified donee for the non-qualifying security

## Situation two:

- the fair market value of the gift is reduced by the fair market value of the qualified donee's property that was used

When the loanback provisions take effect **after** the qualified donee issues a receipt for income tax purposes, the qualified donee should issue a revised receipt to reflect the fair market value as adjusted by the provisions described above. The revised receipt must contain all the required information plus a notation stating that it "cancels and replaces receipt #" (insert the serial number of the previous receipt, which should be marked "cancelled").

The qualified donee's copy of the previous receipt must be kept in the usual manner. A copy of the amended receipt should also be sent to the donor. The donor should then, where necessary, file an adjustment request with the Canada Revenue Agency to amend any return that they have already filed based on the previous receipt.

## Note

If the gift is a non-qualifying security, the gift must be an **excepted gift** before the loanback rules apply. Otherwise, the rules relating to a donation of a non-qualifying security apply. For more information, see [Non-qualifying securities](#).

A non-qualifying security is considered to be an **excepted gift** if it meets **all** of the following criteria:

- it is a share
- the qualified donee that receives the non-qualifying security is not a private foundation
- the donor deals at arm's length with the qualified donee
- the donor deals at arm's length with each of the qualified donee's directors, trustees, officers, and like officials

## Related topics

- [Sample official donation receipts](#)

## References

- [CG-012, Non-qualifying security](#)
- Income Tax Act, R.S.C. 1985 (5th supp.) c. 1, ss. 110.1(6) and 118.1(16)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/summary-policy-r15-registered-pension-plan.html>

# Registered pension plan

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## *Summary policy*

### **Date**

September 3, 2003

### **Reference number**

CSP-R15

## **Key words**

Registered Pension Plan (RPP)

## **Policy statement**

An individual can designate a registered charity as beneficiary of a registered pension plan. A charity can issue an official donation receipt for lump-sum pension benefits paid to the charity.

## **Reference**

- [Summary policy CSP-T05, Withholding tax](https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/summary-policy-r15-registered-pension-plan.html)

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/qualified-donees.html>

# Qualified donees

## Guidance

### Reference Number

CG-010

### Issued

August 15, 2011

This guidance replaces Summary policy CSP-Q01, Qualified donee.

## Summary

Under the Income Tax Act, qualified donees are organizations that can issue official donation receipts for gifts they receive from individuals and corporations. Registered charities can also make gifts to them.

## Qualified donees

Qualified donees are as follows:

- a registered charity (including a registered national arts service organization)
- a registered Canadian amateur athletic association
- a registered housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged
- a registered Canadian municipality
- a registered municipal or public body performing a function of government in Canada
- a registered university outside Canada that is prescribed to be a university, the student body of which ordinarily includes students from Canada
- a registered charitable organization outside Canada to which Her Majesty in right of Canada has made a gift
- Her Majesty in right of Canada, a province, or a territory
- the United Nations and its agencies

Her Majesty in right of Canada, a province, or a territory, and the United Nations and its agencies are qualified donees that do not have to be registered to be recognized as such.

## References

- Income Tax Act, R.S.C. 1985 (5<sup>th</sup> supp.) c. 1, para. 110.1(1)(a), ss. 118.1(1) and 149.1(1) and 149.1(6.4), 188.1(5)
- [Disbursement of funds to a qualified donee, CPC-014](#)
- [Charitable organizations outside Canada that have received a gift from Her Majesty in right of Canada, CG-015](#)
- [Registered Charities Newsletter, Issue No. 24](#)
- [Qualified donee: Becoming a Prescribed University Outside Canada, RC191](#)

# Qualified Donee: Becoming a Prescribed University Outside Canada

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## Summary

This information sheet explains the process for requesting prescribed university status. It also explains the criteria the Canada Revenue Agency (CRA) uses to determine whether a foreign educational institution can be prescribed as a university outside Canada under section 3503 of the Canadian Income Tax Regulations.

Prescribed universities are included in Schedule VIII of the Regulations and on the CRA's publicly available list of qualified donees. Only the prescribed universities that have registered status on the CRA's list are qualified donees.

As a qualified donee, a prescribed university can issue official donation receipts for gifts it receives. These receipts allow donors with taxable income in Canada to claim a credit on their Canadian income tax and benefit return or a deduction on their Canadian corporation income tax return. Qualified donees are also the only entities that Canadian registered charities are allowed to make gifts to. To find the prescribed universities that are registered as qualified donees, go to [List of prescribed universities outside Canada](#).

## Criteria

The foreign educational institutions prescribed to be universities outside Canada are named in Schedule VIII of the Regulations. To be eligible for prescribed university status and registration as a qualified donee, a foreign educational institution must do **all** of the following:

- maintain an academic entrance requirement of at least secondary school matriculation standing
- be organized for teaching, study, and research in the higher branches of learning
- ordinarily include Canadian students in its student body
- have the authority itself to confer degrees of at least the baccalaureate level (bachelor or equivalent) according to the academic standards and statutory definitions of the country the institution is located in.

This means that an institution will not qualify if either of the following apply:

- it confers only associate degrees, diplomas, certificates, or other degrees at a level lower than a bachelor degree or equivalent
- it is affiliated to a university but does not have the authority itself to confer degrees at the baccalaureate level or higher

# Asking for prescribed university status

To request prescribed university status, an official or authorized representative of the foreign educational institution should send a letter to the CRA's Charities Directorate. The letter should state that the institution is asking for prescribed university status and include, or be accompanied by, all of the following information and supporting documents:

- the institution's identifying information, such as its legal name, mailing address, physical address, and phone number(s)
- the institution's fiscal period-end
- a list of all the institution's current officials, for example, its directors, trustees, and like officials
- a copy of the institution's complete governing documents, for example, incorporating documents and any amendments, as well as current bylaws
- the institution's general admission requirements
- a copy of documents issued by the appropriate educational authority in the institution's country of residence that confirm that the institution is one of higher learning and has the authority itself to confer degrees of at least the bachelor level
- a list of the Canadian students who have attended the institution during the last five years and identification information for each student. The list should include each student's full name (first, last, and middle initial (if available)), Canadian address, date of birth, and Canadian social insurance number (if available), as well as each year or semester they attended. The institution may need to contact the Canadian students to get their approval to release this information
- the institution's website address, if available

The CRA cannot recommend an institution for prescribed status without a complete submission. All the information above is needed for the institution's request to be considered complete and must be in English or French. Any documents in other languages must be accompanied by a certified English or French translation.

Under the confidentiality provisions of the Income Tax Act, the CRA can only communicate with the institution's officials (director, trustee, or like official) or individuals that the institution has authorized the CRA to deal with. If a representative is handling the request for prescribed status, make sure the CRA has written authorization to communicate with that individual or provide a letter that allows it to do so. The letter of authorization must include the printed name and signature of a current official.

Send the request for prescribed university status to:

Assessment, Determinations, and Monitoring Division  
Charities Directorate  
Canada Revenue Agency  
Ottawa ON K1A 0L5  
Canada

After the CRA reviews the request, it will provide the institution with a written response. If the institution does not meet the criteria, it will receive a letter explaining why the CRA is not recommending it for prescribed university status.

If the institution meets the criteria, it will receive a letter stating that the CRA is recommending to the Governor in Council that the institution be granted prescribed university status. However, this status is not official until it is granted by an enactment of the Canadian Parliament amending the Regulations to include the name and location of the institution in Schedule VIII. A notice will be published in

the [Canada Gazette](#). The CRA will then send the institution a final letter confirming that it is named as a prescribed university in Schedule VIII and that it is registered as a qualified donee.

The effective date of each status will be the date the CRA received the prescribed university's complete submission. The prescribed university's name, location, and effective date of registration will also be included on the CRA's list of qualified donees. While it is registered as a qualified donee, the prescribed university can issue official donation receipts for gifts it receives and registered charities can make gifts to it.

## ***Requirements for maintaining qualified donee status***

To maintain its qualified donee status, a prescribed university must meet certain requirements under the Act. These include keeping books and records supporting any official donation receipts it issues and making sure it issues official donation receipts properly. For more information, go to [Prescribed universities outside Canada](#).

## ***Name or address changes after applying***

A prescribed university should inform the CRA of any changes to its legal name or address so that the information in Schedule VIII and on the list of qualified donees is correct. To provide this information, the institution should write to the above address. The letter should include the name and signature of a current official or authorized representative. For the CRA to process the change, the institution must also send in the legal document effecting the name change, such as an amended incorporation document.

## ***Certifying amounts for Canadian students***

Students from Canada may need the university to certify information to support their eligibility for a tax credit for qualifying education. For more information For more information, go to [Information Sheet RC190, Educational Institutions Outside Canada](#).

## ***Contact the CRA***

If you need more information about becoming a prescribed university, you can call:

from Canada and the U.S.: 1-800-959-8281  
from outside Canada and the U.S.: 1-613-940-8495  
Fax: 1-613-954-8037

### **Regular hours of service**

Monday to Friday (except holidays)  
8:00 a.m. to 5:00 p.m., Eastern time

The CRA accepts collect calls by automated response. Note that you may hear a beep and experience a normal connection delay.

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-statement-007-rcaaas-receipts-issuing-policy.html>

# RCAAs: Receipts-issuing policy

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## ***Policy statement***

### **Reference number**

CPS-007

### **Effective date**

February 7, 1995

## ***Purpose***

This policy statement outlines the Directorate's policy on the issuance and control of receipts by registered Canadian amateur athletic associations (RCAAs).

## ***Statement***

Under the Income Tax Act, qualified donees are organizations that can issue official donation receipts for gifts that individuals and corporations make to them. RCAAs are qualified donees and as such can issue official donation receipts.

## ***Implementation***

1. This policy applies to registered Canadian amateur athletic associations.
2. Paragraph 168(1)(f) of the Income Tax Act provides that a gift to an RCAA must be made without any implied or express condition or understanding that it be transferred to a local club or other named beneficiary. An RCAA must maintain significant accountability and control over the issuance of receipts and the amount of funds raised. An RCAA cannot lend its registration number to a member club.

3. The issuance of receipts can only be delegated to a subordinate body at the provincial level. It should not be sub-delegated by a provincial level association to member clubs without the RCAAAs consent. The RCAAAs must maintain direction and control over its receipt-issuing policies.
4. A local club that has raised funds may receive a percentage of those funds as financing for the club's activities that are consistent with the RCAAAs purposes. However, the percentage returned to the local club must not form part of any solicitation for funds by the local club, or any agreement with a prospective donor.
5. An RCAAAs cannot operate as a conduit for a local club's own purposes. A significant amount of funds raised must be retained by the RCAAAs for its own use, for contingencies or to be redistributed to other clubs. An administration fee covering the expense of receiving funds raised and issuing receipts is not considered to be a significant amount.
6. A local club that receives percentage funding must account to the RCAAAs for the amounts raised. The accounting provided to the RCAAAs must enable the Canada Revenue Agency to verify whether receipts are issued in accordance with the Act. [Footnote1](#)
7. In view of the widespread practise of soliciting contributions from parents whose children receive direct support from local clubs, an RCAAAs should require as part of its granting policy, that accounting from local clubs include the names of all those athletes who receive subsidized training. Should an audit by the Canada Revenue Agency uncover any substantial abuse at the local level, the RCAAAs will be deemed to have failed meeting the requirements the Act unless it can demonstrate that it had proper mechanisms in place for the proper issuance of receipts.

## **Footnotes**

### **Footnote 1**

Income Tax Act, Section 230(2): "Every (...) registered Canadian amateur athletic association shall keep records and books of account at an address in Canada recorded with the Minister or designated by the Minister containing:

- (a) information in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under this Act
- (b) a duplicate of each receipt containing prescribed information for a donation received by it
- (c) other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under this Act"

## **References**

- Her Majesty the Queen v. Dr. F. Bruce Burns, [1988] 88 D.T.C. 6,101

# Non-profit organization

## Summary policy

### Date

September 3, 2003

### Reference number

CSP-N03

## Key words

Non-profit organization

## Policy statement

Under the Income Tax Act, a non-profit organization is an association organized and operated exclusively for social welfare, civic improvement, pleasure, recreation, or any other purpose except profit (for example, a club, society, or association). The organization will generally be exempt from tax if no part of its income is payable to, or available for, the personal benefit of a proprietor, member, or shareholder unless the proprietor, member, or shareholder is a club, society, or association whose primary purpose and function is to promote amateur athletics in Canada.

A non-profit organization cannot issue official donation receipts.

## References

- [Summary policy CSP-R01, Registered Canadian amateur athletic association](#)
- [Guide T4117, Income Tax Guide to the Non-Profit Organization \(NPO\) Information Return](#)
- [Registered Charities Newsletter, Issue No. 19](#)
- [Form T1044, Non-Profit Organization \(NPO\) Information Return](#)
- [Interpretation Bulletin IT-496, Non-Profit Organizations](#)
- [Interpretation Bulletin IT-83, Non-Profit Organizations - Taxation of Income from Property](#)
- [T2 Corporation Income Tax Return, T2](#)
- [T2 Corporation - Income Tax Guide, T4012](#)
- [Income Tax Act, R.S.C. 1985 \(5<sup>th</sup> supp.\) c. 1, para. 149\(1\)\(l\) and ss. 149\(5\) and 149\(12\)](#)

# Non-qualifying security

## Guidance

### Reference Number

CG-012

### Issued

October 19, 2011

This guidance replaces Summary policy CSP-N05, Non-qualifying security.

## Summary

When a non-qualifying security is gifted to a qualified donee, the donee can only issue an official donation receipt under very specific circumstances.

The rules regarding non-qualifying securities apply equally to individual and corporate donors.

## Non-qualifying security

A non-qualifying security of an individual at a particular time is:

a. An obligation (other than an obligation of a financial institution to repay deposits with the institution or an obligation listed on a [designated stock exchange](#)) of the individual, the individual's estate, or any person or partnership with which the individual or the individual's estate does not deal at arm's length immediately after that time

b. A share of a corporation (other than a share listed on a designated stock exchange) with which the individual, or the individual's estate, or when the individual is a trust, a person affiliated with the trust, does not deal at arm's length immediately after that time

(b.1) A beneficial interest of the individual or the estate in a trust that

(i) immediately after that time is affiliated (within the meaning of s. 251.1 of the Income Tax Act) with the individual or the individual's estate

(ii) holds, immediately after that time, a non-qualifying security of the individual or the individual's estate, or held, at or before that time, a share described in (b) that is, after that time, held by the donee

c. Any other security (other than a security listed on a designated stock exchange) issued by the individual, the individual's estate, or by any person or partnership with which the individual or estate does not deal at arm's length (or when the person is a trust, with which the individual or estate is affiliated) immediately after that time

## Issuing Official Donation Receipts

A qualified donee can only issue an official donation receipt to the donor of a non-qualifying security if the security is an excepted gift or, if within 60 months of acquiring the non-qualifying security, one of the following two conditions applies:

1. the security ceases to be a non-qualifying security (i.e., a privately held company goes public and its shares become listed on a designated stock exchange)

## 2. the qualified donee disposes of the non-qualifying security

The 2011 Federal Budget contains a proposed change to the second condition. Specifically, when a qualified donee disposes of a non-qualifying security, an official donation receipt may only be issued when the disposition is for consideration that is **not** another non-qualifying security of any person. This provision takes effect for dispositions on or after March 22, 2011.

A non-qualifying security is considered to be an excepted gift if it meets all of the following criteria:

- it is in the form of a share
- the donee that receives the non-qualifying security is not a private foundation
- the donor deals at arm's length with the donee
- when the donee is a charitable organization or a public foundation, the donor deals at arm's length with each of the charity's directors, trustees, officers, and like officials

## Commentary

When the non-qualifying security rules apply, the gift is considered to have been made at the time the property ceased to be a non-qualifying security, or when it is disposed of by the donee. For purposes of determining the fair market value of the gift:

- when a qualified donee disposes of a non-qualifying security at any time in the 60-month period after it received the gift, the fair market value of the property will be deemed to be the lesser of the amount determined to be its fair market value at the time of the gift, and the fair market value of the consideration (other than a non-qualifying security of the donor – also see the Budget 2011 proposed amendment described above) received by the donee at the time of disposition
- when a property ceases to be a non-qualifying security at any time in the 60-month period after the time of the gift, the fair market value of the property will be deemed to be the lesser of its fair market value at the time of the gift, and its fair market value at the time it ceased to be a non-qualifying security

Budget 2011 has also introduced an anti-avoidance measure that may impact the tax recognition of a gift when, as a result of a series of transactions, a particular person holds a non-qualifying security of a donor and the donee has acquired, directly or indirectly, a non-qualifying security of the particular person or of the donor. In such situations, the donor's gift will be subject to the non-qualifying security rules until such time (within 60 months of the donation) that the donee has disposed of the non-qualifying security for consideration that is not, to any person, another non-qualifying security. This provision takes effect for dispositions by qualified donees on or after March 22, 2011.

## References

- Income Tax Act, R.S.C. 1985 (5<sup>th</sup> supp.) c. 1, ss. 110.1(6), 118.1(13), (14), (15), (18) and (19).

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<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/books-records.html>

# Books and records

For more information, watch our recorded webinar [Financial statements and books and records](#).

A registered charity must keep adequate books and records. A charity's books and records must allow the Canada Revenue Agency (CRA) to:

- verify revenues, including all charitable donations received;
- verify that resources are spent on charitable programs; and
- verify that the charity's purposes and activities continue to be charitable.

## ***Books and records include:***

Governing documents (incorporating documents, constitution, trust document), bylaws, financial statements, copies of official donation receipts, copies of annual information returns (Form T3010, Registered Charity Information Return), written agreements, contracts, board and staff meeting minutes, annual reports, ledgers, bank statements, expense accounts, inventories, investment agreements, accountant's working papers, payroll records, promotional materials, and fundraising materials.

Books and records also include **source documents**. Source documents support the information in the books and records, and include items such as: invoices, vouchers, formal contracts, work orders, delivery slips, purchase orders, and bank deposit slips.

## ***Where should books and records be kept?***

Books and records must be kept at the Canadian address that the charity has on file with us. This includes all books and records related to any activity carried on outside Canada. The charity's books and records cannot be kept at a foreign address.

## ***How long must a charity hold on to its books and records?***

A charity must keep books and records as follows:

- **Copies of official donation receipts** (other than for 10-year gifts) - Must be kept for a minimum of two years from the end of the calendar year in which the donations were made.
- **Records for 10-year gifts** - Must be kept for as long as the charity is registered and for a minimum of two years after the date the registration of the charity is revoked.
- **Minutes of meetings of the directors/trustees/executives** - Must be kept for as long as the charity is registered and for a minimum of two years after the date the registration of the charity is revoked or, in the case of a corporation, for two years after the day the corporation is dissolved.
- **Minutes of meetings of the members** - Must be kept for as long as the charity is registered and for a minimum of two years after the date the registration of the charity is revoked.
- **Governing documents and bylaws relating to the charity** - Must be held for as long as the charity is registered and for two years after the date the registration of the charity is revoked.

- **General ledgers or other books of final entry containing summaries of year-to-year transactions and the accounts necessary to verify the entries**- Must be kept for six years from the end of the last tax year to which they relate, while the charity is registered, and for two years after the date the registration of the charity is revoked or, in the case of a corporation, for two years after the day the corporation is dissolved.
- **Financial statements, source documents and copies of annual information returns (T3010 forms)** - Must be kept for six years from the end of the last tax year to which they relate or, if the charity is revoked, for two years after the date of revocation.

## ***Can books and records be kept in electronic format?***

Yes, however:

- Electronic records are subject to the same rules and retention periods as described above.
- Books and records that are created and maintained in electronic format must be kept in an electronically readable format, even if the charity has paper printouts of the electronic records. An electronically readable format means information supported by a system capable of producing an accessible and useable copy that would allow auditors to process and analyze the electronic records on CRA equipment.
- If any source documents are initially created, transmitted, or received electronically, they must be kept in an electronically readable format.
- Scanned images of paper documents, records, or books of account that are maintained in electronic format are acceptable if proper imaging practices are followed and documented.

### ***Note***

Books and records maintained outside Canada but accessible electronically in Canada do not meet the requirement of being kept in Canada.

Refer to [IC05-1R1, Electronic Record Keeping](#) for additional information.

## ***What are the responsibilities for properly maintaining books and records?***

A registered charity is responsible not only for keeping books and records, but for maintaining, retaining, and safeguarding these records as follows:

- If the charity hires a third party to maintain its records, the charity is still responsible for meeting all requirements. Third parties include bookkeepers, accountants, Internet transaction managers, and application service providers.
- The charity should keep all its books and records in one area for easy access. This will make it easier for the charity in the case of an audit or when there is a change to the governing board.
- The charity should also keep copies of its books and records in a separate location (preferably off-site) for backup purposes.
- The charity is responsible for making its books and records available to CRA officials. These officials are authorized to inspect, audit, or examine a charity's records, as well as make or have made copies of any records, including electronic records.

# **What are the consequences of improper record keeping?**

Failure to keep adequate books and records may result in the suspension of a registered charity's tax receipting privileges, or the loss of its registered status.

## **More questions and answers**

### **1. Our last treasurer has our books and records and refuses to give them to us. As a result, we can't get the necessary information to file our T3010 information return. What should we do?**

You should advise us in writing, because you are responsible for maintaining adequate books and records and for meeting your filing requirements. You may want to consider legal means to get the documents from the treasurer.

### **2. Our computer crashed and it looks like all our records have been lost. What should we do?**

You may be able to retrieve your records through the use of a computer specialist. You should also be able to use your back-up files. It is your responsibility to make sure your [electronic books and records](#) have been archived or backed up properly and adequately to meet your books and record-keeping obligations.

### **3. Should we keep our books and records in one of Canada's official languages even if we serve a population in a language other than English or French?**

We ask that you keep your books and records in English or French. They can be translated from their original language if they were created in a language other than English or French.

For information on GST/HST requirements, see [General Requirements for Books and Records](#).

### **4. Can we destroy our books and records before the required retention period has passed?**

Yes, with the Minister's written permission. To ask for permission, fill out [Form T137, Request for Destruction of Records](#), and send it to:

Charities Directorate  
Canada Revenue Agency  
Ottawa ON K1A 0L5

Note that the Charities Directorate accepts Form T137 even though the form doesn't mention registered charities.

### **5. Do we need to keep the envelopes from our church offerings?**

Yes. Where an envelope is used as a source document, it must be kept for a period of six years from the end of the tax year to which the envelope relates. This position is effective as of 2016 and includes envelopes for the 2015 tax year and onward.

## Related topics

- [Financial statements](#)
- [What information must appear on an official donation receipt from a registered charity?](#)
- [Samples - Official donation receipts](#)

## References

- [Registered Charities Newsletter, Issue No. 26](#)
- [Keeping Records](#)
- [IC78-10R5, Books and Records Retention/Destruction](#)
- [IC05-1R1, Electronic Record Keeping](#)

### Keeping adequate books and records (Checklist)

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LANGIND E  
DOCNUM 2011-0405881E5

AUTHOR Danis, Sylvie

DESCKEY 25

RATEKEY 2

REFDATE 110601

SUBJECT Qualified donee for receipting purposes

SECTION 118.1(1); 110.1(1)

SECTION

SECTION

SECTION

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Please note that the following document, although believed to be correct at the time of issue, may not represent the current position of the CRA.

Prenez note que ce document, bien qu'exact au moment émis, peut ne pas représenter la position actuelle de l'ARC.

PRINCIPAL ISSUES: Whether a donation receipt can be issued by a public body performing a function of government in Canada where the donor directs the gift to a specific program of the public body?

POSITION: Yes, in this particular situation.

REASONS: In our view, in this particular situation the public body performing a function of government in Canada retains sufficient discretion over the gifts received.

XXXXXXXXXX

2011-040588  
Sylvie Danis  
(613) 957-3496

June 1, 2011

Dear XXXXXXXXXX :

Re: Gift to a public body performing a function of government in Canada

This is in response to your email dated May 9, 2011, wherein you requested confirmation of the tax implications with respect to a situation where a taxpayer makes a directed gift to an entity that is a public body performing a function of government in Canada as described in 149(1)(c) of the Income Tax Act (the "Act").

Written confirmation of the tax implications inherent in particular transactions is given by this Directorate only where the transactions are proposed and are the subject matter of an advance income tax ruling request submitted in the manner set out in Information Circular 70-6R5, Advance Income Tax Rulings, dated May 17, 2002. Where the particular transactions are completed, the inquiry should be addressed to the relevant Tax Services Office. However, we can offer the following general comments that may be of assistance.

We understand that the XXXXXXXXXX (the "Council") is considered a public body performing a function of government in Canada pursuant to paragraph 149(1)(c) of the Act. The Council is contemplating assisting the XXXXXXXXXX with its fundraising efforts. The XXXXXXXXXX is not incorporated and does not legally form part of the Council. However, the Council passed a resolution on XXXXXXXXXX stating that:

XXXXXXXXXX

The XXXXXXXXXX has been supported through Council funding since XXXXXXXXXX to cover utility expenses (such as telephone and electricity) incurred during operation. The current Contribution Agreement from the Council includes rent-free location in a building owned by the Council. The XXXXXXXXXX is required to regularly report to the Council via updated financial statements (income statement, balance sheet, cash flow statement). In addition, the XXXXXXXXXX Coordinator is required to give regular updates to the Chief and Council.

The Council is proposing to increase its financial support to the XXXXXXXXXX by undertaking the following steps:

- \* The Council would draft new policies with respect to gifts received in support of the XXXXXXXXXX .
- \* The Council would approve larger special projects for funding for the XXXXXXXXXX . Smaller amount might be approved by Council staff. Donors would direct their gifts to these projects.
- \* The Council would accept gifts for XXXXXXXXXX projects and issue donation receipts to the donors. The Council would administer funds received by directly paying the costs for the approved

projects and account for the donations and related expenditures as part of its own financial statements.

Section 118.1 of the Act provides that individual taxpayers may claim a credit against taxes payable, within specified limits, for an eligible amount of a gift made to a "qualified donee", if supported by official receipts. Section 110.1 of the Act permits a corporation to claim a deduction, within specified limits, in computing taxable income in respect of an eligible amount of a gift made by the corporation to a "qualified donee". A public body performing a function of government in Canada is a "qualified donee" for purposes of the Act by virtue of subsection 149.1(1) of the Act and for purposes of the proposed amendments to the definition of "total charitable gifts" in subsection 118.1(1) of the Act and to paragraph 110.1(1)(a) of the Act. Therefore, when a public body performing a function of government in Canada receives a gift from an individual or corporation, the public body may issue an official donation receipt for the eligible amount of the gift which will permit an individual donor to claim a tax credit or a corporate donor to claim a deduction in computing taxable income.

Under the proposed split-receipting rules, the eligible amount of a gift is the amount by which the fair market value of the property that is the subject of the gift exceeds the amount of the advantage in respect of the gift. The amount of the advantage in respect of a gift is generally the fair market value, at the time the gift is made, of any property, service, compensation or other benefit received, or expected to be received in the future, by the donor, or a person or partnership who does not deal at arm's length with the donor, as consideration for, or in gratitude for the gift.

It is our general view that donations can be receipted by a qualified donee such as a public body performing a function of government in Canada on behalf of an organization which operates under its authority provided the public body retains discretion as to how the donated funds are to be spent. If the public body performing a function of government in Canada is merely collecting funds from donors on behalf of the organization and the latter is legally or otherwise entitled to the property so transferred, the public body performing a function of government in Canada is not in receipt of a gift and cannot issue an official donation receipt. In that case, the public body is merely acting as a conduit for the other organization and it is our view that payments received on behalf of the organization could not qualify as gifts to a public body performing a function of government in Canada for purposes of subsections 118.1(1) and 110.1(1) of the Act.

It is a question of fact whether a gift has been made to a qualified donee in a particular situation. In the situation described, where the Council supports the XXXXXXXXXX fundraising efforts in the manner described above, it is our view that the Council may issue an official donation receipt for the eligible amount of the gift received which will permit an individual donor to claim a tax credit or a corporate donor to claim a deduction in computing taxable income.

We trust the above comments are of assistance. However, as stated in paragraph 22 of Information Circular 70-6R5, the above comments do not constitute an income tax ruling and accordingly are not binding on the Canada Revenue Agency in respect of any particular situation.

Yours truly,

Jenie Leigh  
for Director  
Financial Sector and Exempt Entities Division  
Income Tax Rulings Directorate

<https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/charitiesnews-06-archived-registered-charities-newsletter-summer-1996-no-6/archived-registered-charities-newsletter-summer-1996-no-6-summer-1996.html>

ARCHIVED - Registered Charities Newsletter - Summer 1996 - No. 6 - Summer 1996

### **Can registered charities issue donation tax receipts for tuition fees?**

As defined at law, a **gift** is a voluntary transfer of property which a donor makes without expecting a benefit in return. A payment for the cost of a child's education in a religiously based school is not a gift. However, it is our administrative policy to treat as a charitable gift a part of a parent's payment for instruction at a private elementary or secondary school which offers both secular (academic) and religious education. The part we treat as a gift is for the religious education only. We do this even though it gives an economic advantage to the students or their parents. We explain this policy in Information Circular 75-23, *Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools*.

Some charities try to let parents claim the full amount of tuition payments as gifts. For example, a registered charity may ask a donor for money in exchange for both an official donation receipt and a **charitable gift coupon**. The donor then uses the coupon to pay tuition to the private school of the donor's child. The school then recovers the donor's money from the charity that issued the coupon. Funds that parents give to a charity in this way are not legally defined gifts, and we do not accept this practice.

Other registered charities, often associated with private schools, set up a **student aid fund** and seek donations usually from the parents of children attending the school. Such a charity issues an official donation receipt to the donor, and gives a grant or bursary to cover a child's tuition costs. Contributions by parents to a student aid fund, even if voluntarily given, are not legally defined gifts. Accordingly, charities should not issue tax receipts for these types of donations.

Our opinion is that payments parents make in such schemes are the same as tuition payments made directly to the schools involved. Our policy does not allow any part of such payments to be treated as legally defined gifts unless the parents make the payments directly to a school as described in Information Circular 75-23.

Charities involved in these types of schemes can lose their status as registered charities. Also, we may disallow part or all of a claim that a donor makes on an income tax return for a gift made in one of these schemes.

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<https://www.canada.ca/en/revenue-agency/corporate/security/protect-yourself-against-fraud/fraud-scenario-donation-tax-shelter-scheme.html>

# Fraud Scenario – Donation tax shelter scheme

Mary and William are married and have three kids. They are both working professionals but with the rising costs of kids, bills, and mortgage, they find themselves having trouble making ends meet.

One day, Mary and William receive an invitation in the mail to a seminar that promises hefty tax breaks. During the seminar, a representative from a charity **explains to the group that if they donate immediately they will receive tax receipts for four times the amount they donate**. Mary and William figure this is a win-win; they will be donating to a deserving charity and will get a hefty tax break. They decide to each donate \$500 because the tax break will help them with their financial troubles.

After filing their tax claim for the donation, Mary and William receive a notice that the Canada Revenue Agency will be holding their assessment while they review the case. It turns out that Mary and William were tricked into a gifting tax shelter, and **ended up losing the money that they paid without a tax break**. They are embarrassed and upset.

**Does this scenario sound familiar?** This couple is not alone. In recent years, approximately 2,500 individuals a year participated in gifting tax shelter arrangements. To date, over 190,000 Canadian taxpayers who donated to one of these tax shelter schemes have been reassessed. Nearly \$6.3 billion in donation claims have been denied.

When donating, remember:

- Be wary if you are offered a tax receipt worth more than the amount you donated.
- Obtain independent professional advice from a tax advisor before signing any documents.
- Ask for written information about the charity, including name, address and telephone number.
- Call the charity. Find out if the organization is aware of the solicitation and has authorized the use of its name. If not, you may be dealing with a scam artist.
- Confirm if the charity is registered and eligible to issue official donation receipts through CRA's [charities listings](#).
- Ask the representative for the charity's registered charitable tax number.
- Refuse high pressure sales pitches. Legitimate fundraisers will not push you to give on the spot.

**Remember if it sounds too good to be true, it probably is.**

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<https://www.canada.ca/en/revenue-agency/news/cra-multimedia-library/charities-video-gallery/transcript-gifting-receipting-101.html>

## Transcript - Gifting and receipting 101



## Gifting and receipting 101

Charities Directorate

### Transcript - Gifting and receipting 101

**NARRATOR (voice over):** This presentation will be an overview of gifting and receipting rules for registered charities and all other qualified donees.

What do we mean by the term « qualified donee? »

Qualified donees are all organizations legally eligible to issue donation receipts according to the *Income Tax Act*. Registered charities are a type of qualified donee. Other types of qualified donees **that are registered**, they are listed on our website under “Other organizations that can issue donation receipts”

Within this presentation, you will notice various examples of gifting and receipting, all of which apply to registered charities and other qualified donees.

Here's an outline of what we're going to cover. We'll explain:

- What does and does not qualify as a gift;
- The conditions that need to be fulfilled in order to issue a donation receipt; and
- How to determine the amount to report on a donation receipt.

Let's get started.

Let's start by talking about eligible donations, which we often refer to as “gifts”. There are two categories of gifts: cash gifts and gifts in kind.

Cash gifts are items like cash, cheques, credit cards and web transfers.

Gifts in kind, which we sometimes refer to as “non-cash gifts”, include goods like school and office supplies, land, listed securities, and copyrights.

Not all transactions are eligible for a donation receipt.

Examples of transactions not considered donations include:

- paying an admission fee to some events or programs;
- buying a lottery ticket or any other chance to win a prize, even though the lottery proceeds may benefit one or more charities;
- contributing services, like providing free legal or accounting services; and finally
- promising or pledging to make a donation. Promises and pledges are not eligible because a transfer of property has not occurred.

Eric is an electrician and he is hired to repair some wiring issues for a charity. He gives the charity a bill for two hours of his services and suggests that they give him a donation receipt instead of payment. Can the charity provide a donation receipt to Eric instead of payment?

No, the charity cannot give Eric a donation receipt, because he is providing a service of time and talent. There has been no transfer of property from Eric to the charity. We will talk about this a little more in the next section on issuing donation receipts.

In order to be able to issue a donation receipt, four conditions need to be met.

The **first condition** is that there needs to be a transfer of property. This means that a cash gift or gift in kind must actually be transferred from the donor to the qualified donee.

The **second condition** is that the gift is made voluntarily. If a donation is made as part of a contract or some other obligation, like a court order, then it is not eligible for a donation receipt.

The **third condition** is that you must be able to determine the fair market value of the gift. Let us take a moment to talk about fair market value.

The fair market value is usually the highest price, expressed in dollars that you can get for your property in an open and unrestricted market, between a willing buyer and, a willing seller who are acting independently of each other and who are both knowledgeable and informed.

Here's an example:

If Christine buys a new laptop and donates it to a municipality, then the fair market value of the laptop will be the total amount she paid for it before taxes. If Christine paid \$400 plus taxes for the laptop, the donation receipt will be for \$400.

The **fourth and final condition** for a donation receipt to be issued is that the benefit to the donor, also known as the advantage, cannot be worth more than 80% of the value of the donation.

The CRA defines advantage as the total value at the time the gift is made, of all benefits that a person is entitled to receive in relation to the gift.

Here's an example:

Christine donates cash to a qualified donee and in return, the recipient gives her a small token of appreciation, like a t-shirt. The t-shirt is an advantage.

But if the value of the advantage is too high, which means 80% or more of the value of the donation, then we consider that there is no true intention to make a gift; and a donation receipt cannot be issued.

If the advantage is worth less than 80% of the donation and all the other conditions are met, then a donation receipt can be issued, but the advantage must be deducted from the donation receipt.

If the combined value of the advantage does not exceed \$75 or 10% of the donation, whichever is less, then it does not have to be deducted from the donation receipt. This is referred to as the **de minimis rule**.

Keep in mind that an advantage that is the purpose of the fundraising event, such as the meal at a gala dinner, is never included in the de minimis rule calculation and is always subtracted from the donation receipt.

Let us go through an example using the de minimis rule:

Let's say a municipal or public body receives a \$200 cash gift from a donor and in return, they provide the donor with a baseball cap worth \$20. Since the \$20 baseball cap is only worth 10% of the donation **and is under \$75**, the de minimis rule applies, and the charity can issue a donation receipt for the full amount of the gift.

A registered Canadian amateur athletic association receives a \$1,000 cash gift from a donor and in return, they provide the donor with a concert ticket worth \$100. Does the de minimis rule apply to this donation? The answer is no. For this donation, the de minimis rule does not apply because the advantage is over \$75. The RCAA can still issue a donation receipt, but has to subtract the value of the advantage from the value of the donation.

This kind of receipt is referred to as a split receipt.

It is important to remember that all of this information has to appear on the donation receipt: the total amount received by the charity, the total value of the advantage as well a description, and the eligible amount of the donation. Once again, this particular type of donation receipt is called a split receipt.

Here is an easy reference tool that can help when issuing donation receipts:

If the advantage is worth \$75 on a \$1,000 donation, a donation receipt for the full amount can be issued because the value of the advantage is worth less than 10% of the gift and less than or equal to \$75 (this means it meets the de minimis threshold.)

If the advantage is worth \$99 on a \$1,000 donation, a split receipt can be issued because the total value of the advantage is less than 10% but greater than \$75. The eligible amount on the donation receipt would be \$901, which includes the \$1,000 donation minus the \$99 value of advantage.

And lastly, if the value of the advantage is \$900 on a \$1,000 donation, no donation receipts can be issued because the advantage exceed 80% of the donation, which means they are over the intention to make a gift threshold.

Jane purchases a \$250 ticket for an annual gala dinner. The fair market value of the meal is \$50 and when she arrives for the dinner, the host provides her with a coffee mug valued at \$10, to say "thank you" for attending. What amount should be indicated on the donation receipt?

The donation receipt should be for \$200.

The \$50 meal must be deducted from the receipt because it is considered the purpose of the event and we have learned that the purpose of the event is always a donor advantage.

The \$10 coffee mug Jane received is a “thank-you” gift and not the main reason Jane attended the event; therefore, to decide whether the coffee mug is a donor advantage, the **de minimis rule** is applied. The \$10 coffee mug is less than 10% of the \$250 ticket for the gala dinner and under the \$75 cap, therefore the mug is not an advantage to the donor, and its fair market value is not deducted from the donation receipt. So \$250 minus \$50 dollars for the meal equals \$200 for the donation receipt.

To summarize, this presentation covered:

- What does and does not qualify as a gift; where we talked about the two categories of donations, cash gifts and gifts in kind;
- The conditions that need to be fulfilled in order to issue a donation receipt; where we covered the four conditions; and
- How to determine the amount to write on a donation receipt; where we talked about fair market value, advantages and the de minimis rule.

For more information we've also prepared a series of shorter segments on specific topics surrounding gifting and receipting.

(The Charities and giving website address appears on the screen: [cra.gc.ca/charities](http://cra.gc.ca/charities))

(Icons appear on the screen with the following words beside each related icons: “What’s New” electronic list, Twitter account: @CanRevAgency and the YouTube Channel CanRevAgency)

**Date modified:**

2016-10-26

## CRA Official Donation Receipts Checklist for Auditors

Charity Name:		Auditor:	
BN:		Date:	

### Requirements of Section 3501 of the Regulations, the Act and IT-110R3

<u>Description</u>	<u>N/A</u>	<u>Not Met</u>	<u>Met</u>	<u>W/P Reference</u>
<b>Official Donation Receipts must contain the following:</b>				

▪ A statement that it is an <b>official receipt for income tax purposes</b> .				
▪ The charity's <b>registration number</b> as recorded with CRA.				
▪ The charity's <b>name</b> as recorded with CRA.				
▪ The charity's <b>address in Canada</b> as recorded with CRA.				
▪ The name, <b>Canada Revenue Agency</b> , and the website address <a href="https://www.canada.ca/en/revenue-agency/services/charities-giving/charities.html">https://www.canada.ca/en/revenue-agency/services/charities-giving/charities.html</a>				
▪ If cash and a single donation, the date the donation was received.				
▪ If cash and multiple donations, the dates or the year during which the donations were received.				
▪ If cash gift and advantage provided to the donor, the total amount received, value of the advantage (cash or FMV) and eligible amount of the gift for tax purposes				
▪ A unique serial number.				
▪ Are receipts issued in a reasonably serial manner with respect to the unique serial numbers?				
▪ Are all numbers in a series accounted for?				
▪ The date on which the receipt was issued when the receipt is issued on a date subsequent to the actual receipt.				
▪ The amount of the gift.				
▪ The name of the donor.				
▪ The full address of the donor.				
▪ The signature of an authorized person.				
▪ The charity must retain at least one exact copy of the official income tax receipt (paper or electronic).				
<u>Description</u>	<u>N/A</u>	<u>Not Met</u>	<u>Met</u>	<u>W/P Reference</u>
<b>Official Donation Receipts given for the donation of a gift of property by a donor must contain:</b>				
▪ The actual date of receipt of the property.				

▪ A description of the property donated.				
▪ The name of the appraiser.				
▪ The address of the appraiser.				
▪ The appraised (fair market) value of the property.				
▪ An appropriate appraisal should be available.				
▪ If non-cash gift and advantage provided to the donor, the total amount received (fair market value), value of the advantage (cash/FMV) and eligible amount of the gift for tax purposes				
<b>Temporary Receipts and Extra Copies of Official Tax Receipts:</b>				
▪ A temporary receipt or an extra copy given to the donor must not include the registration number.				
▪ A temporary receipt or an extra copy given to the donor must include a notation to the effect that <b><i>this copy is for your information only and is not an official receipt for income tax purposes</i></b>				
▪ Temporary receipts must be distinctive from normal receipts issued by the charity.				
<b>Facsimile Signatures:</b>				
▪ An Official Income Tax Receipt that has a facsimile signature must be pre-numbered by a printing press or numbering machine.				
▪ All unused receipt forms are kept at the charity's Canadian address.				
▪ The receipts are distinctively imprinted with the name, address, and registration number of the charity.				
▪ Unused official donation receipts with an attached facsimile signature are kept in a secure location with a log as noted in the control section below.				
<b><u>Description</u></b>	<b><u>N/A</u></b>	<b><u>Not Met</u></b>	<b><u>Met</u></b>	<b><u>W/P Refer ence</u></b>
<b>Control of Receipts:</b>				

▪ Blank pre-printed official donation receipts are afforded appropriate physical security with due regard to the content of the pre-printed information contained on those receipts.					
▪ Official donation receipts are kept locked up during off hours and are not accessible to anyone not issuing receipts					
▪ There is a log system maintained and up-to-date that accounts for the number of official donation receipts purchased against those that are officially issued and/or voided.					

▪ In your opinion, could an individual not involved in issuing receipts have access to receipts and be able to remove one without anyone being aware? If yes, explain:					

<b>Computer Generated Receipts:</b>					
▪ Official donation receipts are legible.					
▪ The integrity of the system must be sufficiently guaranteed.					
▪ Access to the system should be controlled with passwords.					
▪ Access to a networked system should have appropriate predefined user rights:					
▪ right to enter data					
▪ right to correct data					
▪ right to print receipts					
▪ The system should be able to print out a listing of official donation receipts issued, including the donor's name and address, the date of the donation, the receipt number, the date of the receipt, the type of the gift and the amount of the donation.					
▪ The system should be able to include details with respect to the information required for gifts-in-kind.					

<u>Description</u>		<u>N/A</u>	<u>Not Met</u>	<u>Met</u>	<u>W/P Reference</u>
<b>Miscellaneous Conditions:</b>					

▪ Gifts of services are not receipted (IT-110R3 Paragraph 15(d))				
▪ Official donation receipts are not given for purchases of goods or services even if in excess of fair market value (IT-110R3 Paragraph 15(e))				
▪ Official donation receipts are not given where funds are directed to a specific person or family (IT-110R3 Paragraph 15(f))				
▪ Official donation receipts are not given where funds are directed to non-qualified donees (IT-110R3 Paragraph 15(g))				
▪ Official donation receipts are not given where there is a legal obligation (IT-110R3 Paragraph 9)				
▪ Lost receipts contain all the information plus a notation to the effect " <b>This cancels and replaces receipt # (?)</b> " (IT-110R3 Paragraph 20)				

▪ Replaced receipts are retained and marked with " <b>Cancelled.</b> " (IT-110R3 Paragraph 20)				
▪ Where the same number is used for the replacement receipt, the date of issue is also contained in the above wording.				
▪ Where a receipt is spoiled or voided, all copies of the receipt are marked " <b>Cancelled</b> " (IT-110R3 Paragraph 20)				
▪ The name of the charity issuing the receipt is the prominent name on the receipt where charities are conducting a joint campaign or where charities are associated.				