



# Blumbergs' Receipting Kit 2013

By Mark Blumberg (December 20, 2013)<sup>1</sup>

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<sup>1</sup> The first receipting kit I prepared was for the Charity Law Information Program (CLIP) of the Ontario Community Support Association in 2011. This receipting kit updates the information in that kit.

***This article is for information purposes only. It is not intended to be legal advice. You should not act or abstain from acting based upon such information without first consulting a legal professional.***

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, when it audits Canadian registered charities approximately 89% of charities are issuing at least some inappropriate receipts.<sup>2</sup>

This receipting kit is intended to assist volunteers and staff of Canadian registered charity who are assigned the task of issuing receipts. This kit provides information with respect to receipting in general, but it is not legal advice tailored to the factual situation of your charity. You can obtain electronic copies of this receipting kit at the [www.canadiancharitylaw.ca](http://www.canadiancharitylaw.ca) This receipting kit also has an attachment of in depth policy documents, legislation and CRA bulletins related to receipting.

### 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 to donors what their policy is with respect to donations and the issuance of tax receipts. Therefore, if your charity will not issue official donation receipts for small donations, you should be upfront about that policy. Furthermore, if at an event 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 essentially warning donors that they will not be getting a receipt for the full amount that they are giving to the charity, but only for the “eligible amount,” which involves subtracting the advantage received by the donor.

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

Another mistaken belief often held by charities is: if funds are received without issuing a receipt, these funds can be spent outside the normal rules that apply to registered charities. 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, subject to the *Income Tax Act*, CRA’s guidance, provincial trust law and other applicable law.

### 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 or contact a knowledgeable charity lawyer. If unsure your mantra should be “if in doubt, don’t receipt.”

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<sup>2</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>.

## Preliminary Matters

- Is your organization a registered charity under the Income Tax Act? To ensure that it is currently listed, check the CRA website at <http://www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html>. If your organization is not a registered charity, is it another category of [qualified donee which are 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?
- Does your charity have a gift acceptance policy that may, for example, restrict the issuance of receipts to gifts over, say, \$20, 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 and CRA sample receipts.

For a receipt provided when a donation of cash is made to a charity, the Income Tax Act requires that there be mandatory information on the official donation receipt. 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 the necessary information. There are additional elements for gifts-in-kind donations. CRA has provided sample receipts that will help charities understand how the receipt can be laid out depending on whether it is a cash/non-cash gift and whether there is an advantage.<sup>3</sup>

All official donation receipts for income tax purposes must contain the following:<sup>4</sup>

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<sup>3</sup> <http://www.cra-arc.gc.ca/chrts-gvng/chrts/pbs/rcpts-eng.html>.

<sup>4</sup> <http://www.cra-arc.gc.ca/chrts-gvng/chrts/chcklst/rcpts-eng.html>.

- 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 (<http://www.cra.gc.ca/charities>).

For non-cash gifts (gifts-in-kind), the 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.

ELEMENTS ON RECEIPT	What They Mean
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.
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, golf tournaments etc.).
Eligible amount of gift for tax purposes	This is a relatively new term used in the Income Tax Act to refer to the amount that the donor can claim for tax purposes for the donation.
Description of property	A brief description of property received by 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. 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.
Donated by	Name of the donor, including, in the case of an individual, the donor's first name and 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 receipt.
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://www.cra.gc.ca/charities">www.cra.gc.ca/charities</a>	A listing of all registered charities under the Income Tax Act.

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

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

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

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

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

Total amount received by charity = \_\_\_\_ **A**  
(fair market value of property)

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

Value of advantage = \_\_\_\_ **B**  
(cash/fair market value of property or services)

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

**Eligible amount of gift for tax purposes: = \_\_ C**  
(line A minus line B)

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

Description of property received by charity: \_\_\_\_\_

Appraised by: \_\_\_\_\_

Address of appraiser: \_\_\_\_\_

If you want to see all four sample receipts, visit the CRA website at: <http://www.cra-arc.gc.ca/chrts-gvng/chrts/pbs/rcpts-eng.html>



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 put in the letter above the receipt:

[LETTERHEAD- ADDRESS and CONTACT INFORMATION OF CHARITY]

Dear Mr. [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,  
Joe Smith  
President

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

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

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

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

**For information on all registered charities in Canada  
under the *Income Tax Act* please visit:  
Canada Revenue Agency [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities)**

### **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” for purposes under the Income Tax Act, 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, if a donor receives an advantage that is greater than 80%, 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 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>5</sup>);
- Contributions of services (i.e. time, skills, effort) Contributions of services 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.
- A gift subject to a direction by the donor that the charity give the funds to a non-qualified donee.

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<sup>5</sup> <http://www.cra-arc.gc.ca/E/pub/tp/ic75-23/>

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

If your charity receipts 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 non-cash property, sometimes referred to as gifts-in-kind and some charities are prepared to accept them. Gifts-in-kind are typically tangible. Examples of gifts-in-kind include cars, furniture, computers, blankets, food, shares, clothes, art, books, land, etc.

For a charity it is sometimes advantageous to receive gifts-in-kind. For example: 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, often there are concerns with gift-in-kind donations including, but not limited to:

- Often charities are pressured into accepting items they don't want or need;
- Often it is receipt driven and has nothing to do with helping the charity and its mission;
- Gifts-in-kind 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 gifts-in-kind including valuation, storage, transportation, 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 of establishing fair market value and 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; or
- 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>6</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 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 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 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

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<sup>6</sup> There is information on the website of the Canadian Cultural Property Export Review Board at <http://www.pch.gc.ca/pgm/bcm-mcp/pol/abc-ccp-2010-eng.cfm> on how to determine fair market value.

the higher of the noon and closing nominal rates(This information is available at <http://www.bankofcanada.ca/en/rates/exchange.html>).

In some cases the fair market value may be less than 1% of the “highest price” when you have a wholesale market or there is a prudent and knowledgeable buyer.

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.

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 is often not an accurate reflection of the fair market value;
- 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 difficult 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” or other purposes; and
- Appraisals must be arms-length and prepared in an objective manner without any pressures from the donor, vendor, institution/public authority, or other appraisers; and
- Appraisers should disclose if they 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>7</sup>

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<sup>7</sup> <http://www.pch.gc.ca/pgm/bcm-mcp/pol/abc-ccp-2010-eng.cfm>

### 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 thinly traded 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 circumstance, choose whether to use either fair market value or cost to the donor for the item; the charity needs to work out which 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.

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);
- 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. However, at times this is more difficult than one may think. The CRA has rules on what they call "split receipting". Essentially, if a donor receives an advantage, the amount of the 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 gala ticket, the charity cannot issue a \$250 official donation receipt to John. The charity needs to subtract the advantage, such as the meal, gift bag, entertainment, and door prizes. If the advantage works out to be, for example, \$100 then on the receipt it will show amongst the mandatory elements:

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 - also called "gifts-in-kind");
- The use or enjoyment of property;
- The provision of services; and
- Other benefits including, but not limited, to 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 of 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. As well, if a local contractor built a shed with supplies from the 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 is where:

A service is rendered to the charity, the charity is billed for the service, and the charity pays for the service. Then, without any obligation to do so, the person who provided the service makes a donation to the charity of X amount of dollars and the charity then issues to the person a receipt for X amount of dollars.

This “crossing of cheques” or “cheque exchange” is very different than just issuing a receipt for the provision of services. When the person receives funds from the charity, they have to include the amount they receive in income which increases the taxes they have to pay and 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 gift-in-kinds, 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 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 spouses name, then may be appropriate to issue the receipt in the spouses name.

Another example is: 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 easily be altered. 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. On the other hand, 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 "cancelled."

When a charity has issued an incorrect receipt (for example, it does not contain all 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 "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 like 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. For computers used to issue or store the receipts, make sure the computers 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**

Charities are sometimes approached by people who are interested in contributing to a foreign charity or Canadian non-profit that is not a registered charity. The only reason (or an important reason) the funds are donated to the Canadian registered charity in such cases is that, while the Canadian individual wants the funds to be sent to the foreign

entity or local non-profit, he or she also wants to receive an official donation receipt for tax purposes, instead of donating the funds directly to the foreign charity/local non-profit and not receiving the receipt for Canadian income tax purposes. If the charity receives the funds in such situations, the CRA refers to the Canadian registered charity being a “conduit”. While charities are allowed to conduct foreign activities (and I 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>8</sup>.

## **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 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.

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<sup>8</sup> <http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/tsd-cnd-eng.html>

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.

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.

## **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 such 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, and 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. According to the CRA, “between 100,000-135,000 donors have been involved between 2004 and 2009”.<sup>10</sup> These

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[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)

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. 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. A donor may invest \$1,000 and receive, through a convoluted scheme, a receipt for perhaps \$5,000. These schemes generally have a tax shelter number but such a number certainly does not entitle the investor to tax savings, but merely administratively makes it easier for CRA to audit all participants.

CRA considers these 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, but these cases have not yet gone to trial.

CRA has been warning potential investors by providing Taxpayer Alerts and Fact Sheets on tax shelters. According to CRA, approximately \$6 billion in receipts have been issued for these schemes between 2002 and 2009 and only approximately 1% of that amount was spent on charitable activities.

### **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 staff, volunteers, 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 when necessary or call CRA.

### **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 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.

In the recent press release from CRA, it noted that “Promoters and other third-party representatives are penalized when they make false statements involving schemes that are against the law. Currently, there are 71 audits involving promoters. Recent examples include...a tax shelter gifting arrangement case where the Canada Revenue Agency (CRA) proposed two penalties of \$24 million against the promoters involved.”<sup>11</sup>

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 covered this problem. As mentioned above, in some cases of fraudulent receipting, CRA has been successful in obtaining criminal prosecutions.

### **Conclusion**

One of the most valuable privileges that a registered charity has is the ability to issue official donations receipts. The issuance of such receipts costs both the Federal and Provincial government significant amounts in lost tax revenue. After recent scandals involving receipting, some commentators have called for the curtailing of receipting privileges or an end to the tax subsidy for charitable donations all together. Inappropriate receipting can undermine the public’s confidence in charities.

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<sup>11</sup> <http://www.cra-arc.gc.ca/nwsrm/rlss/2010/m03/nr100316-eng.html>

It is important that charities carefully issue receipts according to the rules. There is now a large amount 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:

#### **CRA’s Operating a Registered Charity – Issuing Receipts**

<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/menu-eng.html>

#### **CRA Webinar on Gifting and Receipting**

<http://www.cra-arc.gc.ca/vdglry/chrts-gvng/menu-eng.html?clp=tx/chrts/cmmnctn/wbnrs/v20100415-hgh-eng&fmt=mp4>

#### **Blumbergs’ CanadianCharityLaw.ca section on receipting**

[http://www.canadiancharitylaw.ca/index.php/blog/category/blog/category/receipting\\_by\\_charities/](http://www.canadiancharitylaw.ca/index.php/blog/category/blog/category/receipting_by_charities/)

#### **Various Webinars on legal issues, including receipting, for Canadian registered charities by Mark Blumberg**

[http://www.globalphilanthropy.ca/index.php/blog/comments/webinars\\_on\\_canadian\\_charity\\_law\\_-\\_charity\\_law\\_information\\_program\\_clip\\_by\\_/](http://www.globalphilanthropy.ca/index.php/blog/comments/webinars_on_canadian_charity_law_-_charity_law_information_program_clip_by_/)

#### **Mark Blumberg’s Receipting Kit**

[http://www.globalphilanthropy.ca/index.php/blog/comments/receipting\\_kit\\_for\\_canadian\\_registered\\_charities\\_launched\\_by\\_the\\_charity\\_la/](http://www.globalphilanthropy.ca/index.php/blog/comments/receipting_kit_for_canadian_registered_charities_launched_by_the_charity_la/)





# CRA's Receipting Policies and Documents

By Mark Blumberg (December 20, 2013)

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## INTRODUCTION

One of the most important compliance obligations of Canadian registered charities is to properly issue official donation receipts.

On the CRA website significant resources are provided on appropriate and inappropriate receipting: <http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/menu-eng.html> However, there are thousands of pages on the CRA website and the receipting documents are located in a variety of areas making it challenging to locate specific documents.

As part of our “Receipting Kit” we have compiled some of the most important receipting resources into one document. 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.

The following documents are from various sources including the website of the Charities Directorate of the Canada Revenue Agency.

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## 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 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 CRA;
  - the charity's registration number;
  - 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;
  - (under proposed legislation) the value and description of any [advantage](#) received by the donor;
  - (under proposed legislation) the [eligible amount](#) of the gift;
  - the signature of an individual authorized by the charity to acknowledge donations; and
  - the name and Web site address of the Canada Revenue Agency ([www.cra.gc.ca/charities](http://www.cra.gc.ca/charities)).
- **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); and
  - (under proposed legislation) in place of the amount of the gift mentioned above, the [deemed fair market value](#) of the property.

### 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

- [CSP-R02, Receipts - Sanctions - Revocation](#)
- [P113, Gifts and Income Tax](#)
- [Income Tax - Technical News No. 26](#)
- [Sample receipts](#)

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

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<http://www.cra-arc.gc.ca/E/pub/tg/p113/p113-e.html>

## Gifts and Income Tax 2012

P113(E) Rev. 12

If you have a visual impairment, you can get our publications in braille, large print, etext, or MP3 by going to [About multiple formats](#) or by calling **1-800-959-2221** . You can also get your personalized correspondence in these formats 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? 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 2012. It includes income tax changes that have been announced, but were not law at the time of printing.

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 from our Web page](#) or by calling **1-800-959-2221**.

## What's new for 2012 and 2013?

**Definition of qualified donee** – Effective January 1, 2012, for a charitable organization outside Canada to which the Government of Canada has made a gift, the length of time that it is recognized as a qualified donee has been expanded. For more information, see [What gifts can you claim?](#)

**Gifts to foreign charitable organizations** – Effective January 1, 2013, a foreign organization to which the Government of Canada has made a gift may be registered as a qualified donee for a 24-month period that includes the time at which the gift was made if it meets all of the following registration requirements:

- The organization must apply to the Minister for registration.
- The organization must be a charitable organization that is not a resident in Canada.
- The Minister is satisfied that the organization is:
  - carrying on relief activities in response to a disaster;

- providing urgent humanitarian aid; or
- carrying on activities in the national interest of Canada.

## 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** - See the definition of [Eligible amount of the gift](#).

**Arm's length transaction** – A transaction between persons who act independently of each other. Related persons are not considered to deal with each other at arm's length. Related persons include individuals connected by a blood relationship, marriage or common-law partnership, or adoption (legal or in fact). Also, a corporation and a shareholder who controls the corporation are related.

Unrelated persons usually deal with each other at arm's length. However, this might not be the case if one person is under the influence or control of the other, or if the persons are considered to be acting in concert. For more information, see [Interpretation Bulletin IT-419R2, Meaning of Arm's Length](#).

**Eligible amount of the gift** - Under proposed changes, 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. Under proposed changes, there are situations in which the eligible amount may be deemed to be nil. For more information, see [Receipts](#) and [Deemed fair market value](#).

Under proposed changes, 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).

Under proposed changes, 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 through a tax shelter that is a gifting arrangement. 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 gifting arrangements and tax shelters, see [Guide T4068, Guide for the Partnership Information Return \(T5013 Forms\)](#).

**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 receipt from the institution(s). If you lived in Quebec on December 31, claim your provincial tax credit on your Quebec income tax return.

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 you 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.

#### 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 such as a registered charity;
- 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; or
- a gift of non-qualifying securities.

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 the gift you give to a qualified donee. Qualified donees include:

1. registered charities;
2. registered Canadian amateur athletic associations;
3. registered national arts service organizations;
4. listed housing corporations in Canada set up only to provide low-cost housing for the aged;
5. listed municipalities in Canada;
6. listed municipal or public bodies performing a function of government in Canada;
7. the United Nations and its agencies;
8. listed universities outside Canada with a student body that ordinarily includes students from Canada provided these universities are listed in Schedule VIII of the Income Tax Regulations;
9. listed charitable organizations outside Canada to which the Government of Canada has made a gift during the 36 month period beginning 24 months before the time of the donor's gift (or for gifts made prior to 2012, during the donor's tax year or in the 12 months just before that period); and
10. the Government of Canada, a province, or a territory.

Qualified donees of the types listed in numbers 4, 5, 6, 8, and 9 above, are required to register with us in order to be included on a publicly available list that we maintain. This will further assist donors in determining which organizations may issue official donation receipts.

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](#).

### Non-qualifying gifts

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](#).

### **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. Government gifts 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](#).

Gifts to Canada include **monetary** gifts made directly to help reduce Canada's debt. If you made such a gift, which will be used only to service the public debt, you should have been provided with a tax receipt for the gift. To make such a gift, which should be made payable to the Receiver General, send it, along with a note asking that we apply it for this purpose, to: Place du Portage, Phase III, 11 Laurier Street, Gatineau QC K1A 0S5.

### **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) you made to Canada, or one of its provinces, territories, or municipalities, or a registered charity approved by the Minister of the Environment.

Under proposed changes, gifts of ecologically sensitive land made to a municipal or public body performing a function of government in Canada, will also qualify for a tax credit.

The Minister of the Environment, 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 a real servitude (in Quebec), 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 the Environment, 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 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.

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

The Minister of the Environment (or if the land is located in Quebec, the ministère du Développement durable, de l'Environnement et des Parcs) 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.

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, 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. 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, attach a note to your return indicating the year of the return with which you submitted the receipt, the portion of the **eligible amount** you are claiming this year, and the amount you are carrying forward.

Usually, you can claim gifts on the return you receive. However, you have to use a [T1 General Income Tax and Benefit Return](#) if you are claiming:

- gifts of certified cultural property;
- gifts of ecologically sensitive land; or
- most gifts in kind (see [Gifts in kind](#) for details).

## Gifts in the year of death

If you are preparing an income tax and benefit return for a deceased person, you can claim the **eligible amount** of gifts that the person gave in the year of death including those that the person bequeathed in the will. The amount claimed must be the **lesser** of:

- 100% of the deceased person's net income; and
- under proposed changes, the **eligible amount** of the gift(s) donated in the year of death (including gifts by will), **plus** the unclaimed portion of the eligible amount of any gifts made in the five 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).

You may be able to claim a charitable donation tax credit on the deceased person's return for 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.

You have to attach official tax receipts and other required forms to the return on which you are claiming the gifts. However, there are exceptions to this rule. For more information, see [Guide T4011, Preparing Returns for Deceased Persons](#).

## Gifts in kind

A gift in kind refers to a gift of property other than cash 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:

- 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.

### 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 \(FMV\)](#), can be a complex process. You must consider numerous facts regarding the property.

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.

## Receipts

Under proposed changes, 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.

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. Attach Form T871 and the official receipt from the qualified donee accepting your gift, to your income tax and benefit return.

If your gift is ecologically sensitive land that the federal Minister of the Environment 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. Attach the certificate and official receipt to your return.

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 des Parcs](#). Attach the certificate and the official receipt to your return.

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.

If you are filing a paper return, include your Schedule 9, as well as your official receipts showing either your or your spouse's or common-law partner's name. You do not have to attach receipts for amounts shown in box 046 of your [T4](#) or [T4A slips](#), in box 48 of your [T3 slips](#), in box 103 of your [T5013 slips](#), or on financial statements showing an amount a partnership allocated to you. If you receive a T5003 slip(s) with an amount in box 13, you must submit this slip as well as a charitable donation receipt that you will receive from the charity. You must also complete and attach to your return. [Form T5004, Claim for Tax Shelter Loss or Deduction](#).

You may have included with a previous return, a receipt for a donation you are claiming for the current year. If so, attach a note indicating the return with which you submitted the receipt. However, if you are filing electronically, keep all of your documents in case we ask to see them.

Where a qualified donee returns a property to you after March 21, 2011, 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 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 [Policies and guidance](#) and see "Return of 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**

Under proposed changes, for a gift of property made to a qualified donee, the fair market value (FMV) of the property gifted will be 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 under 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 will be 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;
- ecologically sensitive land (including a covenant, an easement, or, in the case of land in Quebec, a real servitude);
- 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](#) 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](#) would not have otherwise applied.

If a donor attempts to avoid the [limitations](#), 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](#) 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 through a tax shelter that is a gifting arrangement, the eligible amount will be reported in box 13 of [Form T5003, Statement of Tax Shelter Information](#).

### Note

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

### 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.

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 or 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 Canadian Cultural Property Export Review Board (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:

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



- coins.

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:

- 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.

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.

#### Note

For donations of ecologically sensitive land to a private foundation, the inclusion rate of zero does not apply.

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

- 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) donated to a qualified donee other than a private foundation (see [Gifts of ecologically sensitive land](#) for details); and
- a share, debt obligation, or right listed on a designated stock exchange.

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:

- 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;
- 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.

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:

- 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).

If you donate property to a qualified donee after March 21, 2011, 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:

- 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.

For more information, you can contact the Charities Directorate at **1-800-267-2384**.

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	\$	<b>1</b>
Amount of current-year capital gains deduction from capital property donated in the year -		<b>2</b>
Line 1 <b>minus</b> line 2	= \$	<b>3</b>

**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

Amount of recaptured depreciation included on your current-year return	\$ 1
Net proceeds of disposition of the current year donated property for this class	\$ A
Capital cost of the current year donated property for this class	\$ B
Enter the amount from line A or line B, whichever is less.	\$ 2*
Enter the amount from line 1 or line 2 whichever is less.	\$ 3

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

If you included on your 2012 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.

\* 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 [Interpretation Bulletin IT-478, Capital Cost Allowance - Recapture and Terminal Loss](#).

## 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.

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 use the **eligible amount** of the gift to calculate the non-refundable tax credit. The amount you can claim as a non-refundable tax credit is limited to the total amount of tax still payable after claiming your credits for any other charitable gifts.

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. 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**

To be eligible to have cultural property certified, an institution or public authority has to be designated by the Minister of Canadian Heritage before the legal transfer of ownership of the property 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 get the CCPERB's publication called *Applications for Certification of Cultural Property for Income Tax Purposes - Information and Procedures*, contact the Review Board Secretariat in one of the following ways:

**Telephone** 819-997-7761  
**Toll free** 1-866-811-0055  
**Fax** 819-997-7757  
**Email** [bcm-mcp@pch.gc.ca](mailto:bcm-mcp@pch.gc.ca)  
**Web site** [Canadian Cultural Property](#)

## **For more information**

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

If you need more information after reading this pamphlet, visit [Charities Directorate](#) Web page or call **1-800-267-2384** .

To verify if a charity is registered under the [Income Tax Act](#), and to access its information returns, please consult the [Charities Listings](#) available from our Web page.

### **Forms and publications**

If you would like to get any of our forms or publications mentioned in this pamphlet, go to [Forms and publications](#) or call **1-800-959-2221** .

### **Teletypewriter (TTY) users**

TTY users can call **1-800-665-0354** for bilingual assistance during regular business hours.

### **Tax Information Phone Service (TIPS)**

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

## **Our service complaint process**

### **Step 1 - Talk to us**

If you are not satisfied with the **service** that you have received from us, you can make a formal complaint. Before you do this, we recommend that you try to resolve the matter with the CRA employee you have been dealing with or call the telephone number that you have been given.

If you are not pleased with the way your concerns are addressed, you can ask to discuss the matter with the employee 's supervisor.

## Step 2 - Contact CRA - Service Complaints

The CRA - Service Complaints program is available to individual and business taxpayers, as well as benefit recipients. This program gives you another level of review if you are not pleased with the results from the **first step** of our complaint process. Generally, service-related complaints refer to the quality and timeliness of the work that we performed.

To bring your complaint to the attention of CRA - Service Complaints, complete [Form RC193, Service-Related Complaint](#), which you can get by going to [CRA - Service Complaints: Overview](#) or by calling **1-800-959-2221**.

## Step 3 - Contact the Taxpayers' Ombudsman

If, **after following steps 1 and 2**, you are still not satisfied with our service, you can file a complaint with the Office of the Taxpayers' Ombudsman.

For information about the Taxpayers' Ombudsman and how to file a complaint, please visit their [Web site](#).

## Your opinion counts

If you have any comments or suggestions that could help us improve our publications, send them to:

**Taxpayer Services Directorate  
Canada Revenue Agency  
395 Terminal Avenue  
Ottawa ON K1A 0S5**

Date modified: 2013-01-03

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/gfts/whts-eng.html>

## What is a gift?

For a registered charity to determine whether or not a gift has been made, it must consider the following:

Was the gift made voluntarily?

The donation must be given freely. 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.

Was there a transfer of property?

- Only gifts of property are eligible for official donation receipts (for example, cash, computers, equipment).
- Gifts of service, and promises of service, are not gifts of property, and are not eligible for an official donation receipt.
- Gift certificates donated by the issuer do not constitute property and are not eligible for official donation receipts. However, a gift certificate purchased and then donated does constitute property, and may be receipted at its fair market value.
- Pledges do not constitute a transfer of property until they are fulfilled and, as such, are not eligible for an official donation receipt.

(See below for a more comprehensive list.)

Did the donor receive an advantage?

Where a donor receives an [advantage](#) or consideration for a donation, part or all of the donation may no longer qualify as a gift. See [Split receipting](#) for more information on advantages.

Examples of advantages might include:

- a ticket to an event;
- use of property; or
- a dinner and/or performance at a fundraising event.

Was the gift directed to a specific person, family, or other non-qualified donee?

- Donors cannot choose the beneficiaries of their donations. A charity must have full discretion in deciding how to allocate its funds. A donor may be able to direct a gift towards a person, family, or other non-qualified donee if they have been identified beforehand by the charity as a recipient of its charitable program. However, the charity must be able to re-allocate all donated funds to other charitable programs or activities when it deems appropriate.
- A donation subject to a general direction from the donor that the gift be used in a particular program operated by the charity is acceptable, provided that no benefit accrues to the donor or anyone not at arm's length to the donor.
- When a charity does not have ultimate control over donated funds, or when a benefit accrues to the donor from donated funds, these funds do not constitute a gift and are not eligible for an official donation receipt.

What types of transactions generally do not qualify as gifts?



- a court ordered transfer of property to a charity;
- the payment of a basic fee for admission to an event or to a program;
- the payment of membership fees that convey the right to attend events, receive literature, receive services, or be eligible for entitlements of any material value that exceeds 80% of the value of the payment;
- a payment for a lottery ticket or other chance to win a prize;
- the purchase of goods or services from a charity;
- a donation for which the fair market value of the advantage or consideration provided to the donor exceeds 80% of the value of the donation;
- a gift in kind for which the fair market value cannot be determined;
- donations provided in exchange for advertising/sponsorship;
- gifts of services (for example, donated time, labour);
- gifts of promises (for example, gift certificates donated by the issuer, hotel accommodation);
- pledges;
- loans of property;
- use of a timeshare; and
- the lease of premises.

#### References

- [ITNEWS-17, Income Tax - Technical News No. 17](#)
- [ITNEWS-26, Income Tax - Technical News No. 26](#)
- [CSP-G01, Gift \(donation\)](#)
- [CSP-G03, Gift \(anonymous\)](#)
- [CSP-G05, Gift \(directed\)](#)
- [CPS-018, Donations of Gift Certificates](#)
- [CPC-008, Payment to a Registered Charity](#)
- [CPC-012, Expenses Incurred by Volunteers](#)
- [CPC-017, Gifts of Services](#)
- [CPC-018, Gifts Out of Inventory](#)
- [CPC-019, Payment for Participation in a Youth Band or Choir](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/gfts/srvcs-eng.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, two distinct transactions **must** take place:
  - a person provides a service to a charity and is paid for that service; and
  - 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.

#### References

- [CSP-S03, Services](#)
- [CPC-017, Gifts of Services](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-017-eng.html>

## 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.
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

- [Gifts and Official Donation Receipts, IT-110.](#)
- [Income Tax Technical News, Issue 26.](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtnng/gfts/rtrnng-eng.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 [contact](#) the Charities Directorate 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.

References

- [CSP-G04, Gift \(Conditional\)](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-g04-eng.html>

## Summary Policy

### Date

September 3, 2003 (Revised November 23, 2005)

### Reference Number

CSP - G04

### Key Words

Gift (conditional)

### Policy Statement

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

A condition precedent is one that must be met before the gift takes effect (*e.g.*, a gift of \$100,000 provided that the registered charity is able to raise an equal amount of money within a stated period of time). Since a condition precedent is not a gift at law until after the condition is fulfilled, a charity should only issue an official donation receipt after the condition has been met.

A condition subsequent is one that operates to defeat a gift that has already been made (*e.g.*, a gift made to a registered charity on the condition that the funds be used to operate a particular shelter for the homeless). If a condition subsequent fails and the gift reverts back to the donor, the charity should advise the Canada Revenue Agency that the original gift is being returned to the donor. A condition subsequent may result in a subsequent tax liability.

#### References

- [Gift \(donation\), CSP-G01.](#)
- [Receipt, CSP-R02.](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-009-eng.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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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/gftrt-eng.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 proposed 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; or
- 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 [\[Footnote 1\]](#).

## **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; and
- 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 Web pages.

## References

- *Income Tax Act*, R.S.C. 1985, (5th supp.) c.1. s.248(1)
- [Income Tax Technical News, No. 26](#)

## Footnotes

[\[Footnote 1\]](#) Section 9 of the *Income Tax Act*

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/gfts/pldgs-eng.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](#)
- [CSP-P14, Pledges](#)

## 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; and
- the agent agrees to deliver the receipt to the donor for the purpose of establishing the details of the donation.

### References

- [CSP-G03, Gift \(anonymous\)](#)

## Sponsorship

Providing sponsorship to a charity or to a charitable event is not a gift, and a charity generally cannot issue a receipt for sponsorship.

What constitutes sponsorship?

Sponsorship is when a business makes a donation to a charity and, in return, receives advertising or promotion of its brand, products or services.

How can a registered charity thank a business for its donation and still issue that business an official donation receipt?

A charity is certainly allowed to thank its donors. If a business receives the same level of recognition as all other donors, with no special treatment, and the recognition is nominal, this usually constitutes a simple acknowledgment, and a receipt may be issued for the full amount of the donation.

However, while a simple "thank you" is not an advantage, advertising is. If a business receives special recognition for its donation, or if it receives more than nominal recognition (for example, banners, advertising of products), this usually constitutes sponsorship.

It is difficult, if not impossible to establish a fair market value for sponsorship, and when the fair market value cannot be determined, a receipt cannot be issued.

#### References

- [CSP-C13, Consideration](#)
- [CSP-P14, Pledges](#)
- [CSP-S13, Sponsorship](#)
- [Registered Charities Newsletter No. 22 - Spring 2005](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/gfts/rgstrd-chrts-eng.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 topics

- [What is the disbursement quota?](#)
- [Disbursement quota calculation](#)

- [Specified gift](#)

## Issuing receipts

### **Caution: Gifts of services**

A registered charity is not permitted to issue an official donation receipt for a gift of service. At law, a gift is a voluntary transfer of property. Gifts of services (donated time, skills, or efforts) provided to a charity are not property, and therefore do not qualify as gifts for the purposes of issuing official donation receipts. For more information, see [Gifts of services](#) and [What is a gift?](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/rqss-eng.html>

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

- **No.** Receipting carries with it a certain administrative burden, and receipted donations increase a registered charity's spending obligation. 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?](#)

## References

- [CSP-R02, Receipt](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/whn-eng.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 (CRA) 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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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/whtknw-eng.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.

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; and
- 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.

See [Determining fair market value](#).

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### References

- [CSP-F07, Fair market value \(appraisal\)](#)
- [CSP-G04, Gift \(Conditional\)](#)
- [CSP-G05, Gift \(directed\)](#)
- [CSP-R02, Receipt](#)
- [P113, Gifts and Income Tax](#)
- [Registered Charities Newsletter No. 24 - Late Summer 2005](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/whtnf-eng.html>

## What information must appear on an official donation receipt?

All official donation receipts for income tax purposes must contain the following:

- 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;
- (under proposed legislation) value and description of any [advantage](#) received by the donor;
- (under proposed legislation) [eligible amount](#) of the gift;
- signature of an individual authorized by the charity to acknowledge donations; and
- name and Web site address of the Canada Revenue Agency - [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities).

For non-cash gifts (gifts in kind), these additional 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
- (under proposed legislation) [deemed fair market value](#) of the property in place of amount of gift above.

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

## Related topics

- [Registration number](#)

## References

- [CPC-010, Name on Official Donation Receipt](#)
- [CPC-015, Address on Official Donation Receipt](#)
- [RC4414, Registered Charities: What's New? - Important Changes to the Law Affecting Registered Charities](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-010-eng.html>

# 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 (*e.g.*, 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

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

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-015-eng.html>

## 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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<http://www.cra-arc.gc.ca/E/pub/tp/it297r2/it297r2-e.html>

# Income Tax Interpretation Bulletin

Gifts in Kind to Charity and Others

NO: **IT-297R2**

DATE: March 21, 1990

SUBJECT: INCOME TAX ACT

Gifts in Kind to Charity and Others

REFERENCE: Subsections 118.1(1) and 110.1(1) (also sections 9, 13 and 39, subsections 110.6(3) and 118.1(3), and subparagraph 69(1)(b)(ii))

Application

This bulletin cancels and replaces Interpretation Bulletin IT-297R dated February 20, 1984. Current revisions are designated by vertical lines.

Summary

This bulletin discusses the tax consequences of making a gift in kind to charity or others and the valuation of that gift.

## Discussion and Interpretation

1. A gift includes a gift in kind. The definition of a gift, the deducting provisions applicable to both individuals and corporations, and the requirements for official donation receipts are explained in the current version of IT-110 and the related Special Release.

2. The general rule in 4 below does not apply where the Act provides special rules for gifts in kind. These special rules are discussed in the current version of the following Interpretation Bulletins:

IT-244 - Gifts of Life Insurance Policies as Charitable Donations,  
IT-288 - Gifts of Capital Property to a Charity and Others,  
IT-407 - Disposition of Canadian Cultural Property, and  
IT-504 - Visual Artists and Writers.

3. Gifts in kind of a taxpayer include capital property, depreciable property, personal-use property including listed personal property (see the current version of IT-332), a leasehold interest, a residual interest (see the current version of IT-226), a right of any kind whatever, a licence, a share, a chose in action and inventory of a business. A gift in kind, however, does not include a gift of services.

Where the property gifted was held jointly by a husband and wife, other than as partners in a partnership, whether the gift was made by the husband, wife or both parties, they may choose whichever allocation is most advantageous to them for the purpose of a claim by each of them under the deducting provisions. This discretionary allocation applies as well to subsequent year claims in respect of any unused portion of the donation. Such donation claims should be adequately explained upon filing of the applicable income tax returns, particularly in the case of the individual who uses a copy of the original receipt to support the claim.

4. Generally, when anything is disposed of to any person by way of a gift inter vivos, the taxpayer (donor) is deemed to have received proceeds of disposition equal to the fair market value of the property pursuant to subparagraph 69(1)(b)(ii). Where the property was held jointly by a husband and wife, the proceeds of disposition must be allocated between them on the basis of the relative interest each spouse held in the property regardless of the discretionary allocation that may be made in respect of their claims under the deducting provisions as described in 3 above. Each taxpayer must therefore account for any

(a) income under section 9 if the property was inventory of a business, or

(b) capital gain or capital loss under section 39 if the property was a capital property, and

(c) recapture of capital cost allowance under section 13 if the property was depreciable property. It should be noted that although the gifts in kind discussed in the current versions of IT-288, IT-407 and IT-504 referred to in 2 above, are subject to special rules for the determination, if any, of capital gains, any recapture of capital cost allowance with respect to such gifts of depreciable property is reported in the usual manner.

The fair market value of a gift in kind is also the relevant amount for the purposes of calculating the non-refundable and non-transferable federal tax credit under subsection 118.1(3) for individuals after 1987 and the deductible gift under subsection 110.1(1) for corporations after 1987, as well as the deductible gift under the legislation as it applied to all taxpayers prior to the 1988 taxation year.

5. If the taxpayer making the donation is an individual (other than a trust) and realizes a capital gain, the provisions of subsection 110.6(3) may apply. If the capital gains deduction has not been fully utilized, the individual may be able to fully or partially offset the capital gain referred to above with the subsection 110.6(3) deduction.

6. The fair market value of a gift in kind as of the date of the donation (the date on which beneficial ownership is transferred from the donor to the donee) must be determined before an amount can be recorded on a receipt for tax purposes. If the property was owned on Valuation Day (December 31, 1971), a valuation as of that date may also be required for capital gains purposes. The person who determines the fair market value of the property must be competent and qualified to evaluate the particular property being transferred by way of a gift. Property of little or only nominal value to the donor will not qualify as a gift in kind. Used clothing of little value would be an example of a non-qualifying contribution.

7. Gifts to Her Majesty in right of Canada and Her Majesty in right of the provinces include gifts to an agent of the Crown. Whether a particular entity is an agent of the Crown in right of Canada or a province depends on whether the law creating the entity (a corporation, commission, gallery, etc.) expressly makes it an agent of the Crown or the entity is an agent of the Crown at common law.

8. Section 118.1 and subsection 110.1(1) are not applicable to donations of property where its cost has been or should be charged as a business expense. For example, if a taxpayer transfers merchandise or supplies to a charity in consideration of a right, privilege, material benefit or advantage such as promotion or advertising for the taxpayer's business, then the transfer would not be a gift. For further information, see the current version of IT-110.

9. A pamphlet entitled "Gifts in Kind", available at District Taxation Offices, provides a general discussion of this topic.

## Determining fair market value

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 of either a gift in kind or 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.

**Important 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 the lesser of \$75 and 10% of the value of the donation, it is considered nominal ([de minimis](#)), and it need not be deducted from the eligible 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; and
- 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 Canada also has a Web site devoted to the Ecological Gifts Program at:

[www.cws-scf.ec.gc.ca/egp-pde/default.asp?lang=En](http://www.cws-scf.ec.gc.ca/egp-pde/default.asp?lang=En)

#### References

- [CSP-F02, Fair Market Value](#)
- [CSP-F07, Fair Market Value \(appraisal\)](#)
- [ITNEWS-26, Income Tax - Technical News No. 26](#)
- [Registered Charities Newsletter No. 24 - Late Summer 2005](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-f02-eng.html>

## Summary Policy

#### Date

October 25, 2002

#### Reference Number

CSP - F02

#### Key Words

Fair market value

## Policy Statement

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 both knowledgeable, informed, and prudent, and who are acting independently of each other.

### References

- [Fair Market Value of Donated Item and Taxes, CPC-006.](#)
- [Gifts and Income Tax, P113.](#)
- [Gifts in Kind to Charity and Others, IT-297.](#)
- [Gifts and Official Donation Receipts, IT-110.](#)
- [Registered Charities Newsletter, Issue No. 24.](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-f07-eng.html>

## Summary Policy

### Date

September 3, 2003

### Reference Number

CSP - F07

### Key Words

Fair market value (appraisal)

### Policy Statement

The fair market value of a gift in kind as of the date of the donation must be determined before an amount can be recorded on an official donation receipt.

If the fair market value of a gift is \$1,000 or less, a qualified staff member of the registered charity receiving the gift can appraise the gift. If the fair market value is more than \$1,000, the Charities Directorate strongly recommends that the property be appraised by someone who is not associated with either the donor or the charity receiving the gift (*i.e.*, a third party). The person who determines the fair market value of the property must be competent and qualified to evaluate the particular property being transferred by way of a gift.

### References

- [Fair Market Value, CSP - F02.](#)



- [Gift \(donation\), CSP - G01.](#)
- [Receipt, CSP - R02.](#)
- [Gifts and Income Tax, P113.](#)
- [Gifts in Kind to Charity and Others, IT-297.](#)
- *Income Tax Regulations, C.R.C. 1978, c. 945, ss. 3501(1) and (1.1).*

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/dmdfmv-eng.html>

## Deemed fair market value rule

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).

### Example

A donor purchases a work of art for \$300, and six months later donates the work to a registered charity. The registered charity would like to issue the donor an official donation receipt. 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 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 \$300.

### 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); and
- 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](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/splt-eng.html>

## Split receipting

Split receipting is the method used for calculating 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 determine the eligible amount for receipting purposes, the value of the advantage must be subtracted from the value of the gift.

Criteria for split receipting:

- Where a donor receives an advantage in exchange for a gift, the registered charity must be able to accurately determine the fair market value of that advantage.
- The gift, minus the advantage, must still constitute a voluntary transfer of property and meet the intention to make a gift threshold.

What is the intention to make a gift threshold?

In cases where the value of an advantage received for a gift is more than 80% of the value of the gift itself, it is generally considered that there is no true intention to make a gift. Therefore, registered charities cannot issue a receipt where the value of the advantage returned to the donor is more than 80% of the fair market value of the gift.

In rare circumstances, when the intention to make a gift threshold has not been met, there may still have been a clear intention to make a gift. In these cases, the donor must establish to the satisfaction of the CRA that there was an intention 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.

In applying the de minimis rule, advantages that have a combined value that does not exceed the lesser of \$75 or 10% of the value of the gift are considered too minimal to affect the amount of the gift.

These advantages do not need to be deducted from the value of gifts when issuing receipts.

The de minimis rule does not apply to cash or near cash equivalents.

Related Topics

- [Receipting for fundraising events](#)
- [What is a gift?](#)

References

- [Income Tax - Technical News No. 26](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/fndrsng-eng.html>

## Fundraising events

General guidelines for issuing receipts applicable to all fundraising events or activities

The value of any complimentary benefits provided to all participants for attending a fundraising event (for example, pens and key chains) and the value of door and achievement prizes that all attendees could receive by simply attending the event must be totalled and allocated on a pro rata basis to all participants. The allocated value of complimentary benefits must be deducted from the fair market value of the gift before a receipt can be issued for the **eligible amount** of the gift, unless the [de minimis rule](#) can be applied.

For the purpose of applying the de minimis rule, complimentary benefits, such as door prizes and achievement prizes should be calculated separately from "main event" benefits, for example, the

meal at a fundraising dinner, concert tickets, the green fees and cart rentals at a golf tournament, etc. The calculation should be done as follows:

- If the complimentary benefits fit within the de minimis threshold, then only the fair market value of the "main event" benefits should be deducted from the fair market value of the gift to determine the eligible amount of the receipt.
- If the complimentary benefits do not fit within the de minimis threshold, then the value of **both** the complimentary benefits and the main event benefits must be deducted from the fair market value of the gift to determine the eligible amount of the receipt.

**Note**

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 (for example, dinner, golf) with a particular individual will not be viewed as a gift.

How does a registered charity determine the fair market value (FMV) of a fundraising dinner?

To determine the fair market value of a fundraising dinner, the value of a comparable meal provided by a comparable facility will have to be established. If the event is held at a restaurant, then the price the restaurant would charge a regular customer is the comparable value. In this regard, it is acceptable to take into account group or banquet rates.

Can an official donation receipt be issued for the purchase of a lottery ticket?

It is the view of the Canada Revenue Agency (CRA) that no part of the cost of a lottery ticket is a gift. Therefore, a lottery ticket is not eligible for an official donation receipt.

How does a registered charity determine the FMV of concerts, shows, and sporting events?

Where the amount of the advantage (including the usual and current ticket price) is 80% or less of the actual ticket price, a tax receipt may be issued for the difference. If there is no reasonably comparable event, then no portion of the ticket price can be viewed as an eligible amount for receipting purposes.

How does a registered charity determine the FMV of the advantages at a golf tournament?

- **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 where members 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 rates) that would be charged if the meals were purchased separately at the course.

- **Complimentary items** are valued at the amount that would have to be paid to acquire the merchandise at the donating retail outlet or the outlet from which the merchandise was obtained.
- **Door and achievement prizes** are valued at the retail value of all such prizes, totalled, and allocated pro rata to all attendees.
- **Hole in one prizes** can be excluded. The CRA accepts that for any particular participant the value of the chance to win the prize is nominal.

Can official donation receipts be issued for property donated for sale at an auction?

Yes. However, the fair market value of the property must be determined before a receipt can be issued. Also, keep in mind that gifts of services, for sale at an auction or otherwise, are not eligible for an official donation receipt.

Can a successful bidder at an auction be issued an official donation receipt for the amount in excess of the fair market value that he or she pays?

Yes. However, it must be possible to determine the item's fair market value, and that value must be posted before the start of the auction. Also, for an official donation receipt to be issued, the fair market value of the property the bidder receives cannot exceed 80% of the purchase price.

The foregoing scenarios are covered in greater detail in [Income Tax Technical News, Issue 26](#).

Related topics

- [Split receipting](#)
- [What is a gift?](#)

References

- [CPS-028, Fundraising by Registered Charities](#)
- [Registered Charities Newsletter No. 24 - Late Summer 2005](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtnng/rcpts/crrctn-eng.html>

## Correcting or replacing official donation receipts

How can a charity correct errors on printed receipts?

We recommend that a registered charity use a stamp that clearly shows a change of name, address, or registration number if it wants to use its remaining stock of official donation receipts

before ordering a new supply. The charity should also make sure that any incorrect information is crossed out, either by stamp or by hand.

How can a charity replace a lost or spoiled receipt?

- To replace a **lost** receipt, a registered charity can issue a replacement, which must contain all the [required information](#) plus the serial number of the lost receipt. The replacement receipt should also state that it "cancels and replaces the lost receipt." The charity's copy of the lost receipt should be kept and marked "cancelled."
- For a **spoiled** receipt, a registered charity can issue a new receipt but must keep the original copies (both the donor's and charity's) marked "cancelled".

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/cmptr-eng.html>

## Computer-generated receipts

Can a charity issue computer-generated receipts?

Computer-generated official donation receipts are acceptable as long as they are legible and the data is sufficiently 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; and
- 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; and
- 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; and
- 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](#)
- [IC05-1, Electronic Record Keeping](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/cnsqncs-eng.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 the New Sanctions](#)
- [Penalties - Suspensions Chart](#)

## References

- [CSP-R02, Receipt](#)
- [CSP-F17, Penalties](#)
- [CSP-S18, Suspensions](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/nwsnctns-eng.html>

## Guidelines for applying the new sanctions

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 new 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 Web site, 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 new sanctions

The *Income Tax Act* introduces two new 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 new sanctions will have the following information made public on the Charities Directorate Web site:

- 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 Web site.

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.

Information about business activities and charities is available at [www.cra.gc.ca/tax/charities/policy/cps/cps-019-e.html](http://www.cra.gc.ca/tax/charities/policy/cps/cps-019-e.html). As this document states, 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.

#### 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.

Information about this requirement is available at [www.cra.gc.ca/chrts-gvng/charities/policy/csp/csp-c28-e.html](http://www.cra.gc.ca/chrts-gvng/charities/policy/csp/csp-c28-e.html).

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 [\[Footnote 1\]](#) 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), [\[Footnote 2\]](#) 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 Web site address). The information that should be on official donation receipts is listed in *Samples – Official Donation Receipts* found at [www.cra.gc.ca/chrts-gvng/charities/pubs/receipts-e.html](http://www.cra.gc.ca/chrts-gvng/charities/pubs/receipts-e.html).

Generally, we would anticipate using compliance agreements before proceeding to one of the new 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 Charities Newsletter #26 at [www.cra.gc.ca/E/pub/tg/charitiesnews-26/README.html](http://www.cra.gc.ca/E/pub/tg/charitiesnews-26/README.html).

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 new 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. [\[Footnote 3\]](#) 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 new 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 01-1, *Third-Party Civil Penalties*, which can be found at [www.cra.gc.ca/E/pub/tp/ic01-1/README.html](http://www.cra.gc.ca/E/pub/tp/ic01-1/README.html).

### [\[Footnote 3\]](#)

The revocation tax is not new. For more on re-registration and the revocation tax, see *Completing the Tax Return Where Registration of a Charity is Revoked* at [www.cra.gc.ca/E/pub/tg/rc4424/README.html](http://www.cra.gc.ca/E/pub/tg/rc4424/README.html).

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-018-eng.html>

## 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
  - a. determining that it has in fact received a gift;
  - b. 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:
  - a. The business can, of course, deduct the cost of acquiring or producing the item given to the charity from its income.
  - b. 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.
  - c. 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	<u>+ 1,000</u>
Income	\$51,000
Less production costs	<u>25,500</u>
Net income	\$25,500
Less tax deduction for donated bread	<u>- 1,000</u>
Taxable income	\$24,500

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-012-eng.html>

## 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 the Registered Charity Information Return (Form T3010) 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 (*e.g.*, 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.

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-019-eng.html>

## 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:
  - a. 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, or
  - b. 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

- [Gifts and Official Donation Receipts, IT-110.](#)
- [Income Tax Technical News, Issue 26.](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-008-eng.html>

## 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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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-006-eng.html>

## 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

- [Gifts and Income Tax, P113.](#)
- *Income Tax Regulations*, C.R.C. 1978, c. 945, subparas. 3501(1)(h)(ii) and (1.1)(h)(ii).

## Sample official donation receipts

There have been changes to the requirements for official donation receipts. To make issuing receipts as simple as possible for charities and still meet the necessary requirements, we have provided sample official donation receipts. Different receipts correspond to different circumstances. Please note that these receipts contain the information that must be provided according to the *Income Tax Act*. However, they are only a guide and your receipts do not have to appear exactly as presented but must contain all the relevant information.

This information is also available as a [PDF document](#) (100 Kb).

### Sample 1 - Cash gift (no advantage)

This is the most common scenario. The items in this sample receipt should be included on your official donation receipt if the donor or any other person receives nothing in return for the gift. For example, the donor makes a cash (or cheque) gift of \$20. There is no [advantage](#) received or receivable by the donor or any other person for the gift. Therefore, the [eligible amount of the gift](#) is \$20.

#### [View sample receipt #1 - Cash gift \(no advantage\)](#)

### Sample 2 - Cash gift with advantage

The items in this sample receipt should be included on your official donation receipt if the donor or any other person receives something in return for the gift i.e., meal, golf tournament, book etc. For example, the donor pays \$50 to attend a fundraising luncheon where the only consideration received is a meal valued at \$20. The [total amount received by the charity](#) is \$50 and the [value of the advantage](#) (the meal) is \$20. Therefore, the [eligible amount of the gift](#) is \$30.

If the amount of the [advantage](#) exceeds 80% of the [fair market value](#) of the gift, the charity is advised to contact the CRA before issuing a receipt.

#### [View sample receipt #2 - Cash Gift with advantage](#)

### Sample 3 - Non-cash gift (no advantage)

The items in this sample receipt should be included on your official donation receipt for a non-cash gift from a donor if the donor or any other person receives nothing in return for the gift. For example, the charity receives a non-cash gift of a piece of artwork with an appraised value of \$1,500 and there is no [advantage](#) received or receivable by the donor or any other person for the gift. Therefore, the [eligible amount of the gift](#) is \$1,500.

[View sample receipt #3 - Non-cash Gift \(no advantage\)](#)

Sample 4 - Non-cash gift with advantage

The items in this sample receipt should be included on your official donation receipt for a non-cash gift if the donor or any other person receives something in return for the gift. For example, the charity receives a house valued at \$100,000 and the donor receives an advantage of \$20,000 in cash. Therefore, the [eligible amount of the gift](#) is \$80,000.

If the amount of the [advantage](#) exceeds 80% of the [fair market value](#) of the gift, the charity is advised to contact the CRA before issuing a receipt.

[View sample receipt #4 - Non-cash Gift with advantage](#)

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Terms and Definitions

Official Donation Receipt For Income Tax Purposes  
Statement that the receipt is official for tax purposes.

Receipt # 0001  
Sample serial number of receipt.

Charity name  
Name of charity as recorded with the Minister.

Canadian charity address  
Canadian address of charity as recorded with the Minister.

Charity BN/ Registration#  
The registration number as assigned by the Minister.

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, golf tournaments etc.)

Eligible amount of gift for tax purposes

This is a new term used in the Income Tax Act to refer to the amount that the donor can claim for tax purposes for the donation.

Description of property

A brief description of property received by charity.

Appraised by

Name of appraiser if property is 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.

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.

Donated by

Name of the donor including, in the case of an individual, the donor's first name and initial.

Address

Address of the donor.

Date receipt issued

The day on which the receipt was issued.

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 [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities)

A listing of all registered charities under the Income Tax Act.

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/pbs/smpls-eng.html>

## Sample official donation receipts

Sample # 1 - Cash gift (no 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 for tax purposes:** \_\_\_\_\_

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

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

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

**For information on all registered charities in Canada under the *Income Tax Act* please visit:**

**Canada Revenue Agency** [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities)

Sample #2 - Cash gift with 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: \_\_\_\_\_

Total amount of cash received by charity =  
\_\_\_\_\_ **A**

Value of advantage =  
\_\_\_\_\_ **B**  
(cash/fair market value of property or services)

**Eligible amount of gift for tax purposes:** = \_\_\_\_\_ **C**  
(line A minus line B)

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

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

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

**For information on all registered charities in Canada under the *Income Tax Act* please visit:**

**Canada Revenue Agency** [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities)

Sample #3 - Non-cash gift (no 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 for tax purposes:** \_\_\_\_\_

(fair market value of property)

Description of property  
received by charity: \_\_\_\_\_

Appraised by: \_\_\_\_\_

Address of appraiser: \_\_\_\_\_

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

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

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

**For information on all registered charities in Canada under the *Income Tax Act* please  
visit:**

**Canada Revenue Agency** [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities)

Sample # 4 - Non-cash gift with 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: \_\_\_\_\_

Total amount received by charity = \_\_\_\_\_ **A**  
(fair market value of property)

Value of advantage = \_\_\_\_\_ **B**  
(cash/fair market value of property or services)

**Eligible amount of gift for tax purposes:** = \_\_\_\_\_ **C**  
(line A minus line B)

Description of property  
received by charity: \_\_\_\_\_

Appraised by: \_\_\_\_\_

Address of appraiser: \_\_\_\_\_

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

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

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

**For information on all registered charities in Canada under the *Income Tax Act* please  
visit:**

Canada Revenue Agency [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities)

## Summary Policy

### Date

October 25, 2002 (Revised June 14, 2007)

### Reference Number

CSP - R02

### Key Words

Receipt - Official donation receipt - Sanctions - Revocation

### Policy Statement

Under the *Income Tax Act*, a qualified donee (*e.g.*, a registered charity) can issue official donation receipts for income tax purposes for donations that legally qualify as gifts.

A registered charity that issues an official donation receipt that includes incorrect 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 infraction within 5 years.

A registered charity that issues an official donation receipt that includes false information is liable to a penalty equal to 125% of the eligible amount stated on the receipt, where the total does not exceed \$25,000. Where the total exceeds \$25,000, the charity is liable to a penalty equal to 125% and the suspension of tax-receipting privileges.

A registered charity that contravenes or continues to contravene the Act could also have its registration revoked.

### References

- [Penalties, CSP-F17.](#)
- [Revocation, CSP-R12.](#)
- [Sanctions, CSP-S17.](#)
- [Suspensions, CSP-S18.](#)
- [Computer-Generated Official Donation Receipts, CPS-014.](#)
- [Donations of Gift Certificates, CPS-018.](#)
- [Address on Official Donation Receipt, CPC-015.](#)
- [Expenses Incurred by Volunteers, CPC-012.](#)
- [Fair Market Value of Donated Item and Taxes, CPC-006.](#)
- [Gifts of Services, CPC-017.](#)
- [Gifts Out of Inventory, CPC-018.](#)

- [Issuance of Official Donation Receipt and Effective Date of Registration, CPC-009.](#)
- [Name on Official Donation Receipt, CPC-010.](#)
- [Payment for Participation in a Youth Band or Choir, CPC-019.](#)
- [Payment to a Registered Charity, CPC-008.](#)
- [Income Tax Technical News, Issue 26.](#)
- [Registered Charities Newsletter, Issue No. 23.](#)
- [Registered Charities Newsletter, Issue No. 25.](#)
- [Registered Charities Newsletter, Issue No. 27.](#)
- [Sample Receipts](#)
- [\*College rabbinique de Montreal Oir Hachaim D'Tash v. Canada \(Minister of the Customs and Revenue Agency\)\* \(2004 FCA 101\), 2004-03-09.](#)
- *Income Tax Act*, R.S.C. 1985 (5th supp.) c. 1, ss. 188.1(7) to (10) and 188.2(1).
- *Income Tax Regulations*, C.R.C. 1978, c. 945, ss. 3500, 3501(1) and (1.1).

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-a15-eng.html>

## Summary Policy

### Date

June 9, 2003

### Reference Number

CSP - A15

### Key Words

Auction - Receipt - Fair market value - Eligible amount of gift

### Policy Statement

A registered charity can issue an official donation receipt to the donor for the fair market value of property donated for a charity auction.

Generally, a registered charity cannot issue an official donation receipt to the persons who buy items at a charity auction. However, where the value of an item can be determined and is made known to all bidders in advance and where the amount paid for the item exceeds the posted value, a registered charity can issue an official donation receipt for the eligible amount of the gift (*i.e.*, where the posted value of the item does not exceed 80% of the accepted bid.)

### References

- [Donor, CSP - D17.](#)
- [Gift, CSP - G01.](#)

- [Receipt, CSP - R02.](#)
- [Income Tax Technical News, Issue 26.](#)
- [Registered Charities Newsletter, Issue No. 24.](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-f02-eng.html>

## Summary Policy

### Date

October 25, 2002

### Reference Number

CSP - F02

### Key Words

Fair market value

### Policy Statement

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 both knowledgeable, informed, and prudent, and who are acting independently of each other.

### References

- [Fair Market Value of Donated Item and Taxes, CPC-006.](#)
- [Gifts and Income Tax, P113.](#)
- [Gifts in Kind to Charity and Others, IT-297.](#)
- [Gifts and Official Donation Receipts, IT-110.](#)
- [Registered Charities Newsletter, Issue No. 24.](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-f07-eng.html>

## Summary Policy

### Date

September 3, 2003

### Reference Number

CSP - F07

**Key Words**

Fair market value (appraisal)

**Policy Statement**

The fair market value of a gift in kind as of the date of the donation must be determined before an amount can be recorded on an official donation receipt.

If the fair market value of a gift is \$1,000 or less, a qualified staff member of the registered charity receiving the gift can appraise the gift. If the fair market value is more than \$1,000, the Charities Directorate strongly recommends that the property be appraised by someone who is not associated with either the donor or the charity receiving the gift (*i.e.*, a third party). The person who determines the fair market value of the property must be competent and qualified to evaluate the particular property being transferred by way of a gift.

**References**

- [Fair Market Value, CSP - F02.](#)
- [Gift \(donation\), CSP - G01.](#)
- [Receipt, CSP - R02.](#)
- [Gifts and Income Tax, P113.](#)
- [Gifts in Kind to Charity and Others, IT-297.](#)
- *Income Tax Regulations*, C.R.C. 1978, c. 945, ss. 3501(1) and (1.1).

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-g03-eng.html>

**Summary Policy****Date**

September 3, 2003 (Revised November 23, 2005)

**Reference Number**

CSP - G03

**Key Words**

Gift (anonymous)

**Policy Statement**

As a general rule, a registered charity cannot issue an official donation receipt for anonymous gifts. However, the Canada Revenue Agency has accepted that a taxpayer can claim a tax credit or deduction for an anonymous donation, provided certain procedures are followed:



- the donor establishes an agency or trust agreement for the making of 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.

#### References

- [Donor, CSP-D17.](#)
- [Gift \(donation\), CSP-G01.](#)
- [Receipt, CSP-R02.](#)
- *Income Tax Regulations*, C.R.C. 1978, c. 945, ss. 3501(1) and (1.1).

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-g04-eng.html>

## Summary Policy

#### Date

September 3, 2003 (Revised November 23, 2005)

#### Reference Number

CSP - G04

#### Key Words

Gift (conditional)

#### Policy Statement

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

A condition precedent is one that must be met before the gift takes effect (*e.g.*, a gift of \$100,000 provided that the registered charity is able to raise an equal amount of money within a stated period of time). Since a condition precedent is not a gift at law until after the condition is fulfilled, a charity should only issue an official donation receipt after the condition has been met.

A condition subsequent is one that operates to defeat a gift that has already been made (*e.g.*, a gift made to a registered charity on the condition that the funds be used to operate a particular shelter for the homeless). If a condition subsequent fails and the gift reverts back to the donor, the charity should advise the Canada Revenue Agency that the original gift is being returned to the donor. A condition subsequent may result in a subsequent tax liability.

#### References

- [Gift \(donation\), CSP-G01.](#)
- [Receipt, CSP-R02.](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-g05-eng.html>

## Summary Policy

#### Date

September 3, 2003

#### Reference Number

CSP - G05

#### Key Words

Gift (directed)

#### Policy Statement

A registered charity cannot issue an official donation receipt if a donor has directed the charity to give the funds to a specified person or family. In reality, such a gift is made to the person or family and not to the charity. However, donations subject to a general direction from a donor that the gift be used in a particular program operated by a charity are acceptable, provided that no benefit accrues to the donor, the directed gift does not benefit any person not dealing at arms' length with the donor, and decisions regarding utilization of the donation within a program rest with the charity.

#### References

- [Gift, CSP - G01.](#)
- [Receipt, CSP - R02.](#)

## Summary Policy

### Date

October 25, 2002 (Revised November 23, 2005)

### Reference Number

CSP - G01

### Key Words

Gift

### Policy Statement

At law, a gift is a voluntary transfer of property without consideration.

### References

- [Property, CSP-P05.](#)
- [Receipt, CSP-R02.](#)
- [Voluntary Transfer, CSP-V01.](#)
- [Expenses Incurred by Volunteers, CPC-012.](#)
- [Gifts of Services, CPC-017.](#)
- [Gifts Out of Inventory, CPC-018.](#)
- [Issuance of Official Donation Receipt and Effective Date of Registration, CPC-009.](#)
- [Name on Official Donation Receipt, CPC-010.](#)
- [Payment for Participation in a Youth Band or Choir, CPC-019.](#)
- [Payment to a Registered Charity, CPC-008.](#)
- [Gifts and Income Tax, P113.](#)
- [Gifts in Kind to Charity and Others, IT-297.](#)
- [Registered Charities Newsletter, Issue No. 18.](#)
- [Registered Charities Newsletter, Issue No. 22.](#)
- [Registered Charities Newsletter, Issue No. 23.](#)

## Summary Policy

### Date

September 3, 2003 (Revised November 23, 2005)

### Reference Number

CSP - M05

### Key Words

Membership fees

### Policy Statement

A qualified donee can issue an official donation receipt for the eligible amount of the payment of membership fees. To determine the eligible amount, the donee must take into consideration the advantage received or obtained by the member in return for the payment.

Where the advantage does not exceed 10% or \$75, the full amount paid in regard to membership fees is receiptable. However, where the advantage exceeds 10% or \$75, the donee must deduct the amount of the advantage from the amount of the payment.

For example, for a contribution of \$100, a member receives a pen valued at \$15. Since the advantage exceeds 10% (*i.e.*, 10% of \$100 = \$10), the donee can issue an official donation receipt for \$85 (*i.e.*, eligible amount = \$100 - \$15).

### References

- [Consideration, CSP-C13.](#)
- [Gift \(donation\), CSP-G01.](#)
- [Receipt, CSP-R02.](#)
- [Income Tax Technical News, Issue 26.](#)

## 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-receipting 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:

- a. put in place a written agreement setting out the modalities of the fundraising arrangement;
- b. ensure that official donation receipts are only issued to donors for the eligible amount of the gift;
- c. 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*;
- d. 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;
- e. 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

- [Income Tax Technical News, Issue 26.](#)
- [Registered Charities: Operating Outside Canada, RC4106.](#)
- *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).

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-025-eng.html>

## 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:
  - a. 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.

- b. whether the consideration accruing to the volunteer negates donative intent (*i.e.*, 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.

- c. 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

- [Income Tax Technical News, Issue 26.](#)
- [Registered Charities: Operating Outside Canada, RC4106.](#)
- *Income Tax Act*, R.S.C. 1985 (5th supp.) c. 1, ss. 248(30), (31) and (32).

<http://www.cra-arc.gc.ca/E/pub/tp/itnews-26/itnews-26-e.html>

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## Income Tax – Technical News

No. 26

December 24, 2002

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 Ottawa ON K1A 0L5

Or by email at the following address:  
[bulletins@ccra.gc.ca](mailto:bulletins@ccra.gc.ca)

## Proposed Guidelines on Split-Receipting

### Overview

The Canada Customs and Revenue Agency (CCRA) has completed its review of what constitutes a gift for purposes of the *Income Tax Act* (the Act). This review was initiated as a consequence of the decisions in various court cases that seem to call into question whether the traditional meaning of gift under common law is still the appropriate standard. Furthermore, the traditional definition of gift disqualifies as a gift a transfer of property for partial consideration, notwithstanding that there is a clear gift element and donative intent, a result with which the government and, apparently, the courts are not comfortable.

Accordingly, after consultation with representatives of the Departments of Justice and Finance, the CCRA has developed interpretational guidelines that are to be followed in determining whether a transfer of property results in the making of a gift for purposes of the Act. On December 20, 2002, the Department of Finance released proposed amendments to the Act to facilitate the interpretative approach being adopted by the CCRA. As well, existing interpretation bulletins and publications will be revised to reflect these interpretative guidelines, and to deal with a number of the more common gifting situations. While time will be allowed for interested

parties to provide comments before the publications are so revised, these proposed guidelines may be followed in the interim.

Underlying the CCRA's interpretative approach to determining whether there is a gift in situations other than where there is an outright transfer of property for no consideration is that there be a clear donative intent to make a gift.

The key elements to this interpretative approach are as follows:

(a) There must be a voluntary transfer of property to the donee with a clearly ascertainable value.

(b) Any advantage [Footnote 1](#) received or obtained by the donor or a person not dealing at arm's length with the donor in respect of the transfer must be clearly identified and its value ascertainable. If its value cannot be reasonably ascertained, no charitable tax deduction or credit will be allowed. In this regard, the donee will be required to identify the advantage and the amount thereof on any receipt provided to the donor in accordance with the proposed amendments to section 3501 of the *Income Tax Regulations*. In respect of valuations, the donee should consider obtaining a qualified independent valuation of the amount of the advantage.

(c) Consistent with the case law, in order for there to be a gift there must be a clear donative intent to enrich the donee. It is recognized that the determination of donative intent is a subjective determination which can be difficult to establish. In this regard, it is proposed that the Act be amended [Footnote 2](#) so that a transfer of property will not necessarily be disqualified from being a gift, provided the amount of the advantage does not exceed 80% of the value of the property transferred to the donee. In exceptional circumstances where the amount of the advantage exceeds 80% of the value of the transferred property, the transfer may still nevertheless qualify as a gift under the proposed amendments, provided the donor is able to establish to the satisfaction of the Minister that there was an intention to make a gift.

(d) Generally, the proposed definition of an eligible amount of a gift [Footnote 3](#) will be the excess of the value of the property transferred to the donee over the amount of the advantage provided to the donor. It is recognized that, whether in connection with fund raising events or direct gifts to a charity, a donor may be provided with some advantage because the donee wishes to provide the donor with a token of gratitude for making the gift. It is further recognized that the appreciation of such gifts will vary from donor to donor. Accordingly, the CCRA is prepared to administratively provide for a *de minimis* threshold that will simplify matters for both donors and donees where such advantages are of insignificant value. The current *de minimis* threshold set forth in the current version of Interpretation Bulletin IT-110R3, *Gifts and Official Donation Receipts*, will be revised to provide that the amount of the advantage received by the donor that does not exceed the lesser of 10% of the value of the property transferred to the charity and \$75 will not be regarded as an advantage for purposes of determining the eligible amount as set forth in the proposed definition. Note that the revised *de minimis* threshold will not apply to cash or near cash advantages (e.g., this may include redeemable gift certificates, vouchers, coupons).

## Guidelines

The following guidelines provide the CCRA's view of the manner in which the eligible amount and the amount of the advantage are to be determined with regard to various situations and fund raising events or activities, taking into account that, in many cases, there is not a readily available market value comparison of the inducement or advantage provided to the donor. In particular, the guidelines address:

- fund raising dinners
- charity auctions
- lotteries
- concerts, shows and sporting events
- golf tournaments
- membership fees
- charitable annuities
- mortgaged property

### Fund Raising Events or Activities

The guidelines below have general application to all fund raising events or activities:

- The attendance of celebrities at fund raising events will not be viewed as an advantage per se. Any incremental amount paid for the right to participate in an activity with a particular individual (e.g., dinner, golf) would, however, not be viewed as a gift.
- The value of any complimentary benefits provided to all participants for attending the event (e.g., pens and keychains) and the value of door and achievement prizes that all attendees are eligible for by simply attending the event will be viewed as an advantage unless the aggregate value of such items, per ticket sold, does not exceed the lesser of 10% of the ticket price and \$75. For the purpose of establishing the eligible amount, and therefore the amount of the tax receipt, the value of door and achievement prizes will be aggregated and allocated on a pro rata basis to all participants.
- For the purpose of determining which items will be viewed as an advantage for purposes of applying the *de minimis* rule, the CCRA will adopt the position that the value of the activity that is the object of the fund raising event, while an advantage to be taken into account in determining the eligible amount, will not be included for this purpose (e.g., the value of a meal at a fund raising dinner, the value of a comparable ticket for a concert, the value of green fees, cart rental and meal at a golf tournament).

### Fund Raising Dinners

The value of a comparable meal provided by a comparable facility will have to be ascertained. 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.

Generally, the right to participate in an auction to be held at the dinner will not be viewed as constituting an advantage.

#### Example

- A charity holds a fund raising dinner for which 500 tickets are sold at a cost of \$200 each.
- A comparable meal could be purchased for \$100, excluding GST, PST and gratuities.
- The door prizes are a trip having a value of \$3,000 and jewellery having a retail value of \$500 (\$3,500/500 or \$7 per attendee).
- Each attendee receives a logo pen and key chain with an aggregate retail value of \$10.

Determination of eligible amount:

Ticket price	\$200
Less: meal	<u>\$100</u>
Eligible amount	\$100

As a result of applying the *de minimis* threshold, the value of the door prizes and the complimentary items received by a donor will not be viewed as an advantage in determining the eligible amount, since the total value of such prizes and items is \$17 per donor, which is less than the lesser of 10% of \$200 (\$20) and \$75.

In this case, the amount of the advantage is \$100, which is not more than 80% of the ticket price (\$160). Accordingly, a tax receipt may be issued for the eligible amount.

#### Charity Auctions

Generally, it is CCRA's position that there will not be an eligible amount with respect to items obtained at charity auctions on the basis that the bid determines the value of the various items put up for auction.

However, where the value of an item is clearly otherwise ascertainable (e.g., there is a retail price for the item) and made known to all bidders in advance, an eligible amount would be present where the amount bid is in excess of the posted value. Where donative intent can be established, which may be the case where the posted value of the item does not exceed 80% of the accepted bid, a tax receipt may be issued for the eligible amount.

#### Example

- A corporate retailer donates a mountain bike to a charity and the charity puts it up for auction.
- The value of the bike is \$400 and this amount is posted with the item.

- Any successful bid of \$500 or greater would entitle the bidder to a donation receipt equal to the excess of the bid price over \$400 (i.e., the eligible amount is the excess).

The retailer donating the bike will be entitled to receive a tax receipt for \$400. If this represents a gift on the part of the retailer, the retailer will have revenue of \$400 pursuant to section 69 and a donation deduction of \$400. If the bike cost the retailer \$250, the result would be a profit of \$150 for tax purposes. [Footnote 4](#)

It is the CCRA's opinion that with regard to certain personal items such as, but not limited to, the jersey of a hockey player, the right to play golf with a particular person, and the right to dine with a particular person, the value of the item will be the amount of the bid such that there will not be an eligible amount.

### Lotteries

It is our 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 significant prizes that are offered. Therefore, in some cases, while there may be an element of donative intent, in our view the amount of the advantage cannot be reasonably quantified.

Accordingly, it continues to be our view that 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

While a particular event may be a charity fund raiser and all or a portion of the proceeds designated in favour of a charity, there will need to be clear evidence that the ticket price is in excess of the usual and current ticket price to allow a finding that there is an eligible amount. Where the amount of the advantage (including the usual and current ticket price) is 80% or less of the actual ticket price, a tax receipt may be issued for the difference. If there is no reasonably comparable event, then no portion of the ticket price can be viewed as an eligible amount.

### Example

- Tickets are sold for \$200 to a fund raising concert featuring Performer X.
- Each participant receives a Performer X t-shirt that normally sells for \$20 and a CD that retails at \$15.
- Performer X put on a similar concert in Ottawa 8 months ago as part of her regular tour and the ticket price was \$100.

Determination of eligible amount:

Actual ticket price		\$200
Less: Comparable non-charity ticket price	\$100	
Complimentary items	<u>\$ 35</u>	
Advantage		<u>\$135</u>
Eligible amount		\$ 65

The value of the complimentary items is \$35, which exceeds the lesser of 10% of \$200 (\$20) and \$75. Accordingly, the complimentary items are regarded as an advantage and must be taken into account in determining the eligible amount.

In this case, the amount of the advantage is \$135. Since this amount does not exceed 80% of the actual ticket price (\$160), a tax receipt may be issued for the eligible amount (\$65).

### Golf Tournaments

The following indicates the CCRA's view in determining the value of the various components that may be present at a fund raising golf tournament for the purpose of determining the amount of the advantage received by a participant.

#### 1. Green fees

- Normal green fees that would ordinarily be charged to a non-member playing the course at the time of the event.
- No amount would be allocated to members where members are not required to pay green fees.

#### 2. Cart rental

- Regular cost of a cart rental.

#### 3. Meals

- Price that would be charged if the meal were purchased separately at the course.

#### 4. Complimentary items

- Amount that would have to be paid to acquire the merchandise at the donating retail outlet or the outlet from which the merchandise was obtained.

#### 5. Door and achievement prizes

- The retail value of all such prizes is to be aggregated and allocated pro rata to all attendees.

#### 6. Hole-in-one prize

- Given that the approximate odds of a hole-in-one for an average golfer on any given par-3 are over 40,000 to 1 and the fact that such prizes are not guaranteed to be given (in fact, they are rarely awarded), the CCRA accepts that for any particular participant the value of the chance to win the prize is nominal, and therefore can be ignored.

#### 7. Raffle tickets

- Where the raffle is conducted separately, the cost of raffle tickets is not considered a gift (this is essentially a lottery), and the value of the various prizes that will be won is not taken into account in determining the amount of the advantage.
- Note that if participation in the raffle is included in the participation fee, the prizes will be treated as door prizes.

#### Example

- A charity holds a fund raising golf tournament with a participation fee of \$200.
- 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.
- Members are not required to pay green fees.
- The cart rental (included in the participation fee) is normally \$20.
- Each participant receives golf balls with a retail price of \$15.
- The retail price of supplied food and beverage excluding GST, PST and gratuities is \$30.
- The retail value of door and achievement prizes is \$2,000 (\$2,000/100 or \$20 per participant).
- The raffle tickets for a chance to win a number of other prizes are sold separately (i.e., the purchase of such tickets is not required).
- The hole-in-one prize is the use of an automobile for one year.

#### Determination of eligible amount

Participation fee	\$200
Less: Green fee	\$50
Cart rental	\$20
Complimentary items/door and achievement prizes	\$35

Food and beverage	\$30
Hole-in-one prize	<u>\$ 0</u>
Advantage	<u>\$135</u>
Eligible amount (non-members)	\$ 65

The total value of the complimentary items and the door and achievement prizes of \$35 to each participant exceeds the lesser of 10% of the participation fee of \$200 (\$20) and \$75. Accordingly, such items constitute an advantage in determining the eligible amount.

In the case of non-members, the amount of the advantage is \$135 and a tax receipt may be issued for the eligible amount of \$65. If the amount of the advantage exceeded 80% of the participation fee (\$160), a tax receipt could not be issued due to the absence of donative intent.

In the case of members, the eligible amount would be increased to \$115 by the green fee that they would otherwise not have been required to pay.

If the golf course normally offers group rates this would be taken into account. In the above 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 of \$75.

### Membership Fees

Whether or not there is an eligible amount associated with the payment of membership fees or other amount to a registered charity of which an individual is a member will be determined on the basis of whether the membership fee or other amount exceeds the amount of the advantage. If the amount of the advantage is 80% or less of the payment to the charity, a tax receipt may be issued for the eligible amount.

### Example

- The purpose of the registered charity is the promotion of Canadian theatre.
- For a contribution of \$250, a contributor will receive the following:
  - recognition as a donor in the charity's newsletter;
  - a subscription to the charity's quarterly newsletter (otherwise available free of charge);
  - the right to attend annual meetings;
  - a monthly calendar of performances (otherwise available free of charge);
  - an advance invitation to certain performances;
  - 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 eligible amount

Contribution	\$250
Less: Complimentary items	
Key chain	\$10
*Discount	\$40
*Parking vouchers	<u>\$40</u>
Advantage	<u>\$ 90</u>
Eligible amount	\$160

Since the amount of the advantage (\$90) received by a contributor is less than 80% of \$250 (\$200), donative intent may be presumed and a tax receipt may be issued in the amount of \$160.

*\*The onus is on the charity to provide a value for these items. The value must be reasonable, given the facts of the particular situation.*

#### Other Situations

##### Charitable Annuities

The administrative position with regard to charitable annuities is withdrawn with regard to annuities issued after December 20, 2002. The income tax treatment provided for in the current version of Interpretation Bulletin IT-111R2, *Annuities Purchased From Charitable Organizations*, will continue to apply with regard to annuities issued before December 21, 2002.

The administrative position has no basis in law and cannot be continued as a consequence of the proposed subsection 248(33), which provides for a cost for property acquired from the charity in the making of a gift.

Rather, where an amount is contributed to a charitable organization by a donor, and the advantage received by the donor is a stream of guaranteed payments for a period of time, the eligible amount will be equal to the excess of the amount contributed by the donor over the amount that would be paid at that time to an arm's length third party to acquire an annuity to fund the guaranteed payments.

Notwithstanding the withdrawal of the administrative position, charitable annuities are likely to continue as a means of fund raising, and may well be more advantageous to the donor.

Consider the following comparative example:

Facts:

- A donor makes a \$100,000 contribution to a charitable organization.
- The donor's life expectancy is 8 years (assume the donor lives 8 years).
- The donor is to be provided annuity payments of \$10,000 per year (\$80,000).
- The cost of an annuity that will provide \$80,000 over 8 years is \$50,000.

Tax treatment under current administrative practice:

- The donor receives a tax receipt for \$20,000 for the year of donation.
- The donor receives in total \$80,000 in annuity payments tax-free.

Tax treatment – proposed:

- The donor receives a tax receipt for \$50,000 for the year of donation.
- The donor receives in total \$80,000 in annuity payments, of which \$30,000 will be included in income over 8 years.

### Mortgaged Property

Where property subject to a mortgage is transferred to a charitable organization as a donation, all relevant factors, such as encumbrances other than mortgages, will need to be taken into account in determining the value of the transferred property. With regard to determining the eligible amount, the terms and conditions of the mortgage must be taken into account in determining the amount of the advantage. In other words, the implications of a "favourable" or "unfavourable" mortgage must be reflected in the amount of the advantage received by the transferor that takes the form of being relieved of the mortgage. Accordingly, provided that the eligible amount is at least 20% of the value of the transferred property, a tax receipt may be issued for the eligible amount.

### Example

- A building is transferred to a charitable organization wherein the only advantage given by the charitable organization is the assumption of a mortgage placed on the building.
- The value of the building determined without reference to the mortgage is \$1,000,000.
- The amount of the outstanding mortgage to be assumed by the charitable organization is \$400,000.

In order to determine the eligible amount, it will be necessary to value the mortgage. If the terms and conditions of the mortgage (e.g., interest rate, term) are representative of the current market,

the eligible amount in the above example would be \$600,000. If the terms and conditions of the mortgage were "unfavourable" (e.g., high interest rate) such that the mortgagor would have to pay a third party \$450,000 to assume the mortgage, the eligible amount would be \$550,000.

*If you have any comments relating to these guidelines, please send them to:*

*Director, Financial Industries Division  
Income Tax Rulings Directorate  
Policy and Legislation Branch  
Canada Customs and Revenue Agency  
Ottawa ON K1A 0L5*

*We ask that you provide your comments before March 31, 2003. Should you require further information, please contact F. Lee Workman at (613) 957-3497 or Jenie Leigh at (613) 952-1505.*

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**Footnote 1**

As defined in proposed subsection 248(31).

[Back](#)

**Footnote 2**

Proposed subsection 248(32).

[Back](#)

**Footnote 3**

As defined in proposed subsection 248(30).

[Back](#)

**Footnote 4**

If the retailer characterizes the transfer of the bike as a promotion or advertising expense, this will not result in any revenue or gift to the retailer, but the retailer will be entitled to include the bike cost of \$250 in its cost of goods sold.

[Back](#)

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<http://www.canlii.org/en/ca/laws/regu/crc-c-945/latest/crc-c-945.html>

**Income Tax Regulations**

C.R.C., c. 945

INCOME TAX ACT

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## PART XXXV GIFTS

[SOR/81-269, [s. 1](#); 2011, c. 24, s. 80]

### INTERPRETATION

**3500.** In this Part,

“employees’ charity trust”

“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”

“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”

“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”

“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”

“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.

## EMPLOYEES' CHARITY TRUSTS

[SOR/94-140, s. 9(F), SOR/94-686, s. 51(F)]

**3502.** Where

- (a) a registered organization
  - (i) is an employees' charity trust, or
  - (ii) has appointed an employer as agent for the purpose of remitting, to that registered organization, donations that are collected by the employer from the employer's employees, and
- (b) each copy of the return required by [section 200](#) to be filed for a year by an employer of employees who donated to the registered organization in that year shows
  - (i) the amount of each employee's donations to the registered organization for the year collected by the employer, and
  - (ii) the registration number assigned by the Minister to the registered organization,

[section 3501](#) shall not apply and the copy of the portion of the return, relating to each employee who made a donation to the registered organization in that year, that is required by [section 209](#) to be distributed to the employee for filing with the employee's income tax return shall be an official receipt.

- NOTE: Application provisions are not included in the consolidated text;

- see relevant amending regulations. SOR/94-140, [s. 10](#);
- SOR/94-686, s. 51(F).

#### UNIVERSITIES OUTSIDE CANADA

**3503.** For the purposes of subparagraph (a)(iv) of the definition “qualified donee” in subsection 149.1(1) of the Act, the universities outside Canada named in Schedule VIII are prescribed to be universities the student body of which ordinarily includes students from Canada.

- NOTE: Application provisions are not included in the consolidated text;
- see relevant amending Acts and regulations. SOR/90-411, [s. 1](#);
- SOR/94-686, s. 51(F);
- 2011, c. 24, s. 83.

#### PRESCRIBED DONEES

**3504.** For the purposes of subparagraphs 110.1(2.1)(a)(ii) and 118.1(5.4)(a)(ii) of the Act, the following are prescribed donees:

- (a) Friends of the Nature Conservancy of Canada, Inc., a charity established in the United States;
- (b) The Nature Conservancy, a charity established in the United States; and
- (c) American Friends of Canadian Land Trusts.

- NOTE: Application provisions are not included in the consolidated text;
- see relevant amending Acts and regulations. SOR/86-488, [s. 6](#);
- SOR/94-140, [s. 11](#);
- SOR/94-686, s. 51(F);
- SOR/2007-74, s. 2;
- SOR/2010-197, [s. 1](#);
- 2013, c. 34, s. 394.

#### CONDITIONS

- **3505. (1)** The following conditions are prescribed in respect of a donee for the purposes of paragraph 110.1(8)(e) of the Act:
  - (a) the donee has applied to the Minister for International Cooperation (or, if there is no such Minister, the Minister responsible for the Canadian International Development Agency) for a determination that the conditions described in this section have been met;
  - (b) medicines received by the donee for use in charitable activities outside Canada are
    - (i) delivered outside Canada by the donee for use in its charitable activities, or
    - (ii) transferred to another registered charity that would meet the conditions contained in this section if that registered charity were a donee described in subsection 110.1(8) of the Act;
  - (c) in the course of delivering medicines outside Canada for use in its charitable activities, the donee acts in a manner consistent with the principles and objectives of the inter-agency *Guidelines for Drug Donations* issued by the World Health



Organization, as amended from time to time, (referred to in this section as “the WHO Guidelines”);

- (d) the donee has sufficient expertise in delivering medicines for use in charitable activities carried on outside Canada;
- (e) the donee carries on a program that includes delivering medicines for use in charitable activities carried on outside Canada and that is
  - (i) an international development assistance program, or
  - (ii) an international humanitarian assistance program, responding to situations of international humanitarian crisis (resulting from either natural disaster or complex emergency); and
- (f) the donee has sufficient expertise to design, implement and monitor each program described in subparagraph (e)(i) or (ii) that it carries on, unless the donee has declared that it will not deliver medicines in that program.
- (2) Without limiting the application of the WHO Guidelines, for the purposes of paragraph (1)(c), a donee does not act in a manner consistent with the principles and objectives of those guidelines if the donee’s directors, trustees, officers or like officials have not
  - (a) approved a policy and procedural framework, under which the donee is required to act in a manner consistent with the WHO Guidelines; and
  - (b) declared that the donee acts in compliance with that policy and procedural framework.
- (3) A donee is considered not to have sufficient expertise for the purpose of a program to which paragraph (1)(d) or (e) applies if
  - (a) the program does not address the specific and differentiated needs, interests and vulnerabilities of affected women and men, girls and boys;
  - (b) the program does not incorporate, in the design of projects under the program, consideration for environmental effects of those projects; or
  - (c) the donee does not have policies and practices for the design, implementation and monitoring of the program.
- (4) The Minister referred to in subsection (1) may
  - (a) rely on any information or evidence in making a determination under subsection (1); and
  - (b) require the donee to provide any other information or evidence that that Minister considers relevant and sufficient for the purpose of this section.

- NOTE: Application provisions are not included in the consolidated text;
- see relevant amending Acts and regulations. 2009, c. 2, s. 104.

# Registered Charities Newsletter

No. 12 - Spring 2002

## Contents

### Valuing Gifts of Public Securities

A gift of public securities is a gift-in-kind. A charity that receives a gift-in-kind can issue a tax receipt for the "fair market value" of the gift on the date it was donated.

The donation date of a share is the date on which transfer of ownership takes place. The time at which the ownership of a share is considered to have been transferred from one person to another is a question of fact.

It is our general view that the charity has taken ownership of a share when it has the right to receive dividends declared in respect of the share, the right to receive amounts on the liquidation of the corporation, and the right to exercise the votes attached to the share.

### Gifts by will

Generally, when a gift of securities is made pursuant to the terms of a deceased individual's will, the gift is deemed to have been made, for purposes of the charitable donation tax credit, by the individual immediately before the individual died. In such circumstances, it is the CCRA's view that the value of the gift of property is the value immediately before death and not when the property is subsequently received by the charity.

### Gifts made During Donor's Life (Inter Vivos Gifts)

The *Income Tax Act* does not provide guidance in determining the specific time an *inter vivos* gift is made. However, a gift is considered to be made at the time ownership of the property, which is the subject of the gift, is transferred to and accepted by the registered charity. As indicated above, it is a factual determination as to when ownership of a share is transferred from one person to another.

Charities receive gifts of public securities in several different ways. For instance, they may be hand-delivered, mailed, or electronically transferred. Receipt and acceptance of a gift do not always go hand-in-hand since a charity may refuse to accept a particular gift for various reasons. As an example, the shares may be in a company whose business conflicts with the charity's values, compelling the charity not to accept the gift. We recommend you review the charity's policies and governing documents to determine whether the charity may reject the gift. On the other hand, acceptance implies that the charity has understood the nature of the gift and has manifested its intention to keep it.

### When hand delivered

Sometimes, an endorsed share certificate or unendorsed share certificate, accompanied by a signed stock power, is hand-delivered to the charity. In most cases, it is reasonable to consider the time the gift was made to be the time the charity actually received and accepted the gift.

### When mailed

On other occasions, the endorsed share certificate or an unendorsed share certificate, accompanied by a signed stock power, is mailed to a charity. While the time of the gift may vary depending on the circumstances, generally, it is reasonable to consider the gift to have been made at the time the charity receives and accepts it.

### When electronically transferred

Recently charities have been receiving gifts of shares transferred to their account electronically. The *Income Tax Act* does not specifically deal with this way of giving shares. As a result, the date of the donation can sometimes be an issue.

As a general rule, the date of a gift of electronically transferred shares is the date the shares are received in the charity's account. In such cases, the donor's intent to make the gift has been communicated to the charity and the charity has indicated its intent to accept the gift by providing the donor with its account number.

However, this rule may not apply in all cases, and you should carefully review the facts of each situation to determine the timing of the gift. For instance, the donor and charity may have entered into a written agreement which effectively transferred ownership of the shares to the charity prior to physical receipt by the charity.

### Valuation of shares

The *Income Tax Act* does not provide guidance in determining how a gift of shares should be valued. A careful review of the facts of each situation should be made to determine the "fair market value". The CCRA 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.

Some other factors that may have to be taken into consideration are: the size of the block of shares in relation to the whole; the volume traded; the attributes of the shares; whether the donor had control or was a minority shareholder; whether there were any restrictions on the transferability of the shares; and whether the shares were thinly traded, requiring a look at trades over a longer period of time.

If you have any questions regarding valuation of gifts of shares, please contact the client assistance unit of the Charities Directorate at 1-800-267-2384 (English) or 1-888-892-5667 (French & English)

Charity Name:			Auditor:	
BN:			Date:	

## 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](#)

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## 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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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-a17-eng.html>

## Adoption

### Summary Policy

**Date**

September 3, 2003

**Reference number**

CSP-A17

### Key words

Adoption

### Policy statement

The courts have held that a payment to a registered charity to cover a child's adoption fees does not qualify as a gift.

### References

- [Summary Policy CSP-C13, Consideration](#)
- [Summary Policy CSP-G01, Gift](#)
- [Summary Policy CSP-R02, Penalties for False Information on Donation Receipts](#)
- [Beaudry v. The Queen, 1998 \[1\] CTC 2042.](#)

- [Dupriez v. The Queen, 1998/06/02 \(TCC\) Docket : 97-2159\(IT\)I.](#)
- [Jubenville v. The Queen, 2002 \[4\] CTC 2058.](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-r02-eng.html>

## Penalties for False Information on Donation Receipts

### Summary Policy

**Date**

October 25, 2002 (Revised June 14, 2007)

**Reference number**

CSP-R02

**Key words**

Receipt - Official donation receipt - Sanctions - Revocation

**Policy statement**

Under the *Income Tax Act*, a qualified donee (for example, a registered charity) can issue official donation receipts for income tax purposes for donations that legally qualify as gifts.

A registered charity that issues an official donation receipt that includes incorrect 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 infraction within 5 years.

A registered charity that issues an official donation receipt that includes false information is liable to a penalty equal to 125% of the eligible amount stated on the receipt, where the total does not exceed \$25,000. Where the total exceeds \$25,000, the charity is liable to a penalty equal to 125% and the suspension of tax-receipting privileges.

A registered charity that contravenes or continues to contravene the Act could also have its registration revoked.

**References**

- [Summary Policy CSP-F17, Penalties](#)
- [Summary Policy CSP-R12, Revocation](#)
- [Summary Policy CSP-S17, Sanctions](#)
- [Summary Policy CSP-S18, Suspensions](#)



- [Policy Statement CPS-014, Computer-Generated Official Donation Receipts](#)
- [Guidance CG-007, Donation of gift certificates or gift cards](#)
- [Policy Commentary CPC-006, Fair Market Value of Donated Item and Taxes](#)
- [Policy Commentary CPC-008, Union Dues - Payment to a Registered Charity](#)
- [Policy Commentary CPC-009, Official Donation Receipts by a Newly Registered Charity](#)
- [Policy Commentary CPC-010, Issuing a Receipt in a Name Other than the Donor's](#)
- [Policy Commentary CPC-012, Out-of-Pocket Expenses](#)
- [Policy Commentary CPC-015, Charity's Address](#)
- [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](#)
- [Income Tax Technical News, Issue 26](#)
- [Registered Charities Newsletter, Issue No. 23](#)
- [Registered Charities Newsletter, Issue No. 25](#)
- [Registered Charities Newsletter, Issue No. 27](#)
- [Sample receipts](#)
- [College rabbinique de Montreal Oir Hachaim D'Tash v. Canada \(Minister of the Customs and Revenue Agency\) \(2004 FCA 101\), 2004-03-09.](#)
- *Income Tax Act*, R.S.C. 1985 (5th supp.) c. 1, ss. 188.1(7) to (10) and 188.2(1).
- *Income Tax Regulations*, C.R.C. 1978, c. 945, ss. 3500, 3501(1) and (1.1).

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-c02-eng.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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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-e05-eng.html>

# Ecologically Sensitive Land

## 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 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-D17, Donor](#)
- [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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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/hrmjsty-eng.html>

# Charitable Organizations Outside Canada that Have Received a Gift from Her Majesty in Right of Canada

## Guidance

### Reference number

CG-015

### Issued

August 10, 2012

This guidance applies as of January 1, 2012, and replaces Policy Commentary CPC-030, *Foreign charities: Requirements for qualified donee status*, and Information Circular IC84-3R6, *Gifts to Certain Charitable Organizations Outside Canada*.

The [List of charitable organizations outside Canada that have received a gift from Her Majesty in right of Canada](#) replaces the *Attachment to IC84-3R6*.

### Summary

A charitable organization outside Canada that has received a gift from Her Majesty in right of Canada (that is, the Government of Canada), and meets certain other requirements, may become a [qualified donee](#) for a specified period. This status allows it to be included on the list of qualified donees maintained by the Canada Revenue Agency (CRA), and to be eligible to issue official donation receipts to donors and to receive gifts from registered charities, during that period.

## Purpose

1. To provide information for potential donors to certain charitable organizations outside Canada.
2. To clarify how the CRA decides whether a charitable organization outside Canada that has received a gift from the Government of Canada meets the requirements for qualified donee status.

## Commentary

A charitable organization outside Canada that has received a gift from the Government of Canada (the federal government or its agents), may become a **qualified donee** under the *Income Tax Act* for 24 months from the date it received the gift. As a qualified donee, the organization can issue official donation receipts for gifts it receives during that period. Corporate donors can use these receipts to claim a tax deduction on their Canadian Corporation Income Tax Return and individual donors can use them to claim a tax credit on their Canadian Income Tax and Benefit Return.

To confirm whether a charitable organization outside Canada is or was a qualified donee as a result of receiving a gift from the Government of Canada, go to [List of charitable organizations outside Canada that have received a gift from Her Majesty in right of Canada](#).

To add a charitable organization outside Canada to the CRA's list of qualified donees, the federal government department or agent that made the gift, or the organization that received the gift, must send the following information to the CRA's [Charities Directorate](#):

- a copy of the organization's governing document;
- a description of the organization's activities;
- a copy of the letter or certificate granting charitable status to the organization, from the relevant authority in the country in which the organization is established;
- a copy of correspondence, agreements, or other documents related to the gift from the Canadian Government; and
- proof that the gift was made (for example, a copy of the cheque).

The CRA will then use the following **two-part test** to decide whether the organization outside Canada is a qualified donee:

1. The information given must clearly show that the organization received a gift from the Government of Canada.
2. The organization must meet the Canadian common law definition of [charitable](#), and generally be eligible for registration in Canada, if it were established in Canada.

The CRA will send a letter to the organization outside Canada confirming whether it meets both parts of the test. If it does, its name will be added to the list of qualified donees. If it does not, the CRA will explain its concerns in the letter and the organization may respond to these concerns. If the organization does not address these

concerns to the CRA's satisfaction, the CRA's decision that the organization is not a qualified donee will be final. If the organization disagrees with the CRA's decision and wants to take formal recourse, it must file an application for judicial review with the [Federal Court of Canada](#).

To maintain its status as a qualified donee, a charitable organization outside Canada must meet certain requirements under the *Income Tax Act*. It is required to:

- properly issue official donation receipts; and
- keep books and records to support any official donation receipts it issues and provide these to the CRA upon request.

For more information about these requirements, go to [Issuing official donation receipts](#) and [Books and records](#).

The CRA may apply [sanctions](#) that include suspending or revoking the organization's receipting privileges if it is involved in the improper issuance of donation receipts, or does not provide the necessary records when asked.

If the organization receives a notice suspending or revoking its status, it can file an [objection](#) with the CRA's Appeals Branch within 90 days after the day the notice was mailed. The objection must be in writing and give the reason(s) for the objection and all the relevant facts.

## References

- *Income Tax Act*, R.S.C. 1985 (5th supp.) c. 1, ss. 110.1(1)(a), 118.1(1), 149.1(1), 149.1(4.3), 168(1), 188.2, 230(2), Regulation 3501(1.1).

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-l06-eng.html>

# Loan (of Property)

## Summary Policy

### Date

September 3, 2003 (Revised November 23, 2005)

### Reference number

CSP-L06

### Key words

Loan

## Policy statement

The loan of property does not qualify as a gift for income tax purposes. To qualify as a gift, there must be a transfer of property to a qualified donee. It is the Canada Revenue Agency's position that the term transfer involves more than the mere granting of a right to use property for a limited period of time (that is, a loan of property does not constitute a transfer of property).

## References

- [Summary Policy CSP-G01, Gift](#)
- [Summary Policy CSP-P05, Property](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-l07-eng.html>

# Loanback

## Summary Policy

### Date

September 3, 2003 (Revised November 19, 2010)

### Reference number

CSP-L07

### Key words

Loanback

### Policy statement

The loanback provisions of the *Income Tax Act* apply when a donor makes a gift to a qualified donee, and within 60 months of making the gift, either of the following situations occurs:

- The qualified donee holds a non-qualifying security of the donor that it acquired **after** the time that is 60 months before the time of the gift. In this case, the fair market value of the gift is reduced by the amount of consideration given by the donee to acquire the non-qualifying security.

or

- 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 time of the gift. In this case, the fair market value of the gift is reduced by the fair market value of the property being used.

This applies even if the donor is paying rent or giving the qualified donee consideration for the right to use the property. However, a donor can use property that a qualified donee uses to deliver its charitable programs without the loanback provisions affecting the donor (for example, a hospital's emergency department).

When the property gifted is a non-qualifying security, the loanback provisions apply only when the gift is an excepted gift.

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, write to the Canada Revenue Agency and request a reassessment to any return that they have already filed based on the previous receipt.

## References

- [Summary Policy CSP-D17, Donor](#)
- [Summary Policy CSP-P05, Property](#)
- [Guidance CG-010, Qualified Donees](#)
- [Guidance 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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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-r15-eng.html>

## Registered Pension Plan

### 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.

**References**

- [Summary Policy CSP-D09, Direct Designation](#)
- [Summary Policy CSP-G01, Gift](#)
- [Summary Policy CSP-R02, Penalties for False Information on Donation Receipts](#)
- [Summary Policy CSP-T05, Withholding Tax](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/qlfddns-eng.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 listed housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged;
- a listed Canadian municipality;
- a listed municipal or public body performing a function of government in Canada;
- a listed university outside Canada that is prescribed to be a university, the student body of which ordinarily includes students from Canada;
- a listed charitable organization outside Canada to which Her Majesty in right of Canada has made a gift;
- Her Majesty in right of Canada or a province; and
- the United Nations and its agencies.

While Her Majesty in right of Canada or a province and the United Nations and its agencies are qualified donees, they do not have to be included on our listings 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.](#)
- [Donations to Prescribed Universities Outside Canada, RC191.](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-007-eng.html>

# RCAAs: Receipts-Issuing Policy

## 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 (RCAAAAs).

## **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. RCAAAAs 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 a RCAAAA must be made without any implied or express condition or understanding that it be transferred to a local club or other named beneficiary. A RCAAAA must maintain significant accountability and control over the issuance of receipts and the amount of funds raised. A RCAAAA 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 RCAAAA's consent. The RCAAAA 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 RCAAAA's 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. A RCAAAA cannot operate as a conduit for a local club's own purposes. A significant amount of funds raised must be retained by the RCAAAA 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 RCAAAA for the amounts raised. The accounting provided to the RCAAAA must enable the Canada Revenue Agency to verify whether receipts are issued in accordance with the Act [[Footnote 1](#)].
7. In view of the widespread practise of soliciting contributions from parents whose children receive direct support from local clubs, a RCAAAA 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 RCAAAA 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.

## References

- *Her Majesty the Queen v. Dr. F. Bruce Burns*, [1988] 88 D.T.C. 6,101.

## 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; and  
(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."

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-n03-eng.html>

# 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).

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/nqs-eng.html>

## 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; or
    - 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; or
- 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); or
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; and

- 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).

## Books and Records

### Summary Policy

**Date**

October 25, 2002 (Revised June 14, 2007)

**Reference number**

CSP-B01

**Key words**

Books and records - Compliance - Revocation

**Policy statement**

A registered charity must keep adequate books and records at a Canadian address it has on file with us, so that we can verify official donation receipts issued, as well as its revenue and expenditures. A charity must also keep source documents that support the information in the records and books of account.

Under the *Income Tax Act*, failure to comply with keeping proper books and records may result in the suspension of a registered charity's tax receipting privileges.

A registered charity that contravenes or continues to contravene the Act could also have its registration revoked.

**References**

- [Summary Policy CSP-R12, Revocation](#)
- [Summary Policy CSP-S17, Sanctions](#)
- [Summary Policy CSP-S18, Suspensions](#)
- [Information Circular IC78-10R5, Books and Records Retention / Destruction](#)
- [Guide RC4409, Keeping Records](#)
- [Registered Charities Newsletter, Issue No. 26](#)
- [Canadian Committee for the Tel Aviv Foundation v. Canada \(2002 FCA 72\), 2002-03-01.](#)
- [College rabbinique de Montreal Oir Hachaim D'Tash v. Canada \(Minister of the Customs and Revenue Agency\) \(2004 FCA 101\), 2004-03-09.](#)
- *Income Tax Act*, R.S.C. (5<sup>th</sup> c. 1, para. 188.2(2)(a), ss. 230, 230.1 and 248(1).

[http://www.globalphilanthropy.ca/images/uploads/CRA\\_letter\\_on\\_split\\_receipting\\_for\\_fundraising\\_events.pdf](http://www.globalphilanthropy.ca/images/uploads/CRA_letter_on_split_receipting_for_fundraising_events.pdf)

LANGIND E  
DOCNUM 2010-0391511E5  
AUTHOR Demeter, Robert  
DESCKEY 25  
RATEKEY 2  
REFDATE 120523  
SUBJECT Split-receipting for fundraising events  
SECTION 248(30); 248(31); 248(32); 248(35); 248(37)  
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 charity to an individual who has agreed to donate wines and incur expenses in hosting a fundraising dinner on behalf of the charity, and to the individuals who purchase the right to attend the fundraising dinner.

**POSITION:** Question of fact. Provided general comments.

**REASONS:** Legislation and draft legislation.

XXXXXXXXXXXX

2010-039151  
Robert Demeter, CGA  
(613) 948-5274

May 23, 2012

Dear XXXXXXXXXXXX:

Re: Split-receipting for fundraising events



This is in reply to your email of December 29, 2010, in which you requested our comments on the application of the proposed split-receipting rules to a fundraising dinner. We also acknowledge the information provided during our telephone conversations (XXXXXXXXXX/Demeter) in connection with your request.

You have described a hypothetical situation where an individual (“Ms. A”), who does not carry on a business of any kind, will enter into an arrangement with a registered charity to host a dinner as a fundraising event for the charity’s benefit. Pursuant to the arrangement, Ms. A will host the fundraising event in her home on behalf of the charity by acquiring catering services from a third-party contractor who deals at arm’s length with both Ms. A and the charity. As part of her arrangement with the charity, Ms. A will also donate a selection of fine wines for consumption by the dinner participants. Ms. A has requested a donation receipt in respect of the wines that she will donate and the catering service expenses that she will incur.

The right to participate in the fundraising dinner to be hosted by Ms. A will be acquired by prospective participants by either of two means. Under one scenario, Ms. A will collect a pre-determined amount on behalf of the charity from each of the dinner participants. Under a second scenario, each right to participate in the fundraising dinner will be sold at an auction held for the charity’s benefit.

Based on this information, you have requested guidance in respect of the issuance of an official donation receipt to Ms. A and to any individual who purchased the right to attend the fundraising dinner.

In regards to the situations described above, section 118.1 of the Income Tax Act (“the Act”) provides that an individual taxpayer may claim a credit against taxes payable, within specified limits, for a gift made to a qualified donee, which includes a registered charity, if supported by an official donation receipt.

The term “gift” is not defined in the Act, and as such, generally assumes its common law meaning for tax purposes. Under common law, a bona fide gift is a voluntary transfer of property from a donor, who must freely dispose of his or her property, to a donee, who receives the property given with no right, privilege, material benefit or advantage conferred on the donor or any person designated by the donor in exchange for the donor making the gift. By contrast to the common law meaning, proposed amendments to the Act provide for “split-receipting”, which may, in certain circumstances, allow a transfer of property to qualify as a gift for tax purposes where a donor has received consideration for property transferred to a qualified donee after December 20, 2002.

Under the proposed split-receipting provisions, it is the eligible amount of a gift that is relevant in determining an individual donor’s “total charitable gifts” that qualify for a tax credit. The eligible amount of a gift is generally the amount by which the fair market value (“FMV”) of the property that is the subject of the gift exceeds the amount of the advantage, if any, in respect of the gift. In addition, the proposed amendments provide that the amount of the advantage in respect of a gift is generally equal to the FMV of any property, service, compensation or other benefits 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, that is consideration or in gratitude for, or in any other way related to the gift. Also, when determining the eligible amount of a gift, an advantage received by a taxpayer in respect of a gift will generally not, in and by itself, disqualify the transfer from being a gift if the amount of the advantage does not exceed 80% of the FMV of the property transferred to the qualified donee.

With regard to a gift in kind, a charity may issue a receipt in respect of the eligible amount of the gift. However, in certain circumstances, when determining the eligible amount of a gift, the FMV of the gifted property may be deemed by proposed subsection 248(35) of the Act to be the lesser of the FMV of the property otherwise determined and its cost to the donor, or in the case of a capital property, its adjusted cost base to the donor, or in the case of a life insurance policy, its adjusted cost basis to the donor. For example, this may arise where a taxpayer acquires the property that is the subject of the gift less than three years before the day that the gift is made to a qualified donee. It is a question of fact whether this deeming rule would apply to a particular gift, such as the donation of wines in the situation described. We also note that paragraph 69(1)(b) of the Act provides that a taxpayer who has disposed of anything to any person by way of gift inter vivos is considered to have received “proceeds of disposition” equal to the FMV of the gifted property, as adjusted by proposed subsection 248(35) of the Act where applicable. If the proceeds of disposition exceed the cost of the property, the donor may realize a gain which may be required to be included in computing income for tax purposes.

The question of whether a registered charity can issue an official donation receipt to an individual who incurs expenses on behalf of the charity is a factual determination that will depend on the terms and conditions of the arrangement and dealings between the individual and the charity. Generally, a charity can reimburse an individual for expenses incurred on behalf of the charity and later accept the return of the payment as a gift if the amount is returned voluntarily. Also, as set out in Policy Commentary CPC-012, provided a volunteer has a right to reimbursement for expenses incurred on behalf of a charity, the charity may treat the right to reimbursement as a gift and issue a receipt. Therefore, in a case where expenses are incurred by an individual that hosts a fundraising dinner for the benefit of a charity, the host must have a right to be reimbursed under the terms of an agreement with the charity if the charity is to issue a receipt to the host in lieu of reimbursing the expenses. CPC-012 is available on the Canada Revenue Agency (“CRA”) website at <http://www.cra-arc.gc.ca>. For more information on CRA’s policy regarding expenses incurred by volunteers on behalf of registered charities, please refer to Policy Commentary CPC-025 on the CRA website.

In regards to the receipting obligations of a registered charity in respect of an individual’s purchase of the right to attend a fundraising dinner for the benefit of the charity, the CRA has provided general guidance on the application of the proposed split-receipting provisions in Income Tax Technical News (ITTN) No. 26 dated December 24, 2002. In particular, these guidelines include a discussion of receipting issues in respect of fundraising dinners and charitable auctions, which you might find useful. Consistent with the comments in ITTN No. 26, where a participant purchases the right to attend a fundraising dinner for the benefit of a charity from the host of the dinner who is, pursuant to an agreement, acting on behalf of the charity, it is the value of a comparable meal provided by a comparable facility that should be considered in determining the amount of advantage in respect of the gift in order to arrive at the eligible amount of the gift.

By contrast, where a participant purchases the right to attend a fundraising dinner for the benefit of a registered charity at a charity auction, the registered charity may determine that an eligible amount of a gift is present to the extent that the amount bid by the taxpayer is in excess of the value of the right to attend the fundraising dinner sold at the auction, provided that the value is clearly otherwise ascertainable and made known to all bidders in advance. For this purpose, it would seem reasonable for the charity to consider the value of a comparable meal provided by a comparable facility in order to determine the value of the right to attend a fundraising dinner being sold at auction and to arrive at the eligible amount of the gift.

Finally, we note that it is the responsibility of the charity to support that the amount reported on the donation receipt reflects the FMV of the property donated. Further, the charity is responsible to determine the value of the advantage provided in respect of a gift. As noted in ITTN No.26, if the value of an advantage cannot be reasonably ascertained, no charitable tax deduction or credit will be allowed. In this regard, the donee will be required to identify the advantage and the amount thereof on any receipt provided to the donor in accordance with the proposed amendments to section 3501 of the Income Tax Regulations.

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 CRA in respect of any particular situation.

Yours truly,

Jenie Leigh  
Section Manager  
for Division Director  
Financial Industries Division  
Income Tax Rulings Directorate  
Legislative Policy and Regulatory Affairs Branch

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LANGIND E  
DOCNUM 2010-0375811E5  
AUTHOR Demeter, Robert  
DESCKEY 25  
RATEKEY 2  
REFDATE 110222  
SUBJECT Split-Receipting Rules  
SECTION 118.1(1); 248(31); 248(32)  
SECTION  
SECTION  
SECTION  
\$\$\$\$

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 naming rights granted in connection with a gift by a taxpayer would result in an advantage pursuant to proposed subsection 248(32), and whether the amount of such advantage, if applicable, is nil for purposes of proposed subsection 248(31).

POSITION: Question of fact.

REASONS: Where naming rights are provided in gratitude for a gift, the value of any advantage in respect of the gift would be determined at the time of the gift and based on the prospective economic benefit associated with the naming rights granted. If, having regard to the facts, there is no prospective economic benefit associated with the naming rights, it is our view that the amount of the advantage would be nil.

XXXXXXXXXXXX

2010-037581  
Robert Demeter, CGA  
(613) 952-1505

February 22, 2011

Dear XXXXXXXXXXXX :

Re: Split-Receipting Rules

This is in reply to your facsimile dated July 22, 2010, requesting our comments on the application of proposed subsections 248(31) and (32) of the Income Tax Act (the "Act"), which generally apply to gifts made after December 20, 2002.

In your facsimile, you have described situations in which an educational institution that is a charitable organization pursuant to subsection 149.1(1) of the Act, is raising funds for the purpose of constructing new buildings on its campus to be used in carrying on its charitable activities. The charity plans to name all or a portion of one of the new buildings after donors who donate at specified monetary levels in recognition of the donation.

You have asked whether an advantage, pursuant to proposed subsection 248(32) of the Act, will arise in respect of the naming rights granted to a donor by the charity in gratitude for a gift where:

- i. the donor carries on a business as a sole proprietor;
- ii. a business is carried on by a partnership that does not deal at arm's length with the donor; or
- iii. a business is carried on by a corporation that does not deal at arm's length with the donor.

The particular circumstances outlined in your letter appear to relate to factual situations, involving specific taxpayers. As explained in Information Circular 70-6R5, Advance Income Tax Rulings, it is not this Directorate's practice to comment on proposed transactions involving a specific taxpayer other than in the form of an advance income tax ruling. Should your situations involve a specific taxpayer and a completed transaction, you should submit all relevant facts and documentation to the appropriate Tax Services Office for their views. However, we are prepared to offer the following general comments which may be of assistance.

Pursuant to proposed subsection 248(31) of the Act, the eligible amount of a gift by a taxpayer 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, if

any, in respect of the gift. It is the eligible amount of a gift that is relevant in determining an individual donor's "total charitable gifts" pursuant to proposed amendments to section 118.1 of the Act.

As described at proposed subsection 248(32) of the Act, the amount of the advantage in respect of a gift is generally the fair market value of any property, service, compensation or other benefits 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 a question of fact whether one person is dealing on an arm's length basis with another person or partnership for purposes of the Act. A number of criteria used in the determination of an arm's length relationship with a person or partnership are outlined in Interpretation Bulletin IT-419R2, Meaning of Arm's Length.

It is also a question of fact whether, in any particular situation, there is an advantage in respect of a gift. Where naming rights are granted by a registered charity to a donor in gratitude for a gift, a tax concern is the fair market value of the naming rights in determining the amount of the advantage. If, having regard to circumstances, there is no prospective economic benefit associated with the naming rights, it is our view that the amount of the advantage would be nil for the purposes of proposed subsection 248(32) of the Act. This may be the case, for example, where name recognition is provided to the donor and the donor's name is not identified with a business or corporation. We note that the prospective economic benefit is determined not only from the perspective of the donor, but also in respect of any person or partnership who does not deal at arm's length with the donor.

Where it is determined that there is a prospective economic benefit associated with the naming rights, it would result in an advantage and the fair market value of the naming rights would reduce the eligible amount of the gift. To the extent that it can reasonably be considered that the payment or transfer of property to the registered charity was made for the purpose of gaining or producing income from a business or property rather than as a gift to the charity, such amount may be deductible in computing income from the business or property.

Where an advantage is provided in respect of a gift, the registered charity must be able to support the basis for the determination of the amount of the advantage provided. The Canada Revenue Agency's position as noted in Income Tax Technical News No. 26 is that if the value of an advantage cannot be reasonably ascertained, no charitable tax deduction or credit will be allowed. In accordance with proposed amendments to section 3501 of the Income Tax Regulations, it is the responsibility of a qualified donee to identify the advantage, and the amount thereof, on a receipt provided to a donor in respect of a gift.

We trust that these comments are of assistance.

Yours truly,

Jenie Leigh  
Section Manager  
for Division Director  
Financial Sector and Exempt Entities Division  
Income Tax Rulings Directorate  
Legislative Policy and Regulatory Affairs Branch

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.

XXXXXXXXXXXX

2011-040588

Sylvie Danis  
(613) 957-3496

June 1, 2011

Dear XXXXXXXXXXXX :

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 XXXXXXXXXXXX (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 XXXXXXXXXXXX with its fundraising efforts. The XXXXXXXXXXXX is not incorporated and does not legally form part of the Council. However, the Council passed a resolution on XXXXXXXXXXXX stating that:

XXXXXXXXXXXX

The XXXXXXXXXXXX has been supported through Council funding since XXXXXXXXXXXX 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 XXXXXXXXXXXX is required to regularly report to the Council via updated financial statements (income statement, balance sheet, cash flow statement). In addition, the XXXXXXXXXXXX Coordinator is required to give regular updates to the Chief and Council.

The Council is proposing to increase its financial support to the XXXXXXXXXXXX by undertaking the following steps:

- \* The Council would draft new policies with respect to gifts received in support of the XXXXXXXXXXXX .
- \* The Council would approve larger special projects for funding for the XXXXXXXXXXXX . Smaller amount might be approved by Council staff. Donors would direct their gifts to these projects.
- \* The Council would accept gifts for XXXXXXXXXXXX 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 XXXXXXXXXXXX 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  
Legislative Policy and Regulatory Affairs Branch

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<http://www.cra-arc.gc.ca/E/pub/tg/charitiesnews-06/news6-e.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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## Official Donation Receipts Checklist

### 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 <i>official receipt for income tax purposes</i> .					
▪ 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="http://www.cra-arc.gc.ca/charities">www.cra-arc.gc.ca/charities</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 Refere nce</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 <i>this copy is for your information only and is not an official receipt for income tax purposes</i>					
▪ 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 Refere nce</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.					
<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 Reference</u></b>
<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-10R3 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.					

- **2011-08-24**

- The following new guidance products replace old policy products:
  - [CG-005, Stock Exchange – Designated](#)
  - [CG-006, Non-Qualified Investment – Tax Liability](#)
  - [CG-007, Donation of Gift Certificates or Gift Cards](#)

- [CG-008, Confidentiality – Public Information](#)
- [CG-010, Qualified Donees](#)

<http://www.cra-arc.gc.ca/chrts-gvng/chrts/cmmnctn/nwslttrs/cnnctn/cnnctn08-eng.html>

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