

Charity Law Information Program

# RECEIPTING KIT

CRA Policies and Documents

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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.

The CLIP program has prepared an accompanying and user-friendly “Receipting Kit” with basic information on receipting for volunteers and staff of Canadian registered charities. In addition, in this document CLIP has tried to compile 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.

Receipting Kit will not go into the level of detail that is provided in this document. If someone is unfamiliar with receipting practices for Canadian charities they may wish to review the Receipting Kit before reading this document.

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

P113(E) Rev. 10

If you have a visual impairment, you can get our publications in braille, large print, etext (CD or diskette), or MP3 by going to our [About multiple formats](#) page 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 property to your favourite charity? 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 2010. 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**.

## 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*.

**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 IT419, 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 T5013 Partnership Information Return](#) and [T4068-1, 2010 Supplement to the 2006 T4068](#).

**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 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 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, the Government of Canada, a province, or a territory;
- 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*; or
- 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.

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 generally include:

- registered charities;
- registered Canadian amateur athletic associations;
- registered national arts service organizations;
- housing corporations in Canada set up only to provide low-cost housing for the aged;
- municipalities in Canada;
- under proposed changes, municipal or public bodies performing a function of government in Canada;
- the United Nations and its agencies;
- universities outside Canada with a student body that ordinarily includes students from Canada (these universities are listed in Schedule VIII of the Income Tax Regulations);

- charitable organizations outside Canada to which the Government of Canada has made a gift during the donor's tax year, or in the 12 months just before that period; and
- the Government of Canada, a province, or a territory.

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

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

### **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.

### **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.

If the gifts were agreed to in writing **before February 19, 1997**, the amount that qualifies for the tax credit is **not** limited to **75%** of your net income for the year. Enter the **eligible amount** of these gifts on **line 342** of [Schedule 9, Donations and Gifts](#). In all other cases, the amount that qualifies for the tax credit is limited to **75%** of your net income. Enter the eligible amount on **line 1** of Schedule 9.

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 redetermined value that you use to calculate the **eligible amount** of the gift, whether you claim the gift as a gift of ecologically sensitive land or as an ordinary charitable gift.

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 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 "[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 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 "[The Cultural Property Export and Import Act](#)".

### **Carrying forward tax credits**

You do not have to claim, on your 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 to Canada, a province, or a territory agreed to in writing **before** February 19, 1997;
- 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 a 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), 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 section "Definitions" 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 got 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, or collector, different tax rules apply when you donate property from your inventory.
- You have to decide where 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 \(FMV\)](#), is 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 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.

Gifts of property with an FMV of less than \$1,000 will probably not require a professional appraisal, 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, see "[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 limitations regarding deemed 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 return.

If your gift is ecologically sensitive land that the federal Minister of the Environment 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 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.

## 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 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 (or ACB if it is capital property) 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 rule 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 described under "[Deemed fair market value](#)" would not have otherwise applied; or
- a property by a corporation if the property was acquired by the corporation in consideration for shares of the corporation's capital stock in a rollover transaction and, immediately before the gift, the shareholder from whom the corporation acquired the property (or other persons related to the shareholder) controlled the corporation, **and** if the limitations described under "[Deemed fair market value](#)" would not have otherwise applied.

If a donor attempts to avoid the limitations described under the "[Deemed fair market value](#)", with the acquisition or disposition of a property before gifting it, the eligible amount of the gift is deemed to be nil.

If an applicable property is sold to a registered political organization or candidate or a qualified donee and 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 or monetary contribution is deemed to be the **lesser** of the FMV of the property sold, and its cost.

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 get independent professional advice from a tax advisor before signing any documents. For more information, you can go to our [Tax Alert](#) page.

## Gifts of securities acquired under a security option plan

You can claim an additional deduction on **line 249** of your 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](#)".

## 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 "[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 "[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 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

<b>A</b>	=	the capital gain
<b>B</b>	=	the eligible amount of the gift
<b>C</b>	=	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 4 of Schedule 9.**

You can also increase your total donations limit if you have to include a recapture of depreciation on your current-year 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 3 of Schedule 9.**

If you included on your current-year 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 3 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 and therefore 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, they 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 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:

<b>Telephone</b>	<b>819-997-7761</b>
<b>Toll free</b>	<b>1-866-999-2494</b>
<b>Fax</b>	<b>819-997-7757</b>
<b>Email</b>	<a href="mailto:cceebc-ccperb@pch.gc.ca"><u>cceebc-ccperb@pch.gc.ca</u></a>
<b>Web site</b>	<a href="http://Canadian Cultural Property"><u>Canadian Cultural Property</u></a>

For more information

What if you need help?

If you need help, after reading this publication, visit our [Charities Directorate](#) 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](#) page.

Forms and publications

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

Teletypewriter (TTY) users

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

TIPS (Tax Information Phone Service)

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** you have received from us, you have the right to make a formal complaint. Before you make a complaint, we recommend that you try to resolve the

matter with the CRA employee you have been dealing with (or call the phone number you have been given).

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

### Step 2 - Contact CRA - Service Complaints

This program is available to individual and business taxpayers and benefit recipients who have dealings with us. It is meant to provide you with an extra level of review if you are not satisfied with the results from the first step of our complaint process. In general, service-related complaints refer to the quality and timeliness of the work we performed.

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

### Step 3 - Contact the office of the Taxpayers' Ombudsman

If, **after following steps 1 and 2**, you are still not satisfied with the way the CRA has handled your complaint, you can file a complaint with the Taxpayers' Ombudsman.

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



Your opinion counts!

If you have any comments or suggestions that could help us improve our publications, we would like to hear from you. Please send your comments to:

**Taxpayer Services Directorate  
Canada Revenue Agency  
750 Heron Road  
Ottawa ON K1A 0L5**

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtnng/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](#)

## 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](#)

## 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/cps/cps-018-eng.html>

# Policy Statement

## Donations of Gift Certificates

### Reference Number

CPS - 018

### Effective Date

October 9, 2002

### Purpose

This policy statement outlines the Directorate's policy on circumstances where official donation receipts for income tax purposes can be issued for gift certificates.

### Statement

Registered charities can issue official donation receipts for income tax purposes for gift certificates.

### Definitions

**gift certificate:** a certificate having a stated monetary value that entitles the recipient to purchase goods and/or services in the establishment of the issuer

**issuer:** the person (individual, retailer, business) that creates a gift certificate redeemable for goods and/or services from that person

## Implementation

1. This policy applies to registered charities that issue official donation receipts for gift certificates. Registered charities often accept gift certificates and use them in fundraising events, such as auctions and raffles.
2. Registered charities can issue an official donation receipt when the donor
  - a. is not the issuer of the gift certificate; and
  - b. has obtained the gift certificate for valuable consideration either from the issuer or other third party.
3. Registered charities cannot issue official donation receipts for gift certificates they receive directly from the issuer.
4. A charitable donation must involve a transfer of property<sup>[Footnote 1]</sup> 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, and more particularly a transfer of a right, depends on the particular circumstances.
5. A gift certificate can be considered to be a promise from a merchant to supply goods and/or services in an amount specified on the face of the certificate. The Canada Revenue Agency has determined that a gift certificate constitutes property and a right, but only if the promise is enforceable, that is, only when the certificate was acquired for consideration.

## Scenarios

6. When a person purchases, or otherwise obtains for consideration, a gift certificate, the terms of which permit its assignment, from an issuer and donates it to a charity, the purchaser/donor can receive an official donation receipt for the fair market value of the gift certificate. A receipt cannot be issued to the issuer of the gift certificate. It is the purchaser/donor who has made a donation of the gift certificate to the charity and not the issuer.

In this scenario, the issuer of the gift certificate will realize income for the fair market value of the gift certificate.

7. When the issuer donates a gift certificate directly to a charity, the issuer is not entitled to an official donation receipt at the time the donation is made. This concept is further developed in paragraph 9 below.

In this scenario, the donation does not constitute a transfer of property and the issuer does not realize any income for having donated the gift certificate.

8. When the issuer donates a gift certificate directly to a charity, the issuer may be eligible for an official donation receipt when the charity redeems the certificate for property. Therefore, to be

eligible for a receipt, redemption of the certificate must form a transaction that would otherwise have constituted a gift. In other words, the charity must redeem the certificate for some form of property. A receipt cannot be issued if the charity redeems the gift certificate for a contribution of services<sup>[Footnote 2]</sup>, such as time, skills or effort, because these are not property and do not qualify as charitable donations. A receipt issued by the charity should specify the nature of the property it received in exchange for the gift certificate.

In this scenario, the issuer of the gift certificate will realize income equal to the difference between the value of the property gifted and the amount it paid for the property.

9. 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 in determining whether a gift has been made.

In this scenario, no income is realized in respect of the donation and no donation deduction or tax credit can be claimed. However, where the issuer has donated and redeemed a gift certificate for property for the purpose of earning income in its business, a reasonable deduction may be available in respect of the cost of the property<sup>[Footnote 3]</sup>.

### *Value of a gift certificate*

10. The Canada Revenue Agency has determined that in some instances, the fair market value of a gift certificate may not be the equivalent of its face value. Factors to consider might be:

- a. the flexibility of the certificate - does the coupon 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
- b. 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.

Such factors may reduce the fair market value of a gift certificate. Where a charity is redeeming a gift certificate, donated by a retailer, the receipt should be issued for the fair market value of the property supplied.

### References

- *Income Tax Act*, R.S.C. 1985, (5<sup>th</sup> supp.) c.1.

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### Footnotes

[Footnote 1]

*Income Tax Act*, ss. 248(1).

[Footnote 2]

*Gifts and Official Donation Receipts*, IT-110.

[Footnote 3]

*Income Tax Act*, s. 9.

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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](#)

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

## Anonymous gifts

Can a registered charity receipt an anonymous gift?

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

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

- the donor establishes an agency or trust agreement to make the anonymous gift;
- the donor appoints an agent for the purpose of making a gift on behalf of the donor;
- the agent agrees to hold the funds in trust for the donor;
- the donor directs the agent to make a gift to a registered charity on the donor's behalf;
- the agent agrees to direct the registered charity to issue a receipt in the amount of the gift in the name of the agent in trust; 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 \(anonymous\)](#)

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

## 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/prtnng/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?](#)

## 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](#)

## 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.

## 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](#).

### 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](#)

## 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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## Income Tax Interpretation Bulletin

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

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.

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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/chrts-gvng/chrts/prtngrcpts/dtrmnmfv-eng.html>

## 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).

## 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/prtng/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/cmpr-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).

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

## 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)**

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

## 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.](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-v01-eng.html>

## 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.](#)

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<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-m05-eng.html>

## 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

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The *Income Tax Technical News* is produced by the Policy and Legislation Branch. It is provided for information purposes only and does not replace the law. If you have any comments or suggestions about the matters discussed in this publication, please send them to:

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### 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>

PART XXXV

RECEIPTS FOR DONATIONS AND GIFTS

[SOR/81-269, s. 1]

INTERPRETATION

**3500.** In this Part,

“employees’ charity trust” means a registered charity that is organized for the purpose of remitting, to other registered charities, donations that are collected from employees by an employer; (*fuducie de bienfaisance d’employés*)

“official receipt” means a receipt for the purposes of subsection 110.1(2) or (3) or 118.1(2), (6) or (7) of the Act, containing information as required by section 3501 or 3502; (*reçu officiel*)

“official receipt form” means any printed form that a registered organization or other recipient of a gift has that is capable of being completed, or that originally was intended to be completed, as an official receipt by it; (*formule de reçu officiel*)

“other recipient of a gift” means a person, to whom a gift is made by a taxpayer, referred to in any of subparagraphs 110.1(1)(a)(iii) to (vii), paragraphs 110.1(1)(b) and (c), subparagraph 110.1(3)(a)(ii), paragraphs (c) to (g) of the definition “total charitable gifts” in subsection 118.1(1), the definition “total Crown gifts” in subsection 118.1(1), paragraph (b) of the definition “total cultural gifts” in subsection 118.1(1) and paragraph 118.1(6)(b) of the Act; (*autre bénéficiaire d’un don*)

“registered organization” means a registered charity, a registered Canadian amateur athletic association or a registered national arts service organization. (*organisation enregistrée*)

NOTE: Application provisions are not included in the consolidated text; see relevant amending 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).

## 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 donation is a cash donation, the day on which or the year during which the donation was received;
- (e.1) where the donation is a gift of property other than cash
  - (i) the day on which the donation 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 day on which the receipt was issued where that day differs from the day referred to in paragraph (e) or (e.1);

(g) the name and address of the donor including, in the case of an individual, his first name and initial;

(h) the amount that is

(i) the amount of a cash donation, or

(ii) where the donation is a gift of property other than cash, the amount that is the fair market value of the property at the time that the gift was made;

(i) the signature, as provided in subsection (2) or (3), of a responsible individual who has been authorized by the organization to acknowledge donations; 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 donation is a cash donation, the day on which or the year during which the donation was received;

(e) where the donation is a gift of property other than cash,

(i) the day on which the donation 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 day on which the receipt was issued where that day differs from the day referred to in paragraph (d) or (e);

(g) the name and address of the donor including, in the case of an individual, his first name and initial;

(h) the amount that is

(i) the amount of a cash donation, or

(ii) where the donation is a gift of property other than cash, the amount that is the fair market value of the property at the time that the gift was made;

(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

(a) the day on which the donation was received,

(b) the year during which the donation was received, or

(c) the amount of the donation,

was incorrectly or illegibly entered shall be regarded as spoiled.

NOTE: Application provisions are not included in the consolidated text; see relevant amending regulations. SOR/81-269, s. 3; SOR/2007-74, s. 1.

#### 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 110.1(1)(a)(vi) and paragraph (f) of the definition "total charitable gifts" in subsection 118.1(1) of the Act, the universities outside Canada named in Schedule VIII are hereby 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 regulations. SOR/90-411, s. 1; SOR/94-686, s. 51(F).

#### PRESCRIBED DONEES

**3504.** For the purposes of subparagraph 110.1(3)(a)(ii) and paragraph 118.1(6)(b) 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 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.

#### 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.

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## 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:	

## 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).					
<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>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 Reference</u></b>
<b>Control of Receipts:</b>					
▪ Blank pre-printed official donation receipts are afforded appropriate physical security with due regard to the content of the pre-printed information contained on those receipts.					
▪ Official donation receipts are kept locked up during off hours and are not accessible to anyone not issuing receipts					
▪ There is a log system maintained and up-to-date that accounts for the number of official donation receipts purchased against those that are officially issued and/or voided.					

▪ In your opinion, could an individual not involved in issuing receipts have access to receipts and be able to remove one without anyone being aware? If yes, explain:					
<b>Computer Generated Receipts:</b>					
▪ Official donation receipts are legible.					
▪ The integrity of the system must be sufficiently guaranteed.					
▪ Access to the system should be controlled with passwords.					
▪ Access to a networked system should have appropriate predefined user rights:					
▪ right to enter data					
▪ right to correct data					
▪ right to print receipts					
▪ The system should be able to print out a listing of					

official donation receipts issued, including the donor's name and address, the date of the donation, the receipt number, the date of the receipt, the type of the gift and the amount of the donation.					
▪ The system should be able to include details with respect to the information required for gifts-in-kind.					

<u>Description</u>		<u>N/A</u>	<u>Not Met</u>	<u>Met</u>	<u>W/P Reference</u>
<b>Miscellaneous Conditions:</b>					
▪ Gifts of services are not receipted (IT-110R3 Paragraph 15(d))					
▪ Official donation receipts are not given for purchases of goods or services even if in excess of fair market value (IT-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.					

