





Community Sector Council
Newfoundland and Labrador

 Directory of Services


 Treasurers for Tomorrow

**BY THE BOOKS**
Financial Management


 Skills-Building

 Networking

Enhancing Sound Financial Management
in the Community Sector





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Community Sector Council
Newfoundland and Labrador

Webinar Wednesday!

The Do's and Don'ts of Charitable Receipting



Presented by:
Shelley Martin, CPA, CA
Project Co-Coordinator, **BY THE BOOKS**



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The Do's and Don'ts of Charitable Receipting

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Upcoming *BY THE BOOKS* Sessions

In-Person

Operating Budgets and Cash Flows – Do You Use Them?

Tues 5 Dec 2017 10:00am – 12:00pm CSC NL Boardroom


Webinar Wednesday!

Accounting Software – Do You Need It? (WEBINAR)

Wed 13 Dec 2017 11:00am - 12:00pm


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The Do's and Don'ts of Charitable Receipting 3


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Who Can Issue Receipts?

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

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Who Can Issue Receipts?

List of charities

The information in the List of charities (Charities Listings) is updated each business day.

The public can use the list to:

- confirm if a **Canadian** charity is registered, revoked, annulled, penalized, or suspended to help guide their donation decisions
- view a charity's contact information, general activities, and financial information including the public portions of a charity's annual information return

Charities can use the list to:

- confirm their registration for those that may require this information
- review their contact information and the information filed on their annual returns to ensure it is accurate

Basic search


Charity name

Charity status
Registered


[Advanced search](#) | [Search](#)

To search for other organizations that can issue official donation receipts, go to [List of charities and other qualified donees](#).

<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities-listings.html>


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Am I Required to Issue Charitable Receipts?

- NO
- Charities can choose whether to issue receipts or not
- Some set a threshold for which receipts will be issued
 - i.e. receipts will only be issued for donations of \$10 or more
- CRA **'strongly advises'** charities to notify donors in situations where receipts will not be issued


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DO Issue Receipts For...

- A donation made **voluntarily/freely** for a transfer of **property**, for which no consideration or advantage was received
 - Property is anything tangible or intangible that a person or entity owns, including
 - Real property – land and buildings
 - Personal property – cash, equipment, furniture, clothing, art, stocks, patents, copyrights etc.
- Keep copies of receipts for 2 years


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DON'T Issue Receipts For...

- Gifts of property for which consideration or an advantage has been received (consider *Split Receipting*)
- Gifts of *services*
- Gift cards/certificates donated by the *issuer* (at the time the donation was made)
- A non-cash gift for which fair-value cannot be determined
- Gifts provided in exchange for advertising or sponsorship
- Amounts collected for the chance to win a prize (lotteries/raffles)
- Admission fee to an event or program
- Pledges or promises to donate
- Gifts given for a specific individual/family


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Fair Market Value (FMV)

- FMV of property is the **highest price** a buyer would pay in an **open, unrestricted market**, where the **seller and buyer are both knowledgeable, informed and acting independently** from each other
- Gifts with FMV < \$1,000 = an individual with **sufficient knowledge of the property** and who is **competent and qualified** may assign a value
 - This can be a member of the charity or another individual


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Fair Market Value (FMV)

- Gifts with FMV > \$1,000, CRA '**strongly recommends**' the property be **professionally appraised by a 3rd party**


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Split Receipting

- If a donor receives consideration/advantage related to a gift, a receipt can only be issued for the difference between the Fair Market Value (FMV) of the gift and the FMV of the consideration/advantage
 - $\text{FMV gift} - \text{FMV of consideration/advantage} = \text{amount eligible for charitable receipt}$
- Generally, if the FMV of the consideration or advantage is 80% or more of the FMV of the gift, cannot issue a receipt


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Split Receipting

- De minimus rule – certain advantages are of nominal value and are considered too minimal to affect the value of a gift
 - The advantage must have a FMV of the lower of:
 1. 10% of the FMV of the gift
 2. \$75
- De minimus does not apply to
 - cash or near-cash equivalents (redeemable gift certificates, vouchers, coupons)
 - Objects of a fundraiser (i.e. meal at a fundraising dinner, golf green fees at a golf tournament, etc.)

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Split Receipting - Examples

- Examples for common situations on canada.ca website


<https://www.canada.ca/en/revenue-agency/services/tax/technical-information/income-tax/income-tax-folios-index/series-7-charities-non-profit-organizations/series/income-tax-folio-s7-f1-c1-split-receipting-deemed-fair-market-value.html#N103BC>

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Split Receipting – Fundraising Dinners

Fundraising dinners

1.16 Where there is a fundraising dinner, the value of a comparable meal provided by a comparable facility determines the amount of the advantage. If the event is held at a restaurant, then the price the restaurant would charge a regular customer would be the comparable value. In this regard, it is acceptable to take into account group or banquet rates.

Example 1

A registered charity holds a fundraising dinner for which 500 tickets are sold for \$250 each.

- A comparable meal could be purchased for \$100, excluding harmonized and any other sales taxes and gratuities.
- The total value of the door prizes is \$3,500. Based on 500 tickets sold, the value per ticket is \$7.
- Each attendee receives a logo pen and a key chain with a total retail value of \$10.


The door prizes, the key chain and the logo pen are complimentary benefits or items provided to all participants for attending the fundraising dinner.

The total value of the door prizes and complimentary items is \$17 per ticket sold, which is less than the lesser of 10% of \$250 (\$25) and \$75. This means that by applying the nominal threshold, the value of the door prizes and the complimentary items will not be viewed as an advantage in determining the eligible amount.

The eligible amount is determined as follows:

Ticket price	\$250
Less: meal	\$100
Less: complimentary items/door prizes	\$0
Eligible amount	\$150

The amount of the advantage is \$100, which is not more than 80% of the ticket price (\$200). Accordingly, an official receipt may be issued for the eligible amount of \$150.

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Split Receipting – Charity Auctions

Charity auctions

1.16 Generally, it is the CRA's position that there will not be an eligible amount with respect to items purchased at charity auctions on the basis that the bid determines the value of the various items put up for auction. Therefore, with regard to certain personal items (for example, the jersey of a hockey player, the right to play golf with a particular person or the right to dine with a particular person), the value of the item will be the amount of the bid. As a result, there will not be an eligible amount.

1.17 However, where the value of an item is clearly otherwise ascertainable (for example, there is a retail price for the item) and made known to all bidders in advance, an eligible amount might be present where the amount of the bid is in excess of the posted value (advantage). As noted in **1.15**, a gift can be recognized if the amount of the advantage does not exceed 80% of the fair market value of the transferred property. Therefore, where the posted value of the item does not exceed 80% of the accepted bid, an official receipt can be issued for the eligible amount, computed as the amount by which the accepted bid exceeds the posted value.

1.18 The right to participate in an auction to be held at a fundraising event will not be viewed as an advantage.

Example 2

One of the items available at a charity auction is a mountain bike. The bike was donated by a corporate retailer from its inventory and has a retail value of \$400. The retailer's cost was \$250. The \$400 retail value is posted with the bike at the auction. Mr. X bids \$500 and wins the bike.

Tax treatment for the successful bidder:
Since the retail value of \$400 does not exceed 80% of the bid amount of \$500, Mr. X is entitled to an official receipt for the difference. An official receipt for the eligible amount of \$100 could therefore be issued.

Tax treatment for the corporate retailer:
If the donation of the bike represents a gift by the retailer, the retailer will be deemed to receive proceeds of \$400, pursuant to paragraph 69(1)(b). The retailer will also have a donation deduction of \$400. The retailer would also be entitled to deduct the \$250 cost of the bike.
If the retailer characterizes the transfer of the bike as a promotion or advertising expense instead of a gift, the retailer will only be entitled to deduct the bike cost of \$250.

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Split Receipting – Charity Auctions

Charity auctions

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Split Receipting – Golf Tournaments

Golf tournaments

1.21 Generally, various components are present at a fundraising golf tournament. The following is the CRA's view on determining their value in order to calculate the amount of an advantage received by a participant.

- Green fees
The value of green fees is the regular green fee charge that would be paid by a non-member playing the course at the time of the event.

No amount would be allocated to participants who are members of the particular golf course if members are not required to pay green fees.
- Cart rental
The value of a cart rental is the regular cost of a cart rental at the particular golf course.
- Meals
The value of a meal is the retail price charged by the golf course.
- Hole-in-one prize
Given the remote odds of a hole-in-one for an average golfer, the value of the chance to win the prize is considered insignificant, and can therefore be ignored.



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Split Receipting – Golf Tournaments

A registered charity holds a fundraising golf tournament with a participation fee of \$200. The tournament is held at a golf course at which members are not required to pay green fees.

- There are 100 participants in the tournament, some of whom are members of the golf course.
- The regular green fee for non-members on that day is \$50.
- The cart rental (included in the participation fee) is normally \$20.
- Each participant receives golf balls with a retail price of \$15.
- The retail value of door and achievement prizes is \$2,000. Based on 100 participants, the value is \$20 per participant.
- The retail price of supplied food and beverage excluding harmonized and any other sales taxes and gratuities is \$30 per participant.
- The hole-in-one prize is the use of an automobile for one year.

The total value of the complimentary items and the door and achievement prizes is \$35 per participant. The nominal threshold does not apply as the total value of \$35 exceeds the lesser of \$20 (10% of the participation fee of \$200) and \$75. Accordingly, such items constitute part of the advantage in determining the eligible amount.


Determination of the eligible amount for non-members:

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	\$0
Amount of the advantage	\$135
Eligible amount (non-members)	\$65



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Split Receipting – Golf Tournaments


In the case of non-members, the amount of the advantage is \$135, so an official receipt may be issued for the eligible amount of \$65.

Members would not otherwise have to pay the \$50 green fee, which means the amount of their advantage is reduced to \$85. Therefore, the eligible amount for which an official receipt could be issued for members is \$115.

If the golf course normally offers group rates, this would be taken into account. In this example, if the course offers a reduced green fee of \$40 for tournaments where there are more than 50 participants, then \$40 instead of \$50 would be used for non-member green fees, which would result in an eligible amount for non-members of \$75.

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Gifts of Services

- Strictly speaking, no receipt can be issued for a gift of service
- However, **a receipt can be issued if there are 2 separate and distinct transactions:**
 1. A service is provided to the charity, the service-provider bills the charity as normal **and the charity pays the bill**
 2. The service provider then makes a cash donation to the charity

– Has to be a distinct audit trail of 2 transactions (invoice to charity and payment of invoice vs. cash donation)


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Gifts of Gift Cards/Certificates

- A receipt may be issued if:
 - The donor is not the issuer of the gift card/certificate; or
 - The donor is the issuer, **no consideration was received** and the gift card/certificate has been **redeemed**
 - Gift cards/certificates donated by the issuer to use in an auction or raffle (to be redeemed by a 3rd party) are not income to the charity and no receipt is issued

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Sponsorship

A business makes a donation to a charity and the charity advertises the business's brand, products or services

- **DO** issue a receipt if advertising is same as all other donors and is minimal (i.e. simple recognition in a program)
- **DON'T** issue a receipt if advertising is significant (i.e. banners or advertising of products) or donor receives special treatment
 - Cannot determine the FMV of such an advantage, therefore cannot issue a receipt

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Sponsorship

- Factors to consider:
 - Is donation from individual or business?
 - Is purpose of the donation to get recognition?
 - Is there a written (or unwritten) understanding that shows the donor expects and will receive a benefit in return for the donation?
 - How is the donor being acknowledged?
 - Can a value of the recognition be calculated?

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Cause-Related Marketing

Example

A major retail company agrees to donate a percentage of its sales to a charity. The retail company and the charity promote the arrangement on their websites.

The charity receives \$20,000 in the first year of the arrangement.

The retail company increases its sales and its reputation is improved.

Unlikely


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

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

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

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What Should the Receipt Look Like?


- CRA provides a checklist of items that should be included on a charitable receipt

Receipts for cash gifts must have the following:

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

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What Should the Receipt Look Like?


- CRA provides a checklist of items that should be included on a charitable receipt

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


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

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

*In addition to information on previous slide

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Sample Receipts

Sample 1 Cash gift no advantage

A donor makes a cash gift of \$20. The donor, or any other person associated with the donor, has not and will not, receive an [advantage](#) for the gift. So, the [amount of the gift](#) and the [eligible amount of the gift](#) are both \$20.

Official donation receipt for income tax purposes

Receipt No. XXX

Charity or qualified donee name _____
 Charity or qualified donee address _____
 Charitable registration No. (for registered charities or registered Canadian amateur athletic associations only) _____

Date or year* gift was received _____

Donor name (first and last name, and initial) _____

Donor address _____

Amount of gift _____

Eligible amount of gift _____


Date receipt issued _____

Location receipt issued _____


Authorized signature _____

Canada Revenue Agency www.cra-arc.gc.ca/charitiesandgiving

*Registered charities and registered Canadian amateur athletic associations can choose to use only the year the cash gift was received.

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Sample Receipts

Sample 2 Cash gift with advantage

A donor pays \$50 to attend a fundraising dinner and receives a meal valued at \$20. The [amount of the advantage](#) (the \$20 meal), must be subtracted from the [amount of the gift](#) (the \$50 to attend the dinner). So, the [eligible amount of the gift](#) is \$30.

Note

If the [amount of the advantage](#) is more than 80% of the cash gift, an official donation receipt cannot be issued. For more information, go to [Split receiving](#).

Official donation receipt for income tax purposes

Receipt No. XXX

Charity or qualified donee name _____
 Charity or qualified donee address _____
 Charitable registration No. (for registered charities or registered Canadian amateur athletic associations only) _____

Date or year* gift was received _____

Donor name (first and last name, and initial) _____

Donor address _____

Line A Amount of gift _____

Line B Amount of advantage to donor (cash/fair market value of property) _____


Eligible amount of gift (**line A minus line B**) _____

Description of advantage to donor _____


Date receipt issued _____

Location receipt issued _____

Authorized signature _____

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Sample Receipts

Sample 3 - Non-cash gift no advantage


A donor makes a gift of a piece of artwork with an appraised value of \$1,500. The donor, or any other person associated with the donor, has not and will not, receive an advantage for the gift. So, the amount of the gift and the eligible amount of the gift are both \$1,500.

Official donation receipt for income tax purposes


Receipt No. XXX

Charity or qualified donee name _____
 Charity or qualified donee address _____
 Charitable registration No. (for registered charities or registered Canadian amateur athletic associations only) _____

Date gift received _____
 Donor name (first and last name, and initial) _____
 Donor address _____
 Amount of gift (fair market value of property) _____
 Eligible amount of gift (fair market value of property) _____
 Description of property received by charity or qualified donee _____
 Appraiser name (if appraised) _____
 Appraiser address _____
 Date receipt issued _____
 Location receipt issued _____
 Authorized signature _____

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Sample Receipts

Sample 4 - Non-cash gift with advantage

A donor gives a charity a house valued at \$100,000. The charity gives the donor \$20,000 in return. The amount of the advantage (\$20,000) must be subtracted from the amount of the gift (the \$100,000 value of the house). So, the eligible amount of the gift is \$80,000.

Note

If the amount of the advantage is more than 80% of the fair market value of the gift, an official donation receipt cannot be issued. For more information, go to [Split receipts](#).


Official donation receipt for income tax purposes

Receipt No. XXX


Charity or qualified donee name _____
 Charity or qualified donee address _____
 Charitable registration No. (for registered charities or registered Canadian amateur athletic associations only) _____

Date gift received _____
 Donor name (first and last name, and initial) _____
 Donor address _____

Line A Amount of gift (fair market value of property) _____
Line B Amount of advantage to donor (cash/fair market value of property) _____
 Eligible amount of gift (**line A minus line B**) _____
 Description of property received by charity or qualified donee _____
 Appraiser name (if appraised) _____
 Appraiser address _____
 Description of advantage to donor _____
 Date receipt issued _____
 Location receipt issued _____
 Authorized signature _____


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When Should I Issue a Receipt?

- No timeframe per Income Tax Act, HOWEVER
 - Donations must be recorded in year donation was received
 - Receipt must indicate year donation was made
- CRA suggests by Feb 28 the following year
- Can issue receipts periodically throughout the year
 - For cash receipts, can issue 1 receipt at end of year
- Separate receipts **must** be issued for non-cash gifts (gifts in kind)
- **BEST PRACTICE** – issue receipts in year received




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Computer Generated Receipts

- All required information included
- Clear and easy to read
- Data cannot be altered and protected from unauthorized access
 - Computer is password protected and restricts duties re: entry to and modification of donor records
 - Donor records stored on non-erasable media
 - Hard copies can be printed on request




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Emailing Receipts

- Should be in read-only or non-editable format
- Should be protected from hackers (appropriate software)
- Document encrypted and signed with electronic signature
- Access to electronic signatures controlled
- Copies of email-issued receipts kept by the charity

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Consequences of Improper Receipting


Incorrect or incomplete information – charity may incur a penalty of **5%** of the eligible amount

- Increases to **10%** if repeat offense **within 5 years**


Deliberately false information – charity may incur a penalty of **125%** of the eligible amount

- **If penalties exceed \$25,000, charitable status could be suspended for 1-year**

“A registered charity that contravenes or continues to contravene the receipting requirements of the Income Tax Act could also have its registration revoked.”


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Correcting or Replacing a Receipt

- The replacement receipt should include:
 - All required information
 - The serial number of the original receipt
 - A statement that it replaces the original receipt
- Original receipt should be kept and marked 'cancelled'


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Resources

- ✓ CRA – Gifting and receipting:
<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/gifting-receipting.html>
- ✓ Sample official donation receipts:
<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/sample-official-donation-receipts.html>
- ✓ Download Handouts!

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EVALUATION


Excellent

Good

Average

Poor

Please complete the feedback form provided.



The Do's and Don'ts of Charitable Receiving 37



THANK-YOU!

Community Sector Council Newfoundland and
Labrador (CSC NL)

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