

Official Tax Receipts



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Official Tax Receipts

9.1 Why are Official Tax Receipts Important to Charities?



Key info

A charity must keep **adequate books and records**,

- in either English or French
- at a Canadian address it has on file with CRA,

so that CRA can verify official donation receipts issued, as well as income and expenditures.

What this means for you

You must keep a copy of your official tax receipts in a safe and easily accessible place.

Information follows on how to keep your receipting in good order and file a copy in your Office in a Box.



From www.charitycentral.ca/site/?q=node/455

Section 230 of the *Income Tax Act* says that a charity must keep three kinds of books and records. These include:

- duplicates of donation receipts;
- information to enable determination of whether there are grounds for revocation of its status under the Act (i.e., its compliance with the Act); and
- such other information to allow verification of donations for which a deduction or tax credit is available.



From www.charitycentral.ca/site/?q=node/457

Within these three categories, it is up to you to decide which books and records to keep. As a general rule, it is better to keep more records than fewer.

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9.2 Information on Official Donation Receipts

What is an “official donation receipt”?

An official donation receipt is a receipt issued by charities, and other qualified donees, that are registered with the Canada Revenue Agency’s Charities Directorate, for gifts received.

What is meant by the term “qualified donee”?

Qualified donees are organizations that can, under the *Income Tax Act*, issue official tax receipts for gifts that individuals or corporations make to them.

What is meant by the word “gift”?

A gift is a voluntary transfer of property, meaning:

- It is given of one’s free will; the donor must not be obliged to part with the property, for instance as the result of a contract or a court order.
- It is given by a donor to a registered charity or other qualified donee.
- It is either in the form of cash or a gift-in-kind; services are not property and therefore are not considered gifts.

Generally, a donor transfers the property to the charity without expecting anything in return.

A transfer of property for which a donor receives an advantage is still considered a gift for the purposes of the *Income Tax Act* as long as the transfer of property was made with the **intention to make a gift**. When the donor receives an advantage, an official donation receipt can still be issued using the concept of “split receipting”.



Official donation receipts are not the same as regular (day-to-day) receipts that your charity might issue. Use a separate receipt book and numbering system for these two different kinds of receipts.



From www.charitycentral.ca/site/?q=node/84



- Qualified Donees
- Gift
- Split receipting
- Gift-in-kind



From www.charitycentral.ca/site/?q=node/68

Certain details need to be included on an official donation receipt

An official donation receipt must include, in a manner that cannot be readily altered, at least the following information:

- a statement saying that it is an official receipt for income tax purposes
- the charity's BN (Business Registration Number), name, and address in Canada as recorded with the Canada Revenue Agency
- the serial number of the receipt
- the place or locality where the receipt was issued
- if it is a cash donation, the day and year on which the charity received the donation
- if the donation is a gift other than cash, that is, a gift in kind:
 - the day on which the charity received the donation
 - a brief description of the gift and
 - the name and address of the appraiser of the property, if an appraisal was completed
- the day on which the charity issued the receipt, if that day differs from the date on which the charity received the donation
- the full name (including middle initial) and address of the donor
- the amount of a cash donation, or if the donation is a gift other than cash, the amount that is the fair market value of the gift at the time it was made or deemed fair market value, if that rule applies
- value and description of any advantage received by the donor
- eligible amount of gift
- signature of an individual authorized by the charity to acknowledge donations
- name and website address of the Canada Revenue Agency: www.cra.gc.ca/charities



From www.charitycentral.ca/site/?q=node/308

In preparing official donation receipts, a registered charity must indicate the year in which it actually received the gift. If a gift is dated, mailed, and postmarked in one year and received in the next year, the charity can issue a receipt indicating the year appearing on the postmark as the date it received the gift. A charity may not, however, issue a receipt until it has actually received the gift.

A charity must keep on file a copy of all official receipts that it issues. In general, a charity must keep copies of receipts for two calendar years after the end of the calendar year to which the receipt applies.

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Exceptions

If the charity operates in Quebec or has accepted a gift from a donor resident in Quebec, it can issue two official donation receipts for a single gift provided they contain identical information. That is, both receipts must have the same serial number; the additional receipt is required for Quebec income tax returns. When it is not possible for a registered charity outside of Quebec to issue a second receipt that bears the same serial number, the charity can advise donors that it is acceptable to submit a photocopy of the original receipt when filing their Quebec income tax return.



Your charity does **not** always have to issue official donation receipts for donations. Under the *Income Tax Act*, a registered charity is not required to issue receipts for gifts received



See templates of four kinds of receipts, which follow later in this section (Section 9.4).

Did you know?

Not all transactions or donations qualify as a “gift”! Be sure you know what is allowable by the CRA. For more info, see www.charitycentral.ca/site/?q=node/71

A **gift-in-kind** is a gift of property other than cash. It includes numerous types of property, in particular inventory, capital property, and depreciable property. Donations of real estate, stocks and bonds, and personal items are all considered gifts-in-kind.

Items of little value, such as hobby crafts or home baking, do **not** qualify as gifts-in-kind for the purposes of issuing a tax receipt.

A charity that receives a gift-in-kind can issue a tax receipt for the eligible amount of the gift (www.charitycentral.ca/site/?q=node/72)

9.3 More Information on Receipting: Common Questions

Questions to ask before issuing an official donation receipt:

- Is this gift eligible for a tax receipt?
 - If so, what is the **fair market value** of the property transferred?
- Has the donor received something in return for the gift? This is known as an “**advantage**”.
 - If so, what is the eligible amount to be receipted?



From www.charitycentral.ca/site/?q=node/307

What do these terms mean?

Fair Market Value

Fair market value (FMV), which is not defined in the *Income Tax Act*, is understood as:

- the highest dollar value you can get for your property
- in an open and unrestricted market
- on the day that it was transferred
- between a willing and knowledgeable buyer
- and a willing and knowledgeable seller
- who are acting independently of each other.



From www.charitycentral.ca/site/?q=node/335

Why is this important to know?

- To issue an official donation receipt, a charity **must** know the fair market value (FMV) of what it has received. If the FMV **cannot** be reasonably determined, then an official donation receipt **cannot** be issued.
- A charity must also determine the FMV of any advantage that it provides to the donor.
- The FMV is required to calculate the eligible amount of the gift; as well, calculations are required to determine the amount of the advantage in relation to the intention to make a gift and the *de minimis* thresholds.
- If the charity’s receipts are not based on the concept of FMV, it risks its registration as a charity. Charities bear the onus of ensuring that the FMV reflected on official donation receipts is accurate.



De minimis:
See Glossary for more info, including examples.

Advantage

An advantage is the total value of any property, service, compensation, use, or any other benefit that a donor receives in return for his or her donation. This value **must** be taken into consideration when determining the eligible amount of a gift for receipting purposes. In other words, your charity must know this amount in order to issue an official donation receipt for the correct amount.



From www.charitycentral.ca/site/?q=node/335

Importance of Receipts	Information on Receipts	Common Questions	Templates	Helpful Resource	More Information	Your Receipts
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Example:

You donate money to your town's opera company, which is a registered charity. In gratitude, the company provides you with three tickets to a performance that are valued in total at \$150. You are therefore considered to have received an advantage of \$150.

The concept of **advantage** is very broad. It includes the value of property, the use or enjoyment of property, services, user licences, or other benefits granted to the donor or to a person who is related to the donor.

Why is this important to know?

For receipting purposes, the manner in which the advantage is handled depends on the amount in question.

- If the value of the advantage is 80 per cent or less of the fair market value of the donation, then a receipt may be issued for the difference. (This is referred to as **split receipting**).
- If the value of the advantage is greater than 80 per cent of the value of the donation, no gift is deemed to have been made and an official donation receipt cannot be issued.
- If the value of an advantage is the lesser of \$75 or 10 per cent of the value of the donation, it is considered nominal (called *de minimis*) and it need not be deducted from the donation amount of the gift for receipting purposes.
- If the fair market value of the advantage cannot be determined, a receipt cannot be issued.



From www.charitycentral.ca/site/?q=node/341

It is important to note that under the *Income Tax Act*, not all transactions or donations will be eligible for an official donation receipt. To see a list of examples that generally do not qualify as gifts or gifts-in-kind, go online to Charity Central at www.charitycentral.ca/site/?q=node/71



Key info

Different kinds of receipts should be used for different scenarios, depending on whether:

- the donation is a cash or non-cash gift, and
- an advantage is received by the donor.



Templates of the four types of receipts follow. These templates also appear in Appendix B.

9.4 Templates of Official Donation Receipts

Sample #1 - Cash gift (no advantage)



From www.charitycentral.ca/site/?q=node/309

Official Donation Receipt for Income Tax Purposes		
		Receipt #
Charity Name	Canadian 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 <i>Income Tax Act</i> please visit; Canada Revenue Agency www.cra.gc.ca/charities		

Sample #2 - Cash gift (with advantage)

Official Donation Receipt for Income Tax Purposes											
		Receipt # _____									
Charity Name	Canadian Address	Charity BN/Registration #									
<p>Date donation received: _____</p> <p style="text-align: right;">Donated by: _____ <small>(first name, initial, last name)</small></p> <p style="text-align: right;">Address: _____</p>											
<table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="padding: 5px;">Total amount of cash received by charity =</td><td style="border-bottom: 1px solid black; width: 300px;"></td><td style="text-align: right; padding: 5px;">A</td></tr><tr><td style="padding: 5px;">Value of advantage = <small>(cash/fair market value of property or services)</small></td><td style="border-bottom: 1px solid black;"></td><td style="text-align: right; padding: 5px;">B</td></tr><tr><td style="padding: 5px;">Eligible amount of gift for tax purposes = <small>(line A minus line B)</small></td><td style="border-bottom: 1px solid black;"></td><td style="text-align: right; padding: 5px;">C</td></tr></table>			Total amount of cash received by charity =		A	Value of advantage = <small>(cash/fair market value of property or services)</small>		B	Eligible amount of gift for tax purposes = <small>(line A minus line B)</small>		C
Total amount of cash received by charity =		A									
Value of advantage = <small>(cash/fair market value of property or services)</small>		B									
Eligible amount of gift for tax purposes = <small>(line A minus line B)</small>		C									
<p style="text-align: right;">Date receipt issued: _____</p> <p style="text-align: right;">Location issued: _____</p> <p style="text-align: right;">Authorized signature: _____</p>											
<p>For information on all registered charities in Canada under the <i>Income Tax Act</i> please visit; Canada Revenue Agency www.cra.gc.ca/charities</p>											

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

Official Donation Receipt for Income Tax Purposes		
		Receipt # _____
Charity Name	Canadian Address	Charity BN/Registration #
<p>Date donation received: _____</p> <p style="text-align: right;">Donated by: _____ <small>(first name, initial, last name)</small></p> <p style="text-align: right;">Address: _____</p> <p>Eligible amount of gift for tax purposes: _____ <small>(fair market value of property)</small></p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"><p>Description of property received by charity: _____</p><p>Appraised by: _____</p><p>Address of appraiser: _____</p></div> <p style="text-align: right; margin-top: 20px;">Date receipt issued: _____</p> <p style="text-align: right;">Location issued: _____</p> <p style="text-align: right;">Authorized signature: _____</p> <p style="text-align: center; margin-top: 20px;">For information on all registered charities in Canada under the <i>Income Tax Act</i> please visit; Canada Revenue Agency www.cra.gc.ca/charities</p>		

Sample #4 - Non-cash gift (with advantage)

Official Donation Receipt for Income Tax Purposes		
		Receipt # _____
Charity Name	Canadian Address	Charity BN/Registration #
<p>Date donation received: _____</p> <p style="text-align: right;">Donated by: _____ (first name, initial, last name)</p> <p style="text-align: right;">Address: _____</p>		
Total amount of non-cash received by charity =		A
Value of advantage = (cash/fair market value of property or services)		B
Eligible amount of gift for tax purposes: (line A minus line B)		C
<p>Description of property received by charity: _____</p> <p>Appraised by: _____</p> <p>Address of appraiser: _____</p>		
<p style="text-align: right;">Date receipt issued: _____</p> <p style="text-align: right;">Location issued: _____</p> <p style="text-align: right;">Authorized signature: _____</p>		
<p>For information on all registered charities in Canada under the <i>Income Tax Act</i> please visit; Canada Revenue Agency www.cra.gc.ca/charities</p>		

hint At the end of this section is a folder in which your charity can file all of its records concerning gifts, including duplicates of official donation receipts.

9.5 Helpful Resource: Fundraiser's Receipt Book Info Sheet

“The Charities File: On Board” was a project created with contribution funding from the CRA (like the one that created this Office in a Box). It has produced some excellent resources to help charities better understand the CRA's position on fundraising details.

This resource sheet (following) has been reproduced **with permission**, from The Charities File: On Board. It is suitable for small and rural charities.



From www.thecharitiesfile.ca

Importance of Receipts	Information on Receipts	Common Questions	Templates	Helpful Resource	More Information	Your Receipts
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Some Fundraising Basics:

Fundraising is not an inherently charitable activity

- As a registered charity your day-to-day activities must be the delivery of your charitable programs (i.e. food bank, day care program, etc.)
- All resources (including volunteers) must primarily be used to deliver your programs.
- Fundraising can also have an impact on the Disbursement Quota (DQ)
 - The DQ is the amount a charity must spend on charitable activities, it is based on the charity's previous fiscal years' activities

In addition to following CRA's guidelines, registered charities should contact the relevant provincial, territorial, and municipal government departments before engaging in these activities, to obtain any necessary permissions, permits, or licenses.

A charity must be aware of their Registered Charity Information Return (T3010B) reporting requirements

- Fundraising committees can assist in meeting this requirement by tracking their activities and any compensation paid to fundraisers.

Registered Charities may also conduct fundraising through a *Related Business*. Provided that it is a commercial activity, i.e., revenue-generating; that is:

- related to a charity's purpose and subordinate to that purpose, and
- are substantially run by volunteers.

Below are some of the fundraising methods to avoid:

- Commission-based compensation or other compensation based on the number or dollar amount of donations
- To operate an **unrelated business**
- Sole sourced fundraising agreements without proof of due diligence in obtaining the best price available
- Activities where most of the gross revenues go to a contracted non-charitable party

What is a gift?

A gift (donation) is the voluntary transfer of property without the donor expecting to receive anything in return. To qualify as a gift, **all three of the** following conditions must be met:

1. The donation, either in the form of cash or a gift-in-kind, is given by a donor to a registered charity.
2. The donation is given voluntarily; the donor must not be obligated to make the donation, for instance as the result of a larger contract or a court order.
3. The donor is making the donation without expecting anything in return. No benefit of any kind may be provided to the donor or to anyone designated by the donor as a result of a gift.

Use Receipting Practices that Respect CRA Guidelines

- The total value of receipted donations received by a charity is a critical factor in the calculation of the Disbursement Quota
- There are clear expectations about receipting practices

An official receipt cannot be issued for:

- Services (two step process must be followed)
- Membership fees (Unless they give the donor no more than the right to vote or receive the charity's reports)
- Admission fees & Purchase of goods
- Loose collection & Pledges
- Purchase of lottery/raffle tickets
- Payments to specific beneficiaries

Establishing Fair Market Value (FMV)

Generally, if the FMV 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 FMV of the item should be competent and qualified to determine the value of the property being donated.

Fundraiser's Receipt Book Info Sheet

Page 2 of 2

If the FMV is expected to be more than \$1,000, CRA strongly recommends 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.

General Receipting Guidelines

- Prepare all official receipts in duplicate
- Retain copies of all receipts issued
- Ensure official receipts are individually numbered and that each receipt has an authorized signature
- Retain copies for two years (except for receipts issued for ten year gifts)
- Receipts must contain all the required information, otherwise they may be disallowed at the local filing office

Receipts must include the following information:

- The charity's name, address, BN/Registration #
- Date donation received
- Total amount received by charity
- Who it was donated by, address of donor
- Date receipt issued, location receipt issued
- Authorized signature of charity
- Listing of CRA charities website

Split Receipting - Some receipts must include other elements if they involve Non-cash gifts and valued added benefits that the donor received.

- The Eligible Amount of Gift for tax purposes
- Description of property
- Value of advantage
- Appraised by, and Address of Appraiser

Situations Involving Split Receipting

- Occur when a donor receives a benefit or an advantage (i.e. tickets, t-shirt, mug, etc.); in this situation the receipt reflects the total amount of the donation less the value of the benefit or advantage

Gifts in Kind or non-cash gifts include:

- artwork
- land and buildings

- equipment
- publicly traded securities
- certified cultural
- ecological property

A contribution of service - time, skills or effort

- is not property and, therefore, does not qualify as a gift or gift-in-kind
- **Note:** a charity can pay the individual's or business's invoice providing the service; who can in turn donate all or part of the amount back to the charity as long as it is done voluntarily

Utilize professional advice for complex issues

- Capital gains, capital gains pool, capital gains reduction
- Disbursement Quota
- Enduring property (bequests, planned giving)
- Types of gifts (specific, exempted)
- Gifts in Kind
- Loan backs (reduction of Fair Market Value)
- Non-qualified investments and securities

In Conclusion

Further clarification of the topics covered during the workshop can be found in:

- The accompanying notes
- Associated Info Sheets and Checklists
- The Charities File website
- Charity Central
- Imagine Canada
- CRA's Policy on Fundraising by Registered Charities
 - <http://www.cra-arc.gc.ca/tx/chrts/plcy/cps/cps-028-eng.html>

9.6 Where to Find More Information on Official Tax Receipts

Canada Revenue Agency, Charities Directorate

www.cra-arc.gc.ca/tx/chrts/menu-eng.html

Charity Central

www.charitycentral.ca

- For info on **Receipting – The Basics**: www.charitycentral.ca/site/?q=node/76
- For info on **Determining the Eligible Amount on Official Donation Receipts**: www.charitycentral.ca/site/?q=node/77
- For info on **Issuing Receipts for Specific Gifts**: www.charitycentral.ca/site/?q=node/78
- For info on **Enduring Property**: www.charitycentral.ca/site/?q=node/313
- For info on **Disbursement Quota**: www.charitycentral.ca/site/?q=node/126

Charities File: On Board

<http://thecharitiesfile.ca>

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9.7 A Place to File Your Organization's Official Tax Receipts

Books and Records: Length of Retention

Type of record	Description	Retention period
Records Concerning Gifts	Duplicates of receipts for donations (other than 10-year gifts to Registered Charities)	<ul style="list-style-type: none">• two years from the end of the last calendar year to which the receipts relate
	All records concerning 10-year gifts	<ul style="list-style-type: none">• as long as the charity is registered• two years after the date on which the registration of the charity is revoked

(From Charity Central: www.charitycentral.ca/site/docs/FastFacts_BandR_Length_final.pdf)