

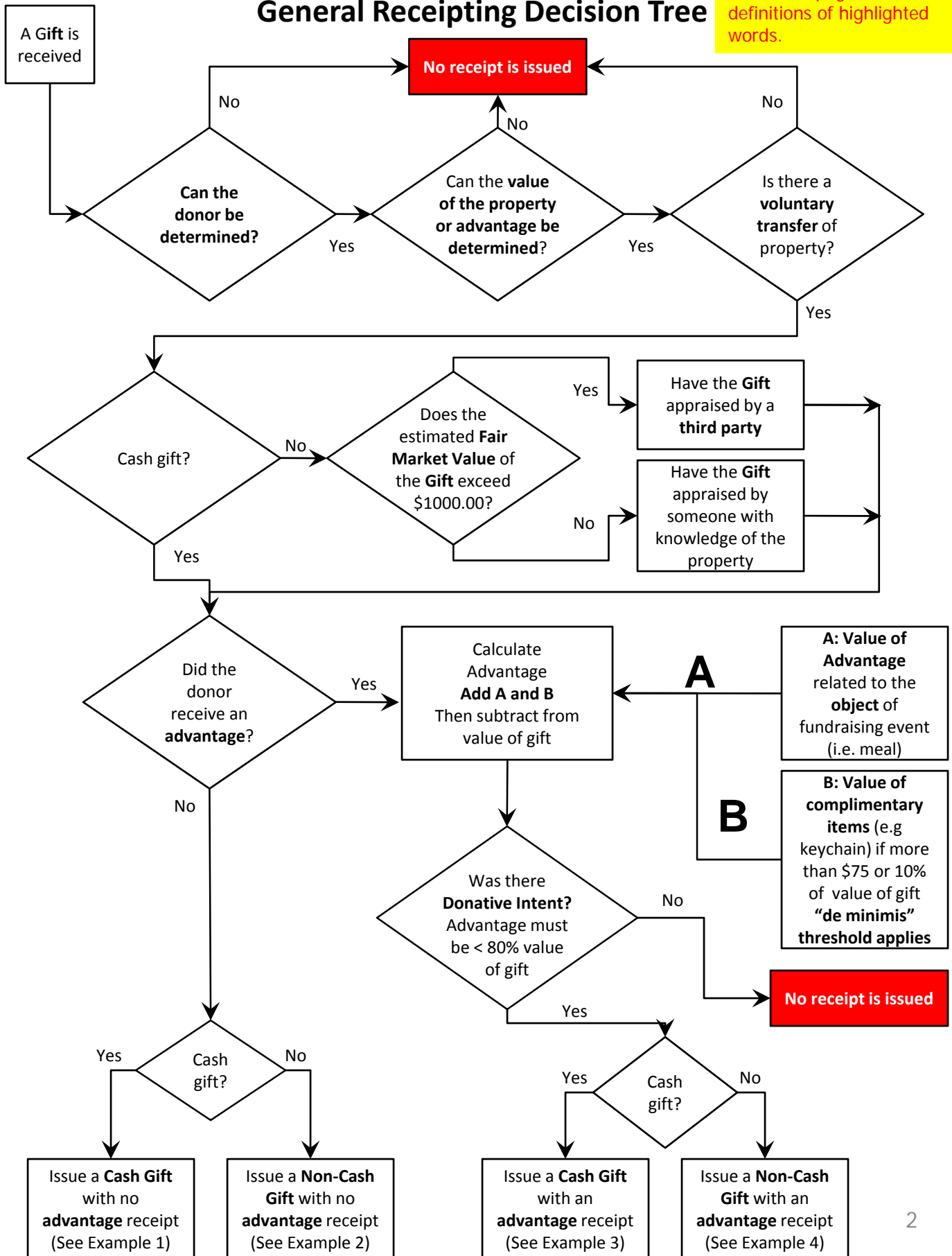
The purpose of this guide is to provide small and/or rural charities with a general understanding of the steps needed to determine:

1. Whether a gift qualifies for a receipt
2. Whether a gift can:
 - a) Be appraised by a third party, or
 - b) Be appraised by someone within the charity with sufficient knowledge of the gift
3. What type of receipt should be issued to the donor
 - a) Cash Gift – No Advantage (Example 1)
 - b) Non-Cash Gift – No Advantage (Example 2)
 - c) Cash Gift – With an Advantage (Example 3)
 - d) Non-Cash Gift - With an Advantage (Example 4)

A quick reference is also included to provide a brief description of the **receipting terms** used in the decision tree.

Note: Refer to Quick Reference page for definitions of highlighted words.

General Receipting Decision Tree



Receipt Examples – No Advantage

Example 1 – Cash Gift Receipt

Official Donation Receipt for Income Tax Purposes

Receipt # **0001**

RODENT RESCUE SOCIETY 123 Walnut Lane
Almond ON K0A 0A0

Charity BN/Registration # 1224400 RR0002

Date donation received: April, 25, 2009

Donated by: Jonathan B. Smith

Address: 456 Peanut Place
Almond ON K0A 0A0

Eligible amount of gift for tax purposes: = \$100.00

Date receipt issued: April, 26, 2009

Location Issued: Almond ON

Authorized Signature: *P.B. Nutter*

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

Canada Revenue Agency www.cra.gc.ca/charities

Example 2 – Non-Cash Gift Receipt

Official Donation Receipt for Income Tax Purposes

Receipt # **0001**

RODENT RESCUE SOCIETY 123 Walnut Lane
Almond ON K0A 0A0

Charity BN/Registration # 1224400 RR0002

Date donation received: April, 25, 2009

Donated by: Jonathan B. Smith

Address: 456 Peanut Place
Almond ON K0A 0A0

Total amount of cash received by charity = \$100.00

Value of advantage = \$15.00

Eligible amount of gift for tax purposes: = \$85.00

Date receipt issued: April, 26, 2009

Location Issued: Almond ON

Authorized Signature: *P.B. Nutter*

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Canada Revenue Agency www.cra.gc.ca/charities

Receipt Examples – With Advantage

Example 3 – Cash Gift Receipt

Official Donation Receipt for Income Tax Purposes

Receipt # **0001**

RODENT RESCUE SOCIETY 123 Walnut Lane
Almond ON K0A 0A0

Charity BN/Registration # 1224400 RR0002

Date donation received: April, 25, 2009

Donated by: Jonathan B. Smith

Address: 456 Peanut Place
Almond ON K0A 0A0

Total amount of cash received by charity = \$100.00

Value of advantage = \$15.00

Eligible amount of gift for tax purposes: = \$85.00

Date receipt issued: April, 26, 2009

Location Issued: Almond ON

Authorized Signature: *P.B. Nutter*

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

Canada Revenue Agency www.cra.gc.ca/charities

Example 4 – Non-Cash Gift Receipt

Official Donation Receipt for Income Tax Purposes

Receipt # **0001**

RODENT RESCUE SOCIETY 123 Walnut Lane
Almond ON K0A 0A0

Charity BN/Registration # 1224400 RR0002

Date donation received: April, 25, 2009

Donated by: Jonathan B. Smith

Address: 456 Peanut Place
Almond ON K0A 0A0

Total amount of cash received by charity = \$100.00

Value of advantage = \$15.00

Eligible amount of gift for tax purposes: = \$85.00

Date receipt issued: April, 26, 2009

Location Issued: Almond ON

Authorized Signature: *P.B. Nutter*

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

Canada Revenue Agency www.cra.gc.ca/charities

Quick Reference

Advantage: is the fair market value of all the benefits (such as property, services, compensation) that a donor is entitled to receive in return for making a donation to a registered charity. This advantage can be received immediately or it may be conditional or receivable in the future. In addition, it can be received by either the donor or any person or partnership not dealing at arm's length with the donor.

The advantage must be taken into consideration when determining the eligible amount of a gift for receipting purposes.

Can the donor be determined: Generally **anonymous gifts** are not permitted unless the donor appoints an agent for the purpose of making the gift (please see <http://www.cra-arc.gc.ca/tx/chrts/plcy/csp/csp-g03-eng.html> for more information on anonymous donors). The receipt must contain the name and address of the individual or business making the gift.

Complimentary items: are items, such as key chains, pens, etc., given out at the fundraising event, but, are not related to the object of the fundraising event itself (i.e. dinner, green fees, etc.). They are subject to the same rules as any other advantage but are calculated separately from the dinner for example. Please see Info Sheet 13: General Guidelines for Split Receipting (Section 2, Situation One: Fundraising Dinners) for an example.

“De minimis” threshold: 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.

Donative Intent: is a test to determine whether the donor's intent was to make a donation to the charity or to receive an undue benefit from the advantage and the receipt. It is also known “intention to make a gift threshold” and is determined by dividing the advantage by the gift; if the result is greater than 80% then no receipt can be issued (i.e. advantage \$35 / gift \$40 = 87.5%, therefore no receipt is issued).

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

Gift: In most cases, a gift is a voluntary transfer of property without valuable consideration to the donor. However, a transfer of property for which the donor receives an advantage can still be considered a gift for purposes of the Income Tax Act as long as:

- the advantage does not exceed 80% of the fair market value of the transferred property. and
- the CRA satisfied that the transfer of property was made with the intention to make a gift.

Third Party: refers to relationship between the donor and the charity in that the party providing the appraisal has an arm's length relationship with the donor and the charity and does not have a vested interest in the outcome of the appraisal.

Value of the property or advantage be determined: The Fair Market Value of both the non-cash gift (property) and the advantage (if any) must be determined before a receipt can be issued to ensure the gift provides a benefit to a charity's programs (not a burden) and to determine whether the advantage is the lesser of \$75 or 10% of the gift.

Voluntary Transfer: the donor must not be obligated to make the donation, for instance as the result of a larger contract or a court order.