

Tax Receipting Guidelines

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TAX RECEIPTING GUIDELINES

As a registered charity, Cystic Fibrosis Canada can issue tax receipts to donors but we need to comply to specific and strict regulations imposed by the CRA and the Income Tax Act. We follow these rules to ensure that CFC does not incur monetary penalties and possibly lose charitable status.

Definition of a “Gift”

A gift is a *voluntary* transfer of property without valuable consideration. Generally gifts are made when all of the following conditions are met:

- There is a transfer of property – usually cash – to the charity
- The transfer is voluntary, and
- The transfer is made without any expectation in return. No benefit of any kind may be provided to the donor or anyone else designated by the donor.

What types of transactions generally **DO NOT** qualify as gifts and thus cannot be receipted?

- A court ordered transfer of property to a charity
- The payment of a basic fee for admission to an event or to a program (see split receipt below)
- 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, casino, bingo, 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 such as donation of used clothing, furniture, etc.
- Donations provided in exchange for advertising/sponsorship
- Gifts of services (for example, donated time, labour)
- Gifts of promises (e.g. Gift certificates donated by the issuer, hotel accommodation)
- Pledges or promised of a gift (the gift must be received)
- Loans of property
- Use of a timeshare
- The lease of premises
- Discount for an invoiced expense (we will give 20% off if you issue tax receipt)
- A request is made to receipt in a name other than the name of the true donor
- Sponsorship (see explanation below)

SPONSORSHIPS

The CRA considers a Sponsorship to be an instance where a business makes a donation to a charity and, in return, receives advertising or promotion of its brand, products or services. Therefore, providing sponsorship to a charity or to a charitable event is not considered to be a gift, and therefore, a charity generally cannot issue a receipt for sponsorship. If the expectation of the transaction is to receive business advantage, such as promotion or advertising, the charity cannot issue an official tax receipt as this is not considered a gift. Instead for taxation purposes, the business can claim the transaction as a business expense. As such, we will issue them a “**Business Receipt**” which acknowledges their payment to CFC.

NOTE: CFC cannot issue official tax receipts to other charities such as a foundation. Instead they will receive a Business Receipt.

Can CFC 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.

SPLIT RECEIPTS

Split receipting occurs where this is a donation but the donor also receives an advantage or benefit in exchange. Generally a portion of the donation above the fair market value of the advantage to the donor is receiptable. However, the advantage cannot exceed 80% of the amount paid.

Example:	Gala ticket price pp	\$500
	Gala expenses pp ¹	<u>\$260</u>
	Tax Receipt Amount/person	\$240
	Table price (based on 10 seats)	\$5000
	Value of the ad space	\$ 300
	Gala expenses ¹ (based on 10 seats)	<u>\$2600</u>
	Tax receipt Amount/table	\$2100

¹ Based on calculated per person costs such as food & beverage, entertainment, gifts, etc.)

CONTRIBUTIONS OF SERVICE

Contributing services by either a company or an individual such as time, skills and effort is not a transfer of property and, therefore, not eligible for a tax receipt. According to the CRA a gift of tangible property has not been given. **However**, CFC can pay for the services and the individual or company can voluntarily return the payment as a gift. In this instance it is important that the donor declare the income received from CFC in their income tax return in order for the CRA to deem this a fair exchange.

GIFTS IN KIND

A “Gift in Kind” refers to property other than cash but does not include “gift of service”. A tax receipt will be issued for a gift in kind when the following conditions have been met:

- There is a determinable fair market value for the item being donated
- Support is received for the fair market value (i.e. receipt, price list, advertisement for comparable item). CFC is required to attach this proof of value to their copy of the tax receipt
- The donor has not purchased the item at a low cost with the intention of donating it to receive a higher value than that paid
- An approved, qualified and reputable third party appraisal¹ has been conducted to determine the value of the item if the item is believed to be over \$1000, or if the value is difficult to determine without an expert (e.g. art or jewelry)
- **NOTE:** If CFC cannot determine the fair market value of a gift, a charitable receipt will not be issued

Definition of Fair Market Value (FMV)

While the CRA does not define fair market value, it is generally the highest price, expressed in a dollar amount that the 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.

FMV does not include any amounts paid or payable to other parties such as sales agents or sales taxes such as HST.

¹ *The committee must use an appraiser who did not or does not have a material interest in the property being given and is not associated directly with the donor or the charity.*

An artist can set the value of a gift from his or her inventory at any amount between the gifts costs to the artist and the fair market value provided that the FMV is greater than the cost. The artist has to include this amount in income and can use the same amount to determine the tax credit available.

GIFT CERTIFICATES

The issuance of a tax receipt depends on who is providing the gift receipt:

- Donations of gift certificates directly from the business, retailer or individual – the “issuer” - are not receiptable as they are seen as a “promise” and there has been no true transfer of property
- Donations of a gift certificate that have been purchased from an issuer or another third party and then donated to CFC is considered property and may be receipted, with support of the purchase (i.e. receipt) for its eligible amount

ISSUING CHARITABLE RECEIPTS

In order to issue tax receipts all donations must include:

1. Full name of the donor (first and last)
2. Full mailing address of the donor
3. Total Amount of the gift
4. Support material related to the value and nature of the donation, (i.e. receipt, appraisal, price list, etc.)