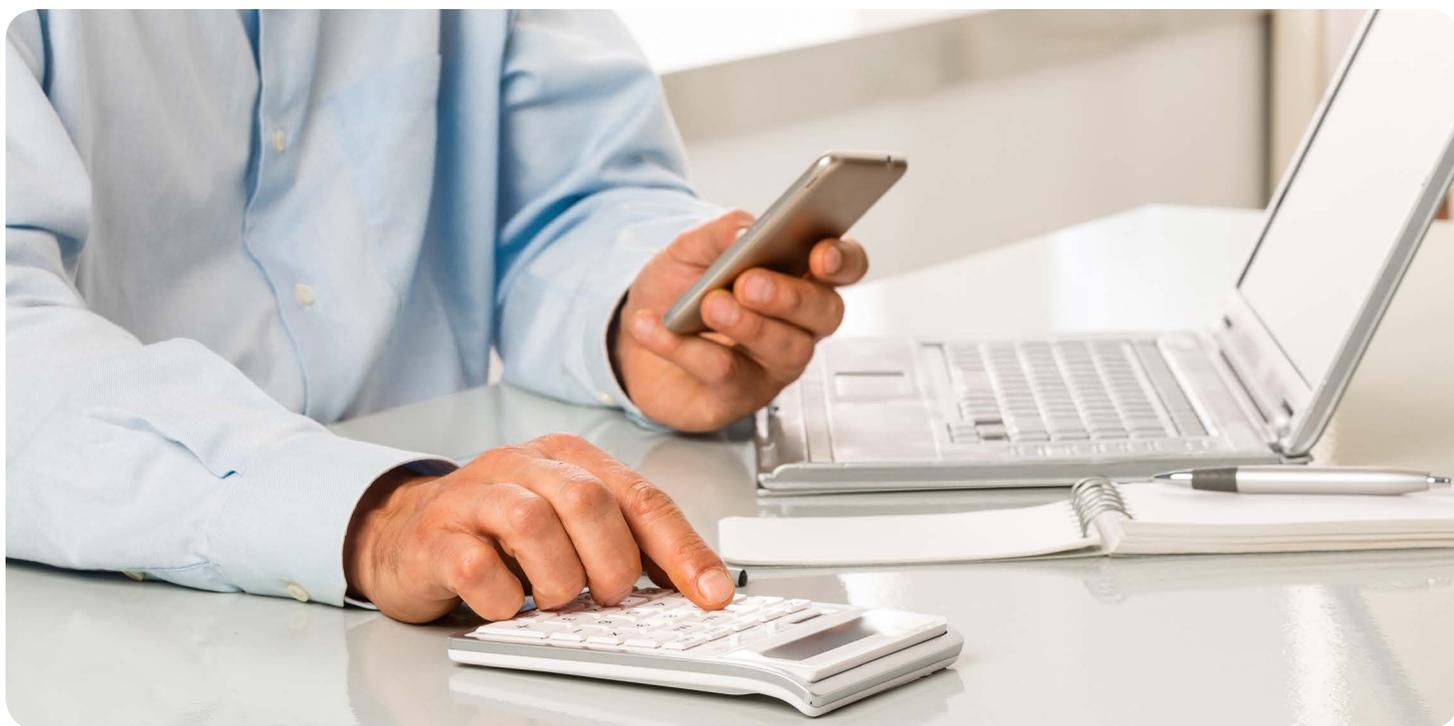


# NINE RULES TO REMEMBER WHEN ISSUING CHARITABLE TAX RECEIPTS



PHILIP MILLEY, ASSOCIATE DIRECTOR, LEGAL AFFAIRS

*The ability to issue official donation receipts for income tax purposes is a primary benefit for registered charities. Charities that issue receipts are obligated to issue those official receipts correctly. Even with significant penalties under the Income Tax Act (the "Act"), nearly 9 out of 10 charities issue receipts incorrectly.<sup>1</sup> Incorrect receipting may create more work for your charity as you correct or re-issue receipts and may strain donor confidence.*



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The following non-exhaustive list of rules is intended to be a reference relating to common receipting issues. These rules are only briefly discussed, and charities should be aware that a more nuanced and thorough study of these issues should be undertaken. Further assistance is available in CCCC's *Charities Handbook*.<sup>2</sup>

## RULE #1 – No Receipt Necessary

There is no requirement in the *Act* for a charity to issue donation receipts nor even within a certain timeframe. Canada Revenue Agency (CRA) recommends that charities issue receipts by February 28 of the year that follows the year in which the donation was made.<sup>3</sup>

## RULE #2 – Only Gifts Get Receipts

Charities can only issue receipts for gifts. A gift is a "voluntary transfer of property owned by a donor to a donee, in return for which no benefit or consideration flows to

the donor."<sup>4</sup> To meet CRA's definition of a gift, the following four factors must apply:<sup>5</sup>

- **Voluntary:** The gift must be given willingly and not out of compulsion or obligation.
- **Transfer:** There must be a completed transfer of property to the charity. The transfer must result in a financial sacrifice to the donor, reducing the donor's personal assets. A pledge or promise, for example, is not a gift and cannot be receipted because no transfer took place.

- **Property:** Cash gifts or gifts-in-kind qualify as property. Gifts-in-kind include such items as artwork, equipment, securities, and cultural or ecological property. Services or volunteer time are not considered property and, therefore, cannot be receipted.
- **No Benefit or Advantage:** An advantage (which can be property, service, or compensation in any way related to a gift) that flows to the donor should not be greater than 80% of the value of the gift.<sup>6</sup> The Act presumes that a person has made a financial sacrifice and intends to make a gift only when the consideration for the transferred property does not exceed 80 percent of the fair market value of the property transferred. The eligible amount of a gift for receipting purposes is the gift value less any advantage. Please refer to the *Charities Handbook* Chapter 11 on split receipting for further guidance.

The tax benefit received from a donation receipt is not normally considered an advantage within this definition.

### RULE #3 – The Owner Gets the Receipt

Sometimes the person giving a donation asks the charity to issue the receipt in the name of a third person. The rule is simple: the true donor gets the receipt.<sup>7</sup> A person may be a trustee or agent of the owner—as when a company issues a cheque to a registered charity of the funds it has collected from its employees. While it is the company's cheque, it is the employees' money. Therefore, the receipt must go to the employees in accordance with the funds they gave.

The same is true of joint account owners. When money is given to a charity from an account held jointly by spouses, the official donation receipt may be in either or both names, regardless of how the cheque is endorsed. Charities should be aware that there are exceptions to this general rule.

Whenever a charity is in doubt as to who the true donor is, CRA requires the charity to “request a written declaration as to the identity of the true donor from the party providing the donation.”<sup>8</sup> Not knowing the identity of the donor is rarely an issue. The most common problem is when someone tries to cajole a charity into giving

a third person a charitable receipt for funds they do not own. Remember: the one who owns the money gets the receipt.

### RULE #4 – Incomplete is Incorrect

Case law affirms that technical compliance with receipting rules is necessary and that failure to absolutely comply with the receipting rules is sufficient to render a donation receipt invalid.<sup>9</sup> The *Income Tax Act Regulations* section 3501 requires that an “official receipt” contain the following information:<sup>10</sup>

- i. a statement that the receipt is “an official receipt for income tax purposes”
- ii. the charity's name and Canadian address as recorded with CRA
- iii. the charity's registration number
- iv. the serial number of the receipt
- v. the place or locality where the receipt was issued
- vi. for cash donations: the day or the year during which the donation was received
- vii. for non-cash donations (gifts-in-kind):
  - a) the date on which the donation was received
  - b) a brief description of the property
  - c) the name and address of the property's appraiser (if an appraisal was done)



- viii. the day on which the receipt was issued
- ix. the name and address of the donor including, for an individual, his/her first name and initial
- x. the amount that is
  - a) the amount of the cash donation or the fair market value<sup>11</sup> of a non-cash donation; and
  - b) the amount of the donor's advantage (plus description), if any; and
  - c) the eligible amount of the gift.
- xi. the signature of an individual authorized by the charity to acknowledge donations
- xii. CRA's name and website address. CRA expects the following wording to be included on receipts: "For information on all registered charities under the *Income Tax Act*, please contact: Canada Revenue Agency [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities)."

### RULE #5 – Know your Date

Recording the correct date of the donation on receipts is important for a variety of reasons. A donor is only able to claim a tax credit with a correct donation receipt, and the timing of tax benefits relate to the date of donation. Generally, charities are required to record the date on which the gift was made.<sup>12</sup> The date of the gift is often the date the gift is received from the donor. This is not always the case, as physical delivery may not correspond with the date of the gift (i.e., loaned property). A common situation is when a charity receives a gift by mail, which is considered to have been made when the gift was mailed.<sup>13</sup> Gifts that are received in January but were mailed in December should be dated for the year in which the gifts were mailed. CRA recommends that the charity retain the stamped envelope as part of its books and records.<sup>14</sup>

With respect to gifts-in-kind that are valued on a date where the value has the potential to vary significantly depending on

the date valuation, financial records may be impacted due to improper recording of dates.

### RULE #6 – Maintain Receipting Records

CRA requires that charities maintain adequate documentary records. Charities must keep tax receipt records for a minimum of two years from the end of the calendar year in which the donations were made.<sup>15</sup> For 10-year gifts, charities are required to keep all records relating to the gift, including the donor's directions, for as long as the charity is a registered charity. Records must also be kept for the two years after the date the charity's registration is revoked.<sup>16</sup>

### RULE #7 – You may Receipt Electronically

Charities are permitted to issue receipts electronically and through email.<sup>17</sup> Electronic receipts must be secured against tampering and unauthorized access. Printed receipts must have all the required content and be in the same format as the electronic record of the issuing charity.<sup>18</sup> Charities are permitted to use a computer to apply a signature and affix the serial number to the receipt, provided that the receipts are legible and the charity has safeguards in place.<sup>19</sup>

### RULE #8 – You may Replace Donation Receipts

Charities are permitted to issue replacement receipts. A replacement for a lost receipt must clearly identify that it is a replacement receipt and that it cancels the receipt that it is replacing. The serial number of the lost receipt must be included on the receipt for identification purposes.<sup>20</sup> A duplicate copy of the lost receipt must be retained and marked as cancelled.<sup>21</sup> If a receipt is spoiled, it must be marked as cancelled, and the original and duplicate must be retained as part of the charity's records.<sup>22</sup>

### RULE #9 – Never lend your Registration Number

Charities are not permitted to issue donation receipts on behalf of other organizations. They are also not permitted to lend their registration number to organizations to provide receipts.<sup>23</sup> A charity is responsible for all receipts issued under its name and registration number and must be able to account for all donations through its T3010 and its books and records.

### Endnote

- 1 [www.cra-arc.gc.ca/E/pub/tg/rc4457/rc4457-e.pdf](http://www.cra-arc.gc.ca/E/pub/tg/rc4457/rc4457-e.pdf)
- 2 [www.cccc.org/charities\\_handbook\\_toc](http://www.cccc.org/charities_handbook_toc)
- 3 [www.cra-arc.gc.ca/chrts-gvng/chrts/cmmnctn/nwsltrts/cnnctn/cnnctn10-eng.html#The\\_season\\_of\\_giving](http://www.cra-arc.gc.ca/chrts-gvng/chrts/cmmnctn/nwsltrts/cnnctn/cnnctn10-eng.html#The_season_of_giving)
- 4 *The Queen v Friedberg*, 92 DTC 6031, at page 6032. See also: S7-F1-C1, Split-receipting and Deemed Fair Market Value at: <http://www.cra-arc.gc.ca/tx/tchncl/nctmxf/s7/f1/s7-f1-c1-eng.html>
- 5 [www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/gfts/whts-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/gfts/whts-eng.html)
- 6 *Income Tax Act*, s. 248(30)
- 7 CRA Policy CPC-010. [www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-010-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-010-eng.html)
- 8 *Ibid*
- 9 *Hossein Shahbazi v Her Majesty the Queen*, 2016 TCC 129
- 10 *Income Tax Regulations*, CRC, c 945 s. 3500(1). [www.cra-arc.gc.ca/chrts-gvng/chrts/chcklsts/rcpts-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/chcklsts/rcpts-eng.html). Sample receipts can be viewed at [www.cccc.org/bulletin\\_article/216](http://www.cccc.org/bulletin_article/216) or [www.cra-arc.gc.ca/chrts-gvng/chrts/pbs/rcpts-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/pbs/rcpts-eng.html)
- 11 *Supra*, note 4
- 12 CRA Policy P113: [www.cra-arc.gc.ca/E/pub/tg/p113/p113-e.html#P169\\_20285](http://www.cra-arc.gc.ca/E/pub/tg/p113/p113-e.html#P169_20285)
- 13 [www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/whtknw-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/whtknw-eng.html)
- 14 *Ibid*
- 15 *Supra*, note 10, s. 5800. Also see: [www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/bks-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/bks-eng.html)
- 16 *Ibid*
- 17 CRA Policy CPS-014, Computer-Generated Official Donation Receipts, available at <http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-014-eng.html>
- 18 *Ibid*
- 19 *Ibid*
- 20 *Supra*, note 10, s. 3501(4)
- 21 [www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/errctn-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/errctn-eng.html)
- 22 *Supra*, note 10, s. 3501(5)
- 23 [www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/ccntnmbr-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/ccntnmbr-eng.html)