



# Tax Receipting of In-Kind Donations

## Poverty Task Force

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## Speaker's Biography

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# DONATION RECEIPTING

Who can do it?

There are several organization types that can issue receipts but the main types would include:

- Registered charities
- Registered Canadian municipalities
- Registered municipal or public bodies performing a function of government

in Canada





## DONATION RECEIPTING

Do eligible organizations have to issue receipts?

Recipient organizations may choose what donations are receipted or whether they choose to issue receipts at all.

- Ensure there is communication of receipting policies
- Choose an appropriate threshold for receipting to reduce administrative burden





## DONATION RECEIPTING

What do I need to know before I issue receipts?

Before issuing official donation receipts you need to have some information in hand:

- Is the donation a gift and was it made voluntarily?
- Was there a transfer of property?
- Did the donor receive an advantage?
- Were there any conditions assigned to the gift?





# DONATION RECEIPTING

What do I need to know before I issue receipts?

Before issuing official donation receipts you need to have some information in hand:

- Who is the true donor?
- 



true-donor-infographic-eng.pdf





## DONATION RECEIPTING

What do I need to know before I issue receipts?

Before issuing official donation receipts you need to have some information in hand:

- What is the eligible amount of the gift for receipting purposes?
  - a) What is the FMV of the donated property?
  - b) What is the FMV of the advantage provided to the donor?





# DONATION RECEIPTING

What is Fair Market Value (FMV)?

Definition of FMV from Charities Directorate:

Fair market value is normally the highest price, expressed in dollars, that 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.

If FMV cannot be determined than a receipt cannot be issued.







## DONATION RECEIPTING

How do you determine FMV?

Generally if anticipated FMV is < \$1,000 then a member of the charity or other knowledgeable individual can determine value.

- Consider values in the marketplace for similar items
- Retain documentation for your records as to how you confirmed FMV
- Ensure that the person documenting FMV is competent and qualified

If the anticipated FMV is > \$1,000 then professionals should be consulted to assist with determining fair value. This should be someone not associated with the charity or the donor.

If there is a formal appraisal then the name and address of the appraiser should appear on the official donation receipt.



# DONATION RECEIPTING

## Sources of FMV Information

Information should come from credible sources.

- Grocery store receipts
- Flyers
- Other published price sources
  
- As found by Paul Wagenaar of the United Way
- <https://www.agricorp.com/SiteCollectionDocuments/AgriStability-FairMarketValues-2020-en.pdf>

Commodity	Unit	2020
<b>Vegetables</b>		
Asparagus	Cents/lb	237.90
Beets	Cents/lb	13.60
Broccoli	Cents/lb	118.20
Brussels sprouts	Cents/lb	75.80





# DONATION RECEIPTING

## Donations from Inventory

### CRA Document Reference CPC-018

(<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-commentary-018-gifts-inventory.html>)

Consideration was given to whether gifts out of inventory qualify as charitable donations.

1. A registered charity can issue an official donation receipt to a business for the market value of a gift out of inventory.
2. The charity's responsibilities are:
  - determining that it has in fact received a gift
  - determining the value of the gift
3. If the transaction results in a material benefit to the business, such as promotion or advertising, there has been no gift at law, and the charity should not issue an official donation receipt.
4. It is the Canada Revenue Agency's responsibility to ensure that businesses comply with the provisions of the Income Tax Act, not the charity's. If asked, the charity may advise a business of the tax implications as follows:
  - the business can, of course, deduct the cost of acquiring or producing the item given to the charity from its income
  - if the business does make a true gift out of inventory, it must add the fair market value of the item to its income per subparagraph 69(1)(b)(ii) of the Income Tax Act, and then claim a charitable tax deduction
  - if the business obtains a material benefit from the transaction, it can probably write off the cost as a business expense



## DONATION RECEIPTING

What are the Consequences of Improper Receipting?

- If the official receipt is issued with incorrect or incomplete information then the charity could be liable to a penalty of up to 5% of the eligible amount stated on the receipt. If this offence is repeated within 5 years the liability is doubled to 10%.
- If deliberately false information is issued on an official receipt then the penalty is up to 125% of the amount stated on the receipt.
- If liable for penalties > \$25,000 then there could be a 1 year suspension of charitable status.
- Continued contravention of receipting requirements could cause charitable status to be revoked.




# DONATION RECEIPTING

What should be on the receipt?

## Non-Cash Gift with no Advantage

**Official donation receipt for income tax purposes** Receipt # XXXXX

 **Charity or qualified donee name** \_\_\_\_\_ **Receipt issued** \_\_\_\_\_ DD/MM/YYYY

**Address** \_\_\_\_\_ **Location issued** \_\_\_\_\_ City, Prov.

**Charitable registration #: 000000000 RR 0000\*** \_\_\_\_\_

**Donated by** \_\_\_\_\_  
(First and last name, and initial)

**Address** \_\_\_\_\_

**Donation received** \_\_\_\_\_ **Amount of gift** \_\_\_\_\_  
(Date) (Fair market value of property)

**Eligible amount of gift** \_\_\_\_\_  
(Fair market value of property)

**Description of property donated** \_\_\_\_\_

**Fair market value appraised by** \_\_\_\_\_

**Address of appraiser** \_\_\_\_\_

**Authorized signature:** \_\_\_\_\_


Canada Revenue Agency - [canada.ca/charities-giving](http://canada.ca/charities-giving)

# DONATION RECEIPTING

What should be on the receipt?

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**Address** \_\_\_\_\_ **Location issued** \_\_\_\_\_ City, Prov.

**Charitable registration #: 000000000 RR 0000\***

**Donated by** \_\_\_\_\_  
(First and last name, and initial)

**Address** \_\_\_\_\_

**Donation received** \_\_\_\_\_ **Amount of gift** \_\_\_\_\_ **A**  
(Date) (Fair market value of property)

**Value of advantage to** \_\_\_\_\_ **B Eligible amount of gift** \_\_\_\_\_ **C**  
(Cash/Fair market value of property) (Line A minus Line B)

**Description of property received** \_\_\_\_\_

**Fair market value appraised by** \_\_\_\_\_

**Address of appraiser** \_\_\_\_\_

**Description of advantage** \_\_\_\_\_

**Authorized signature:** \_\_\_\_\_

Canada Revenue Agency - [canada.ca/charities-giving](http://canada.ca/charities-giving)

# DONATION POLICY

Second Harvest Food Rescue - Example Donor Documentation  
<https://secondharvest.ca/wp-content/uploads/2017/03/FOOD-DONOR-PACKAGE-2016.pdf>



## Tax Receipting for Food Donations

### **STEP ONE: Fair Market Value?**

According to Canada Revenue Agency's regulations, we can only issue a tax receipt if the product has a definable "fair market value" (FMV). It is Second Harvest's responsibility to determine whether or not we can issue a receipt by confirming that the product is in fact "out of inventory" and "sellable", which excludes close to code, mislabeled, damaged, test kitchen product, foodservice prepared food and surplus food that the company cannot sell.

To determine that a product still has FMV, it must have the minimum number of days left on the best before/expiry as outlined by food category below:

- **Shelf stable/non-perishable product:** 90 days
- **Meat/protein:** 14 days
- **Milk:** 14 days
- **Yogurt/cheese:** 14 days
- **Produce:** Based on Quality



# DONATION POLICY

## Second Harvest Food Rescue - Example Donor Documentation

### **STEP TWO: "Write Off" Option**

**(A) YES, product with a FMV can receive a tax receipt:**

**(B) NO, product does not have a FMV and we cannot give a tax receipt:**

While we cannot issue an official tax receipt, we can provide a written acknowledgement of the donation and they can write the product off (this is in fact a simpler process than a tax receipt). Pick up arrangements should then be made through the SH Operations department and a letter of acknowledgment issued.

### **STEP THREE: Validating the FMV**

If the product has a FMV and the donor requests a tax receipt over the "write-off" option, it is now Second Harvest's responsibility to confirm the value of the donation. A tax receipt will only be issued if accompanied by proper documentation. Accepted documentation consists of published materials (in this case an itemized bill of lading or invoice) or websites listing official price lists.

***Notes:** Taxes cannot be receipted so the donor must separate taxes from the value. If the product is coming from a manufacturer, the dollar value should be at cost rather than retail.*





# QUESTIONS?

