

Receipting: Publicly Traded Securities

Introduction (Slide 1)

This module looks at the basic rules that apply to receiving a gift of publicly traded securities.

The module answers questions such as:

- ❖ What are publicly traded securities?
- ❖ What do you do if you receive securities as a gift?
- ❖ How do you determine the Fair Market Value of the securities?
- ❖ Why should you get a written confirmation of the value of the securities and why is it important to do so?

Publicly Traded Securities (Slide 2&3)

Publicly traded securities are securities including shares, stock options, bonds, mutual fund units that are traded freely on the market.

If you receive securities as gifts, these are the things you should consider before issuing official donation receipts:

- ❖ The securities have to be traded freely on the market such as on the Stock Exchange.
- ❖ Securities that are not traded on a public Canadian Stock Exchange or through mutual fund companies are generally excluded from the Income Tax Act provisions that permit receipting of donations for securities.
- ❖ The donor has to have acquired the shares or units. This fulfills the transfer of property requirement in the definition of gift.
- ❖ If the donor is the corporation who issued the shares or stock options, an official donation receipt cannot be issued. There is no transfer of property, as the corporation's assets have not been reduced as a result of the donation.

Fair Market Value (Slides 4&5)

Your Charity has to be able to determine the fair market value (FMV) of the securities.

For receipting purposes, FMV is the value on the valuation date. Valuation date refers to the date that the charity's name appears on the securities or the account.

Different types of securities take different lengths of time to be registered. During the time that the securities are being registered, the value of the securities may change.

Therefore, the rule is that a tax receipt can be issued for the Fair Market Value of the securities on the *date the registration was completed*.

Your Charity should ask for written confirmation from an investment advisor for:

- ❖ the number of shares or units transferred
- ❖ the FMV of the securities at the time the registration to the charity's name was complete.

Keep a copy of the written confirmation as part of your tax receipt records.

Self Test (Slides 6-9)

Notice (Slide 10)

Information in this module is provided for general educational purposes and not as legal or accounting advice. Consult a lawyer or accountant for professional advice.

Information is accurate as of January, 2009.

For changes after this date, consult Canada Revenue Agency.