

Gifts

Canadian tax laws refer to a donation as a gift. Only charities registered with the Canada Revenue Agency can issue official donation receipts. Donors can then claim these receipts on their income tax returns.

A gift is defined as “a voluntary transfer of property without consideration.”

A Voluntary	Transfer	Of Property	Without Consideration
Given of one’s free will	By a donor to a Registered Charity or qualified donee	Either in the form of cash or gift-in-kind	Without expecting anything in return

Voluntary

The donor must not be obliged to give the property, for example as the result of a contract or court order. Donors must give because they want to and not because they have to.

Example

Ms. Soon gives \$200 to the Neighbourhood ISA, a Registered Charity that helps immigrants settle into Canadian society. When asked why, she says that the charity provides a much-needed service to new immigrants, helping them adjust to a new environment.

Transfer

The donor must give the ownership of the property to the Registered Charity unconditionally.

Example

Mr. Smith gives his car with a fair market value of \$3,000 to the ABC Charity. The vehicle registration has to be changed to the name of ABC Charity in order for it to be considered a gift. An official donation receipt for \$3,000 can then be issued.

Property

The charity must receive property, either in cash or gifts-in-kind such as, equipment, stocks, furniture, royalties, real estate, vehicles. Fair market value rules apply to gifts-in-kind in determining the amount of the official donation receipt. Services are not property and are not considered gifts.

Example

Ms Lee gives Charity DEF a crib for their daycare. After determining the fair market value, Charity DEF can issue a tax receipt for the value of the crib. Ms Lee also volunteers at the daycare. She asks for a tax receipt for her services. Her services are not receiptable.

Without consideration

A gift can only be eligible for an official donation receipt if there is no benefit other than the receipt. In general, this principle applies even if the donor receives an advantage or benefit, as long as the transfer of property was made with the intention to make a gift. The rules of split receipting have to be followed to determine the eligible amount of the receipt.

Example

Mrs. Martin pays \$200 for a GHI Charity banquet ticket. The dinner is worth \$80. GHI Charity can issue an official donation receipt to Mrs. Martin for \$120.