



**AUTISM SPEAKS® CANADA** 

**It's time to listen. Il faut écouter.**

### **Tax Receipts and what you need to know:**

Below are the rules and regulations created by Canada Revenue Agency (CRA) around issuing tax receipts for Third Party events:

#### **Terms:**

##### **What is an Advantage?**

An advantage is any kind of benefit the donor might receive in exchange for his or her gift. IE. gift basket, dinner, tickets to show). All advantages must consider the Fair Market Value (FMV) when determining the “eligible” amount of a gift for tax receipting purposes. The advantage must be deducted from the amount of the gift received by the donor.

##### **What is Fair Market Value (FMV)?**

If the Fair Market Value cannot be established then a tax receipt cannot be issued. Fair Market Value is when the highest dollar value received between a willing buyer and seller in an open and unrestricted market is received. Both the buyer and seller are informed, prudent and are acting independently of each other.

##### **What is the intention to make a gift threshold?**

If the “advantage” value is greater than 80% of the gift’s real value, it is deemed that there was no true intention to make the gift, therefore a tax receipt cannot be issued.

##### **What is the de Minimis rule?**

Certain advantages are of nominal value, and are considered too minimal (de minimis) to affect the value of the gift. In applying the de minimis rule, advantages that have a combined value that does not exceed the lesser of \$75 or 10% of the value of the gift are considered too minimal to affect the amount of the gift.

### **Gift-In-kind - donations**

The third party event organizer must submit in writing their request. For all gifts greater than a value of \$1000 such as artwork, jewelry etc. an independent appraisal is required or proof of retail value. Gift-in-kind receipts should not be promised to any donor.

Income tax receipts can only be issued for an amount equal to the amount of cash received. If net proceeds are provided, tax receipts cannot be issued for the gross amount. Please make sure to monitor expenses closely.

The total value of tax receipts requested must not exceed the total amount of the proceeds donated to Autism Speaks Canada.

### **Gift-In-kind – Services**

***In-kind donations of services (including hiring someone/thing for an event ie. tent set-up, entertainment) are NOT eligible for income tax receipts.***

For a donation of service the only option is to do a “**cheque exchange**”. To do an exchange, the donor of service would need to issue an invoice based on their regular rate (as advertised) to Autism Speaks Canada. We would then pay the invoice in the amount to the donor who can either (a) sign back the cheque or (b) issue a separate cheque payable in the same amount to us. This is then considered to be a donation and is now eligible to for a tax receipt. Note a gift of service must be perceived to add value to the event.

### **Auctions**

We can issue an official tax receipt to the donor for the Fair Market Value of property donated for a charity auction.

Generally tax receipts cannot be issued to persons who purchase items through an auction, however, if the value of the item can be determined and is known by all bidders, and if the amount paid for the item exceeds the posted value, a tax receipt can be issued for the eligible amount of the gift. Note, proof of retail value is required, and the posted value of the item does not exceed 80% of the accepted bid.

Example:

A retailer donates a necklace at a third party auction. The value of the necklace is \$800 and this amount is posted with the item. The retailer donating the necklace will be entitled to receive a tax receipt for \$800. Any successful bid of \$1000 or greater would entitle the bidder to a donation receipt equal to the excess of the bid price over \$800 (ie. The eligible amount is the excess).

All goods available for auction must be valued in accordance with CRA Guidelines.

Artwork must be pre-approved and if the value is expected to exceed \$1000 **it must be appraised by a qualified independent appraiser.**

## Events

Events in which all or a portion of the proceeds are to be designated to us, there needs to be clear evidence that the ticket price is in excess of the usual and current ticket price to qualify for tax receipting. It may be possible to issue a tax receipt to ticket holders for the portion of the ticket price (referred to as “the advantage”) that is above and beyond fair market value for all goods, services, food etc. received by the ticket holder in return for the ticket price.

Where the amount of the advantage (including the usual and current ticket price) is 80% or less of the actual ticket price, a tax receipt may be issued for the difference.

### Example – concert

- Tickets are sold for \$200 to a fundraising concert featuring Performer Y
- Each participant receives a Performer Y t-shirt that normally sells for \$20 and a CD that retails at \$15.
- Performer Y put on a similar concert 8 months ago as part of their regular tour and the ticket price was \$1000
- Determination of eligible amount:

Actual ticket price	\$200
Less; Comparable non-charity ticket price	\$100
Complimentary items	\$35
Advantage	<u>\$135</u>
Eligible amount	\$65

The value of the complimentary items is \$35, which exceeds the lesser of 10% of \$200 (\$20) and \$75.

Accordingly, the complimentary items are regarded as an advantage and must be taken into account in determining the eligible amount for tax receipting purposes. In this case the amount of the advantage is \$135. Since this amount does not exceed 80% of the actual ticket prices (\$160), a tax receipt may be issued for the eligible amount \$65.

### Example – Gala

Fair Market Value (FMV) represents the true value of all goods and services provided for the ticket price/registration fee. It is calculated based on the retail value (FMV) of the goods and services provided to the ticket holder regardless of whether those goods and services were donated to the event. FMV does not take sponsorship or donations of product into account. For example:

**Ticket price: \$200/each 300 tickets sold = \$60,000**

Breakdown of ticket price:

<u>Item Include</u>	<u>Retail FMV</u>	<u>Cost to ASC</u>
Dinner	\$50x300 = \$15,000	\$25 (partially sponsored)
Cost of venue/rentals	\$10 x 300 = \$3000	\$3000
Entertainment	\$10 x 300 = \$3000	\$2,500 (partially donated)

Ticket Price: \$200

FMV of:

Dinner \$50

Venue \$10

Entertainment \$10

Total Advantage \$70

Tax Receipt \$130

Total value (retail value) of Advantage:  $\$70/\text{ticket} \times 300 = \$21,000$

The total value of receipts issued therefore **cannot exceed \$39,000** ( $\$130 \times 300$  tickets) regardless of what ASC paid to run the event

Entertainment is considered to be an Advantage. If the Entertainment is part of the core event it has to be considered an advantage IE:

- If a professional singer is hired to perform at the gala, the advantage to the attendee would be calculated based on what the ticket price would be to see the performer at a non-charitable event (on the open market).

### **Example – Golf Tournament**

There are many elements when determining the amount of the “advantage” received by participants attending a golf tournament. Ie. a fundraising golf tournament of a 100 participants with a \$200 participation fee. Some participants in the tournament are members of the Club. The green fees for non-members is \$50 day. Everyone receives:

- The cart rental (included in the participation fee) valued at \$20
- Each participant receives golf balls FMV of \$15
- The FMV of the door and achievement prizes total \$2000 or \$20 per participant ( $\$2000/100 = \$20$  per participant)
- The FMV of the supplied food and beverage excluding taxes and gratuities is \$30 per participant.

Is there intent to give?

If the amount of the advantage does not exceed 80% of the participant fee (80% of \$200 = \$160) there is an intent to give so a tax receipt can be issued.

Has the de minimis threshold been met?

The total value of the golf balls and the door prizes is \$35 to each participant (Golf balls \$15 plus door prizes \$20) which exceeds \$20 (the lesser of 10% of the participation fee; 10 of \$200=\$20 and \$75) and therefore does not meet the de minimis threshold. Since the Green Fees, Cart Rental and the food and beverage are considered a part of the main event benefits they are not included when calculating the de minimus threshold. However, they must still be deducted as advantages.

Calculation of eligible amount

	<u>Non Members</u>	<u>Members</u>
Participation Fee	\$200	\$200
Advantages:		
Green Fee	\$50	\$0
Cart Rental	\$20	\$20
Golf balls	\$15	\$15
Door prizes	\$20	\$20
Food and beverage	\$30	\$30
<b>Total Advantage</b>	<b>\$135</b>	<b>\$85</b>
<b>Eligible amount for tax receipting</b>	<b>\$65</b>	<b>\$115</b>
(Participation fee minus advantage)		

Examples of where tax receipts cannot be issued:

- Sponsorship – by virtue of being a sponsor, the corporation is receiving benefits in the form of recognition and advertising
- Donation of Services – tax receipts cannot be issued for services provided including: personal, professional or legal services

### **What types of transactions generally do not qualify as gifts?**

Transactions that do not qualify as gifts include:

- a court ordered transfer of property to a qualified donee;
- the payment of a basic fee for admission to an event or program;
- 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 exceed 80% of the value of the payment;
- a payment for a lottery ticket 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;
- donations provided in exchange for advertising/sponsorship;
- gifts of services (for example, donated time, labour);
- gifts of promises (for example, gift certificates donated by the issuer, hotel accommodation);
- pledges;
- loans of property; use of a timeshare; and the lease of premises.