Receipt of Donations

Objective

The objective is to ensure that donations are handled appropriately and consistently.

Authority

The Financial Administration Act, 1993, clauses 5(a) and 5(e), subsection 10(2) and section 22

Applicability

This policy applies to the General Revenue Fund (GRF), and special purpose funds and trust money that are administered by ministries. See Appendix C Public Money.

Definition

Donations are any moneys, real estate or other types of assets acquired through gift, donation, bequest or contribution. Non-monetary donations involve property other than cash.

Treasury Board Policy

.01 Donations are only to be accepted if permitted by legislation governing the ministry or fund. Any conditions attached to a donation must comply with that legislation.

.02 Before accepting a non-monetary donation, the permanent head must approve the appropriateness of the donation.

.03 If a tax receipt is requested for the non-monetary donation, the donor is responsible for obtaining an independent expert valuation on the value of the donation.

.04 When a donor requests an income tax receipt for a non-monetary donation valued at over $100,000, approval from the Deputy Minister of Finance is required.

.05 The donor should be formally acknowledged for the donation by a senior official of the ministry. A tax receipt can be issued if the donation meets the requirements of the Canada Revenue Agency.

Provincial Comptroller Directives

.06 Donations to the Crown belong to the GRF. The enabling legislation for other funds or organizations may provide authority for accepting donations other than to the Crown.

Donor’s Conditions

.07 Ministries have the legal authority to accept donations and issue tax receipts on behalf of the Province. However, if the donor imposes conditions on the donation (e.g., that the
donation be used for a particular purpose), the ministry may be unable to accept the donation and issue a tax receipt.

.08 If this occurs, alternate methods for executing the donation should be explored (e.g., suggesting that the donor redirect the donation to a particular fund other than the GRF or to a government organization).

.09 If the donor specifies certain conditions for the use of the donation, the ministry must ensure proper authority exists to carry out all conditions.

.10 For non-monetary donations, the ministry should not accept conditions imposed by the donor. Non-monetary donations are assets of the Province and can be utilized or sold as the Province sees fit. No conditions that restrict this should be accepted.

.11 Monetary donations to the Crown are deposited as revenue of the GRF unless the necessary authority exists to deposit them to another government fund. Conditions attached to monetary donations deposited to the GRF can only be honoured to the extent that an appropriation exists.

.12 For non-monetary and monetary donations to other government funds, conditions must be acceptable under the enabling legislation.

.13 If there are no legal impediments to accepting a conditional donation, the ministry should ensure that:

•    the costs of complying with the conditions are modest relative to the size of the donation; and
•    there are no ambiguities in the conditions (this is normally achieved through a written agreement with the donor).

Canada Revenue Agency .14 Canada Revenue Agency (CRA) prohibits the issuance of tax receipts when the conditions of the donor confer a benefit on the donor or a non-arm’s length party.

.15 CRA advice states the following, which applies to the Crown:
“A donor can ask that their gift be used in a particular program of the qualified donee as long as there is no benefit to the donor or anyone not at arm's length to the donor. The qualified donee must be able to use the gift within the particular program as it sees fit. If the donor retains control, the donation is no longer considered a gift at law and a receipt cannot be issued.”

.16 For example, a donor may request that a cash donation be used for highway maintenance. CRA views this as a reasonable request and a tax receipt can be issued. However, if the donor requests that the donation be used to repair a specific section of highway, the donor would not be eligible for a tax receipt because the donor is instructing the Government on how to utilize the donation within a program.

.17 If there is uncertainty whether a tax receipt may be issued in a specific situation, CRA – Charities Directorate should be consulted.

Non-Monetary Donations .18 The valuation of a non-monetary donation is important because it determines the amount of the tax benefit for the donor. Thus, the value should be determined by an unbiased source. In cases where the donation is property, which has been recently purchased and immediately donated, the purchase price is usually acceptable as the fair market value of the item. If the item has not been recently purchased, it is the responsibility of the donor to arrange and pay for an independent expert valuation of the property donated.

.19 For all non-monetary donations, the approval of the permanent head is required with respect to the appropriateness of the donation. Only non-monetary donations that benefit the Government should be accepted.

.20 Even though a government ministry may issue an income tax receipt for a donation to the Crown, prospective donors should be advised that they are responsible for obtaining advice on their particular tax situation.
Tax Receipt Information .21 CRA states that income tax receipts must include:

For gifts of cash:

- a statement that it is an official receipt for income tax purposes;
- the name and address of the qualified donee;
- a unique serial number;
- the place or locality where the receipt was issued;
- the date the gift was received;
- the date which the receipt was issued;
- the full name, including middle initial, and address of the donor;
- the amount of the gift;
- the amount of any advantage in respect of the gift;
- a description of the advantage;
- the eligible amount of the gift;
- the signature of an individual authorized by the qualified donee to acknowledge donations; and
- the name and website address of the Canada Revenue Agency.

For non-cash gifts (gifts in kind), these additional elements:

- a brief description of the property transferred to the charity;
- the name and address of the appraiser (if property was appraised); and
- the fair market value of the property at the time the gift was made.

.22 All income tax receipts shall bear the signature of either the permanent head or two persons authorized in writing by the permanent head.

.23 Income tax receipts should be issued from a receipt book used solely for the purpose of issuing income tax receipts. Receipts are to be pre-numbered and accounted for on a regular basis. The receipt book should be stored in a secure location.

.24 A copy of each tax receipt issued is to be forwarded to the Provincial Comptroller.
.25 CRA requires that documentation relating to donations be retained for two years.

Letter of Appreciation .26 The donor should be formally acknowledged for the donation by a senior official. It may be appropriate for the minister to send a Letter of Appreciation for Donations.

Accounting .27 Monetary donations to the GRF are to be treated as revenue. The use of monetary donations results in an expense. Non-monetary donations to the GRF may give rise to an accounting entry. Refer to Section 2150 Capital Assets Accounting and Section 2160 Inventory Accounting.

.28 For other funds, ministries should consult the Chartered Professional Accountants Canada (CPA Canada) Handbook for guidance.

Contact .29 For further information, contact the Director, Financial Services Branch, Corporate Services Division, Ministry of Finance.

References

2150 Capital Assets Accounting
2160 Inventory Accounting
3020 Suspense Accounts and Conditional Receipts
3500 Control of Public Money
3505 Receipt and Control of Public Money
3510 Minor Errors in Remittances
3515 NSF Cheques
3520 Credit and Debit Card Receipts

CRA P113 Gifts and Income Tax
CRA “What is a gift”

CPA Canada Handbook

Website:
Canada Revenue Agency
https://www.canada.ca/en/services/taxes/charities.html