



## Charitable Donations – Tax Receipt and Fair Market Value

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Before a donation receipt can be provided, a charity must first determine if the donation is a gift. A gift is a donation that is given freely, and not as a result of an obligation. In addition, the gift has to be a transfer of property, i.e. gifts of service are not eligible for a donation receipt.

When a donor receives an advantage or consideration for a donation, the full donation may no longer qualify. An example of an advantage would be if a donor received dinner or a ticket to an event in return for a donation. To determine the eligible amount of a gift, a charity must know the fair market value of the donation, as well as the fair market value of the advantage provided to the donor, if any. If a charity is unable to determine the fair market value of either the gift or advantage, a tax receipt cannot be issued.

The Canada Revenue Agency (CRA) indicates that fair market value "is usually the highest dollar value you can get for your property in an open and unrestricted market and between a willing buyer and a willing seller who are knowledgeable, informed, and acting independently of each other."

For gifts of \$1,000 or less, someone within the charity with knowledge of the gift may determine the value of the goods for receipting purposes. However, if the gift is to be appraised at an amount higher than \$1,000, then it is strongly recommended by CRA that an independent, professional appraiser prepare an appraisal report to determine the value of the gift. The receipt should also show the name of the appraiser who established the value.

A record of how the fair market value was determined should be maintained by the charity. A charity cannot issue an official donation receipt in the name of anyone but the true donor. The name and address of the donor must appear on the receipt, in addition to several other key pieces of information.

If you are uncertain how these rules affect you, contact your Manning Elliott advisors and we would be happy to assist you in navigating these complex tax issues.

**Navroz Janmohamed, CPA, CA** is a Partner at Manning Elliott LLP. He advises privately held businesses, not-for-profit organizations (NPOs) and registered charities on a wide range of income tax planning and tax compliance matters. To contact Navroz, feel free to call him at **604-714-3622** or email him at [navroz@manningelliott.com](mailto:navroz@manningelliott.com)

*The above content is believed to be accurate as of the date of posting. Tax laws are complex and are subject to frequent changes. Professional advice should be sought before implementing any tax planning. Manning Elliott LLP cannot accept any liability for the tax consequences that may result from acting based on the information contained therein.*

