

Diocese of Ontario

CHARITABLE STATUS & CHARITABLE RECEIPTING**Charitable Status**

For income tax purposes, the advancement of religion is considered a “charitable purpose” and so churches may register with Revenue Canada as a charity. Churches in the Diocese are set up as individual corporations under the Constitution and Canons of the Incorporated Synod of the Diocese of Ontario, which means that each church separately registers with Revenue Canada and has its own charitable registration number. A church’s charitable registration number is the same number as its “Business Number” (BN).

Each church registers as a separate charity, which means that each church has its own charity number.

A charity enjoys favorable treatment under the Income Tax Act (the Act), so long as the charity registers under the Act and maintains its status. (Charitable status can be revoked if a charity fails to file the annual Registered Charity Information Return – Form T3010.) To qualify as a gift to a charity an amount must be given to the charity for use in pursuing its own charitable objectives.

Charity’s Annual Information Return – Form T3010

Every year a charity must complete and file an annual information return within six months of the end of its taxation year. (Since churches in the Diocese are on a calendar year basis, they must file their Form T3010 by June 30th of the following year.) Revenue Canada has produced a useful Guide to assist charities in completing the information return and supporting schedules.

Step-by-step guide

The following is a step-by-step guide to filling in Form T3010:

Section A

- A1. Generally, *NO*.
- A2. Answer *NO*. By statute, each congregation is a separate legal entity.
- A3. Answer *YES*. “The Incorporated Synod of the Diocese of Ontario” should be entered with **BN#10750 5042 RR0001**
- A4. Generally *NO*.
- A5. Generally *NO*.

Section B

- B1. The Churchwardens and Incumbent comprise the list of Directors/Trustees. In most cases these individuals will be at arms length. In some cases, Churchwardens are related by blood, meaning they are not at arms length.

Section C

- C1. *NO*.

- C2. This response will be unique to each congregation. An example of ‘ongoing programs’ might be: Operation of, and financial support for a wide range of charitable and pastoral activities at the congregational, parish, deanery, and diocesan levels, including financial support for the Anglican Church in Canada and around the world including: Pastoral Support, Adult Christian Education, Children and Youth Ministries, Social Justice Advocacy, Hospital and University and Correctional Institution Chaplaincy Programs.
- C3. “In a single rural, city or metropolitan area” is generally applicable.
- C4. Generally *NO*, but where mission work has been undertaken by members of the congregation, the response will be *YES*.
- C5. Generally *NOT APPLICABLE*.
- C6. Depends on individual congregation – where bursaries, awards, etc., are issued, a T4A slip should be issued to the recipient.
- C7. Generally *NO*.
- C8. Unique to each congregation.
- C9. Generally, *NO*.
- C10. Depends on whether space was licensed for a fee.
- C11. Yes, the contribution to the Incorporation of the Synod of the Diocese of Ontario for Common Ministry & Mission and any other gifts to other charitable organizations should be listed.
- C12. Depends on individual circumstances.

Section D

- D1. Depends on individual circumstances.
- D2. Answer according to individual circumstances.
- D3. Varies according to individual circumstances.
- D4. Depends on individual circumstances.
- D5. Should be *NO*.
- D6. Should be *NO*.

Section E

- E1. Depends on individual circumstances.
- E2. Statement of Assets and Liabilities Section
The information for this should come from the financial statements.
- E3. Statement of Revenues and Expenditures Section
Most of this is straightforward; however, there are a few areas to pay close attention to. Congregations do not earn rental income, except for rectories. Instead, money received from groups using church premises should be recorded on line 4650, under “Other Revenue”.

Under disbursements, most expenditures should be reported as charitable work (line 5000) and would include the costs associated with priests, program staff, but not usually secretarial support (line 5010). Where a church secretary performs an active role in church programs, a portion of this cost may be allocated to line 5000.

“Office supplies and expenses” would also be considered ‘management and administrative’ in nature (line 5010). However, the majority of parish ‘total expenditures’ (line 4950) can be considered ‘charitable’ (Line 5000).

Section F

- F1. Depends on individual circumstances.
- F2. Depends on individual circumstances.
- F3. Depends on circumstances; generally *NO*.
- F4. Generally only line 5600 is applicable.
- F5. Generally *NIL*.
- F6. Generally *NIL*.
- F7. See Canada Revenue Agency guide.
- F8. Generally *N/A*.
- F9. Should be *NO*.
- F10. Generally *NIL*, however some congregations may own surplus asset from which they derive revenue.

Section G

Not applicable – refers to Foundations.

Section H

- H1. Self explanatory – this return should be signed by one of the Churchwardens.

Section I

Enter the relevant information.

Charitable Receipting

Charitable receipts are available for “gifts” made to registered charities. A “gift” means a voluntary transfer of property for no consideration. (Consideration means a payment arising as a result of bargaining between two people to exchange one item for another. Consideration is money or something of value measured in terms of money.)

What Revenue Canada considers a “Gift”

Revenue Canada is of the view that for something to be a gift to the church (and therefore a gift for which the church could properly issue a charitable receipt), the following conditions must be met:

- there must be a donor who gives property to the church;
- such property must be accepted by the church as a gift; and
- no right, privilege, material benefit or advantage may be conferred on the donor (or on someone the donor has designated to receive a benefit) as a consequence of making the gift.

One of the most significant privileges a church has as a result of being categorized as a charity is the ability to provide official charitable receipts for gifts to the church. It is imperative that the receipting procedure be understood and used properly.

Gifts-in-kind

A “gift-in-kind” is simply a gift of something other than cash (or a cash equivalent). For example, a gift to a church of a piece of artwork would be a gift-in-kind. A gift of stocks in a publicly traded company would also be a gift-in-kind. As with any kind of gift, to qualify as a gift for which a charitable receipt can be given, gifts-in-kind must also satisfy the criteria listed above.

It is the church’s responsibility to establish the value of a gift-in-kind for receipting purposes. For shares on a publicly traded market the value would be the closing selling price on the day the church acquired the shares. For property where there is no public market, the person determining the value of the property must be independent, competent and qualified to establish the value – the name of the appraiser who established the value of the gift should be disclosed on the official receipt.

Over the past few years, the government has changed the income tax laws such that a donation of capital property to a charity is treated more favourably than it used to be treated, so some churches are finding that donors are interested in donating capital property, such as marketable securities. For tax purposes, if the stocks (or other capital property) have appreciated in value during the time the donor owned the property the donor will be deemed to have a capital gain at the time of the gift (the capital gain will be the difference between the fair market value of the property on the date of the gift and donor’s original cost of the property.) Essentially, the Income Tax Act allows favourable treatment of these gift so that there should not be tax on any capital gain.

Payments not normally qualifying as donations

Certain types of payments made to charities do not normally qualify as donations, for example:

- Amounts received by loose collection (because with loose collections particular donors cannot be identified as having made a particular donation):
- Donations for services where the donor requests that instead of payment for his/her services, he/she be given a donation receipt for the value of the services (see below for more information on this);
- Donations of old clothes, furniture, home baking, hobby crafts, etc. (unless the articles are of unusually high value);
- Amounts paid for admission to concerts, dinners and similar fund-raising functions.
- *Official receipts should not be given for gifts that fall into one of the above categories.

*Common Problem Areas Related to Whether to Issue a Charitable Receipt

The question of when might a charitable receipt be issued comes up quite frequently. While it is impossible to explain all the possible situations that can arise, there are some common ones that give rise to a lot of questions, so it is worthwhile considering them here.

Q. Can the church issue a charitable receipt to me for the value of services I donate to the church?

A. No (but keep reading...) – As noted above, if someone provides a service to the church that normally that person would charge for but instead of charging the church the person wants to treat those services as a “gift” to the charity in exchange for a charitable donation receipt, a receipt should not be given. The reason is simple: in such a case there has not been a transfer of property to the charity. (The same is true when a potential donor proposes giving the church a no-interest loan (in exchange for a charitable receipt for the amount of interest that otherwise would have been charged on such a loan). For income tax purposes the lender is not considered to have made a gift of the use of the loaned funds since there has not been a transfer of property to the church.) If, however, a person provides services to the church and wishes to make a donation to the church, the church can pay the person for the services and that person can then donate money to the church¹. When that person donates the money he/she will, of course, be entitled to a charitable receipt because there has been a transfer of property (money) to the church. (See Revenue Canada’s IC 80-10R, para. 30(d))

Q. I have property (perhaps an art treasure) with a fair market value of \$xx,xxx. I would be willing to sell it to the church for a nominal amount (say \$100) if the church will give me a charitable receipt for the difference between the fair market value and the amount the church actually paid me (in this case \$xx,xxx-\$100). Can the church issue me a charitable receipt?

A. No. If someone transfers a property to the church and the church pays the donor for the property, the transferor has not made a gift of the property to the church, even if the value of the property transferred to the church significantly exceeded what the church paid for the property. Such a transfer is not a gift because it was not given for consideration.

Q. The church wants to hold a fundraising dinner. The catering cost per meal is \$20 and the church would like to charge \$50 per person for the dinner. Can the church issue a charitable receipt to persons buying tickets, and if so, for how much could each receipt be?

A. Yes. A charitable donation receipt could be issued to persons buying tickets, but only for the amount that exceeds the fair market value of the meal. (Since the meal is costing the church \$20 per person, assuming that is the fair market value of the meal, receipts can be issued for \$30.) Receipts are permitted so long as nothing of material value is retained by the donor. In this case, essentially \$20 is consumed (not retained *per se*) and so the balance represents a charitable donation.

However, if the dinner was free but people attending the dinner came on the understanding that they would be expected to contribute \$50 (or any amount), no receipt may be given. One way of avoiding any linkage between a free dinner and the “offering” would be to request that donations to the church be sent by mail. If this practice is adopted, to maximize the chance of people responding, a return envelop could be provided at the dinner.²

1 [The preceding was from the Canadian Council of Christian Charities, CCCC, Handbook, Section 3, p. 1]

2 [From CCCC Hb, Section 3, page 3]

Q. If I attend organize religious instruction at the church that I pay a fee for, can I get a charitable donation for the amount paid?

A. Yes – so long as the religious instruction is not provided at the post-secondary level (i.e., university level) a receipt can be given. Because religious knowledge is generally not considered to have a commercial value (in other words, a value measurable in terms of money or money’s worth), where an amount is paid to a church for religious instruction the amount is considered to be a gift to the church unless the instruction is provided at a postsecondary level, in which case it is considered to be to enable the student to pursue a career as a minister, teach of religion, etc.

Q. If I donate something to be auctioned off by the church, can I get a charitable receipt? And if so, for what amount?

A. Yes, the church may issue a charitable donation receipt for items donated to the church for an auction. The receipt would be issued for the fair market value of the item donated. (It is worth noting that persons buying items at such an auction are not entitled to a charitable donation receipt for items purchased.)

Some specifics about actually (physically) issuing receipts

Only those people who are responsible for knowing that the donations were received and that the tax laws allow a receipt to be issued may actually issue the receipt. Control of issuing charitable donation receipts is the ultimate responsibility of the Churchwardens. Failure to control the church’s issuance of charitable receipts can have serious consequences on the church – the church could lose its charitable status.

Receipts must be issued to the person making the donation – not to someone else, even at the request of the donor. (Let’s say, for example, that a church member donates \$100 to the church but asks the church to write the receipt to someone else; essentially, the donor wants to “benefit” someone else by giving them a tax credit. The church should not issue the receipt in anyone’s name but the donor’s.)

Receipts for donations received after the calendar year end may be issued for a donation mailed in the previous year only if the cheque was dated for the previous year. Receipts must contain certain information, including the following (per Income Tax Regulation 3501):

- the church’s address;
- the church’s charitable registration number, which is the same number as its “Business Number” for purposes of all correspondence with Revenue Canada (including filing Form T3010 and GST returns);
- the serial number of the receipt;
- the date of the donation;
- the name and address of the donor;
- the amount of the gift (in the case of a non-cash gift the amount is the fair market value of the property at the time the gift was made, and should be clearly marked “Gift-in-kind”);
- the signature of a responsible individual (typically, one of the Churchwardens).
- The name and web address of Canada Revenue Agency.