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# Fundraising Dinners & Charities



CANADIAN COUNCIL *of* CHRISTIAN CHARITIES  
ADVANCING MINISTRY TOGETHER

## A WORD FROM OUR CEO



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A handwritten signature in black ink that reads "John Pellowe". The signature is written in a cursive, flowing style.

Rev. John Pellowe, MBA, DMin  
CEO

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# FUNDRAISING DINNERS & CHARITIES

*Dinners are a popular way of fundraising and CCCC is often asked by dinner organizers: "If we structure the dinner in such and such a manner, what amount can we issue a receipt for?"*

The scenarios presented to us often vary in their facts from the example provided by Canada Revenue Agency (CRA) (see "Resources" below), and unfortunately there is no section in the Income Tax Act (ITA) called "rules for fundraising dinners". So answering this question is always an exercise of applying the underlying principles as best as possible to the particular situation. In this article we will set out the basic principles and provide our thoughts on how they apply to various situations.

## 1. Fundraising Dinners – the Primary Income Tax Act Rules to Keep in Mind

A charity must keep in mind the ITA's advantage rule when organizing fundraising events and issuing charitable tax receipts. When a donor receives an advantage or benefit "in relation to" a donation, the fair market value of the advantage(s) must be deducted from the donation amount. The remaining amount, would be the 'eligible amount' on the donor's charitable tax receipt (known as "split-receipting"). This is the case even if the advantage(s) given to the donor by the charity did not cost the charity anything (i.e. items were donated to the charity). Also if the advantage is more than 80% of the total amount given, it is presumed that there was no intent to make a gift unless the donor proves otherwise.<sup>1</sup>

## 2. Fundraising Dinners – Putting a Value on the Advantage(s)

a) Things that could be considered an advantage in a dinner context are the meal, professional (vs. amateur) entertainment, and giveaways. The charity would deduct the fair market value (vs. cost) of these amounts from the value of any item or money given to the charity by the donor. The precise amount of the advantage is the total of everything of value (i.e. the fair market value of property, services, compensation, use, etc.) the donor received or is entitled to receive immediately or in the future as either compensation or an expression of gratitude by the charity to the donor for the donor's monetary, or other contribution; or that is in any way related to the gift or monetary contribution. The advantage can be direct (e.g. to the donor) or indirect (e.g. to the donor's family).<sup>2</sup>

b) When the value of the advantage is not more than the lesser of \$75 or 10% of the amount given by the donor, then it is considered nominal and does not have to be treated as an advantage. If a donor gifted \$50, an advantage could only be ignored if its value was not more than the lesser of \$75 and \$5. In this case, an advantage could only be ignored if it was valued at \$5 or less. This threshold test is known as the 'de minimus' rule.<sup>3</sup>

c) CRA has indicated that where the key part of the fundraising event is the meal, they will always consider the meal to be an advantage (i.e. the de minimus rule could not be applied to the value of the meal). When applying the de minimus threshold to the sum value of advantages, the value of the meal would not be included. (See below for resources on split-receipting and the de minimus rule.)



## 3. Examples – Entrance/Ticket Prices and the Fair Market Value of the Meal

### a) Where entrance/ticket price equals the fair market value of dinner

Facts of this fundraising dinner situation: the only giveaway is the flower centrepiece which goes to the oldest person at the table, and its value falls under the de minimus threshold; the ticket price is \$25; the fair market value (FMV) of the dinner is also \$25; and, at the event the participant also donates \$100. Is any part of the ticket price receiptable? No part would be receiptable, as the ticket price equals the advantage (i.e. the FMV of the dinner). The eligible amount of the charitable tax receipt for the \$100 donation would be \$100. It would not be reduced by the value of the meal as it was fully paid for by the ticket purchase and in respect of the \$100 donation, is not an advantage/benefit to the donor. There would also be no reduction in the receipt amount for the only giveaway as its value fell under the de minimus threshold.<sup>4</sup>

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## **b) Where entrance/ticket price exceeds the fair market value of dinner.**

Facts of this fundraising dinner situation: the dinner ticket price is \$50; the FMV of the dinner is \$25; the only giveaway is a coffee-table book with a FMV of \$10; the book will be considered an advantage since its value is greater than \$5 (i.e. 10% of \$50) and therefore does not fall under the de minimus threshold; and there are no other advantages in this example. Is any part of the ticket price receiptable? Yes, in this case the \$50 less the advantage amount of \$35 (\$25 + \$10) leaves \$15 as the eligible amount for the charitable tax receipt. There were no other giveaways or advantages and therefore the full amount of any additional donations made by the individual at the event would be receiptable.

## **c) Where there is no stated entrance/ticket price for the dinner.**

(i) Facts of this fundraising dinner situation: there is no stated entrance fee or ticket price for the dinner and although it could happen that someone attends without making any contribution, attendees understand that a donation is expected; all the food for the dinner has been donated to the charity and the charity does not have to purchase any supplies to put on the dinner; the FMV of the meal is \$40; there are no giveaways or other advantages; and, at the event the participant donates \$50. Is any part of the donation receiptable? Yes, but not the whole \$50. The meal is an advantage to the donor regardless of whether or not the dinner supplies were donated. The eligible amount of the receipt would be \$10 (\$50 - \$40). It would be prudent for this charity's organizers to inform donors in advance that the amount of their donation receipt will be reduced by the FMV of the meal.

(ii) Let's change one fact: the participant donates \$43. Is any part of this donation receiptable? Using the same process, one would think that the eligible amount of the receipt is \$3 (\$43-\$40). However, keeping in

mind the intent to give rule, it is clear that the \$40 advantage is more than 80% of the total amount given. Or to look at it in the reverse, the \$3 gift part does not exceed the advantage value by more than 25%. The onus is now on the donor to prove they did have an intent to make a donation. To avoid this situation entirely, it would be simplest for the charity to further inform donors upfront, that only gifts of \$50 or more will be issued a charitable tax receipt for the eligible amount.

(iii) Further change in facts: this situation would become more difficult for the charity to manage administratively if there were giveaways. Taking the first set of facts where the participant donated \$50, let's add the following facts: chocolates were donated to the charity; the charity in turn gave them to the dinner participants; and the FMV of each box was \$10. Are the chocolates an advantage? It will depend on the amount a particular donor donates. Recall that the de minimum threshold is the lesser of \$75 and 10% of the donation. In this case the chocolates are an advantage as their value exceed \$5 (10% of \$50). The result would be that no part of the \$50 donation is receiptable (\$50 less \$40 meal less \$10 chocolates=0 eligible amount). In this situation, a donation of at least \$100 would have to be made for the chocolates not to be considered an advantage (\$10-10% of \$100). Keeping in mind the intent to give rule, this charity would want to inform donors that in addition to any donation being reduced by the value of the meal and chocolates, no charitable tax receipts will be issued for any donations under \$62.50 (\$50=80% of \$62.50 and \$12.50=20%), and that a donation of \$62.50 would result in a charitable tax receipt of \$12.50 (\$62.50 less \$40 dinner less \$10 chocolates).

## **4. Examples - Sponsoring/ Buying a Table's Worth of Tickets**

### **a) Where a business or individual sponsors/ buys a table for their staff/guests.**

Facts of the situation: participant individual or business buys a table (8 tickets at \$30 each for total of \$240) for a fundraising dinner; the participant fills the table with his own invitees, staff, friends and/or family; the participant hopes that his guests will make a donation to the charity; there are no giveaways or other advantages; and the FMV of the dinner is \$30. Can the participant receive a receipt for any part of the \$240? No. The ticket price covers only the fair market value of the meal. However, if the tickets had cost \$50 each (8 tickets at \$50 for total of \$400) instead of \$30, then each ticket would have included an eligible donation amount of \$20 (\$50 ticket less meal at FMV of \$30 = \$20). In that case, the participant would be eligible for a receipt of \$20 x 8 (i.e. \$160). In this example the meals have been paid for in full by the participant, and it is reasonable to conclude that the meal is not an advantage which the charity has conferred on any of his guests. Therefore if a guest of the participant makes a \$100 donation to the charity, the \$30 value of the meal would not be deducted as an advantage, and the eligible amount of the guest's receipt would be \$100. If the value of the \$30 meal was deducted from the guest's donation there would be a notional double "payment" for that same meal, which in our view, cannot reasonably be the intent of the legislation.

### **b) Where a business or individual sponsors/buys a table for the charity to determine guests.**

Facts of the situation: the charity wants to invite selected dignitaries, community leaders, and some notable prospective donors to the fundraising dinner event to raise the profile of the event, to introduce them to the organization, and/or have them participate in the event; the charity determines that the dinner expenses related to the attendance of such people are proper fundraising expenses that can legitimately be borne by the charity; an individual or business sponsors and pays for a table of 8 at \$50/ ticket (for \$400); the FMV of the dinner is \$30; there are no other

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giveaways or advantages; the individual or business representative plans to attend (i.e. use one ticket personally); the charity hands out the remaining 7 tickets to the dignitaries etc. identified above. Is the individual or business entitled to a charitable tax receipt for any part of the \$400? The case can reasonably be made that the donor should receive a receipt for the full amount of the 7 tickets as well as the \$20 donation part (\$50 ticket price less \$30 meal value) of their own ticket. The eligible amount of the charitable donation receipt would then be \$370 (\$350 + \$20). The 7 tickets are equivalent to a gift

in kind such as flowers, decorations, food, giveaways etc. The 7 tickets are entirely under the direction and control of the charity and are being used in an appropriate manner. The meals of the charity's 7 guests are not a benefit to the donor, as would be the case if the donor brought their own guests.

## Concluding Tips

When developing a fundraising dinner event, keep it simple and keep in mind the administrative work that will be involved in issuing the charitable receipts, if any. Regardless of how the dinner is organized,

charities owe it to their donors to be upfront about the amount that will be deducted from any donation (the advantage, if any), and the minimum amount that will be eligible for a charitable tax receipt.

## Resources

- For a sample Charitable Tax Receipt see CCCC's 2006 Bulletin, Issue 1 - Official Donation Receipt Checklist.
- CRA Technical News Number 26 located at: [www.cra-arc.gc.ca/E/pub/tp/itnews-26/itnews-26-e.pdf](http://www.cra-arc.gc.ca/E/pub/tp/itnews-26/itnews-26-e.pdf)

## Endnotes

1. This "intent to give" rule is set out in the proposed ITA s. 248(30).
2. "Advantage" is defined in the proposed ITA s. 248(32).
3. The de minimus rule is a CRA administrative rule, meaning it is not set out in the ITA. See CRA Technical News Number 26.
4. Fund-raising dinners held by a charity, including those that are public institutions, are considered an exempt supply for GST/HST purposes so long as part of the consideration paid is eligible for a receipt (Excise Tax Act Schedule V, Part V.1, section 2 and Part VI, section 3). This means that if no part of the ticket price is receiptable, the dinner should be treated as a taxable supply unless another rule can be relied upon. For example, supplies provided at direct cost are considered exempt supplies (Excise Tax Act Schedule V, Part V.1, section 5.1 and Part VI, section 6). However in the context of this example a charity is charging the FMV for the dinner which is usually greater than the direct cost. Providing taxable supplies means a charity has to charge GST/HST unless it qualifies as a small supplier. See What's New - Charities and GST/HST - A High Level Summary on the CCCC website for more information on GST/HST.

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