

# Gifts and Income Tax

## 2017

### Is this pamphlet for you?

Are you an individual planning to give money or other property to a registered charity or other qualified donee? Do you own land or a building, or have stocks or bonds that you would like to give to a registered charity or other qualified donee? Do you own an oil painting, stamp collection, etching, sculpture, antique, or coin set that you would like to give to a gallery or museum? Are you having your gift appraised? If so, the decisions you make may affect your tax situation.

This pamphlet will provide you with information about making a gift in 2017. If you require information about a gift made in a previous year, you will need a version of this pamphlet for the year in which you made your gift. You can get previous versions of this pamphlet by going to [cra.gc.ca/E/pub/tg/p113](http://cra.gc.ca/E/pub/tg/p113) or by calling 1-800-959-8281.

Our publications and personalized correspondence are available in braille, large print, etext, or MP3 for those who have a visual impairment. Find more information at [canada.ca/cra-multiple-formats](http://canada.ca/cra-multiple-formats) or by calling 1-800-959-8281.

La version française de cette brochure est intitulée *Les dons et l'impôt*.

## What's new for 2017?

**Ecological gifts program** – Under proposed changes, for gifts of ecologically sensitive land made after March 21, 2017, there are a number of changes to the Ecological gifts program related to the approval of recipients, private foundations and personal servitudes. For dispositions made and changes of use that occur after March 21, 2017, there are also new rules applicable to unauthorized changes of use or dispositions of property. For more information, see “Gifts of ecologically sensitive land”, beginning on page 9.

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## Definitions

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In this section, we define some terms that we use in this pamphlet.

**Adjusted cost base (ACB)** – Usually the cost of a property plus any expenses to acquire it, such as commissions and legal fees. It also includes capital expenditures, such as the cost of additions and improvements to the property. You cannot add current expenses, such as maintenance and repair costs, to the cost base of a property. For more information on ACB, read Chapter 3 of Guide T4037, *Capital Gains*.

**Advantage** – The **advantage** is generally the total value of any property, service, compensation, use or any other benefit that you are entitled to as partial consideration for, or in gratitude for, the gift. The **advantage** may be contingent or receivable in the future, either to you or a person or partnership not dealing at arm's length with you.

For example, you donate \$1,000 to the Anytown Ballet Company, which is a registered charity. In gratitude, the company provides you with three tickets to a show that are valued at \$150. You are therefore considered to have received an **advantage** of \$150. The **eligible amount of the gift** (see definition on the next page) is \$850 (\$1,000 – \$150).

The advantage also includes any limited-recourse debt in respect of the gift at the time it was made. For example, there may be a limited-recourse debt if the property was acquired as part of a gifting arrangement that is a tax shelter. In this case, the eligible amount of the gift will be reported in box 13 of Form T5003, *Statement of Tax Shelter Information*. For more information on tax shelters and gifting arrangements, see Guide T4068, *Guide for the Partnership Information Return (T5013 Forms)*.

**Arm's length transaction** – refers to a transaction between persons who act in their separate interests. An arm's length transaction is generally a transaction that reflects ordinary commercial dealings between parties acting in their separate interests.

“Related persons” are not considered to deal with each other at arm's length. Related persons include individuals connected by blood relationship, marriage, common law partnership or adoption (legal or in fact). A corporation and another person or two corporations may also be related persons.

“Unrelated persons” may not be dealing with each other at arm's length at a particular time. Each case will depend upon its own facts. The following criteria will be considered to determine whether parties to a transaction are not dealing at arm's length:

- whether there is a common mind which directs the bargaining for the parties to a transaction;
- whether the parties to a transaction act in concert without separate interests; “acting in concert” means, for example, that parties act with considerable interdependence on a transaction of common interest; or

- whether there is de facto control of one party by the other because of, for example, advantage, authority or influence.

For more information, see Income Tax Folio S1-F5-C1, *Related persons and dealing at arm's length*.

**Eligible amount of the gift** – This is the amount by which the fair market value (FMV) of the gifted property exceeds the amount of an **advantage** (see definition on page 5), if any, received or receivable for the gift. There are situations in which the eligible amount may be deemed to be nil. For more information, see “Official donation receipts” on page 15 and “Deemed fair market value” on page 17.

**Fair market value (FMV)** – This is usually the highest dollar value you can get for your property in an open and unrestricted market, between a willing buyer and a willing seller who are acting independently of each other.

### Note

For the purposes of this pamphlet, there are certain situations in which the FMV will be deemed to be less than the actual FMV of the property described above. For more information, see “Deemed fair market value” on page 17.

## Gifts and income tax

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If you made a gift of money or other property to certain institutions, you may be able to claim federal and provincial or territorial non-refundable tax credits when you file your income tax and benefit return, provided that you receive an official donation receipt from the institution(s). If you lived in Quebec on December 31, claim your provincial tax credit on your Quebec income tax return.

If you are a first-time donor in 2017 (neither you nor your spouse or common-law partner has claimed a charitable donations tax credit for 2007 and subsequent tax years), you can benefit from the First-time donor's super credit. This credit supplements the value of the federal charitable donations tax credit by 25% on gifts of money up to \$1,000 in respect of only one taxation year from 2013 to 2017. For more information, go to [canada.ca/first-time-donors-super-credit](http://canada.ca/first-time-donors-super-credit).

In most cases, a gift is a voluntary transfer of property without valuable consideration. However, a transfer of property for which you received an **advantage** (as defined on the previous page) is still considered a gift for purposes of the *Income Tax Act* as long as we are satisfied that the transfer of property was made with the intention to make a gift. The fact that you received an advantage will not by itself disqualify the transfer from being a gift when the fair market value (FMV) of the advantage **does not exceed 80%** of the FMV of the transferred property.

## Note

If the amount of the advantage **exceeds 80%** of the FMV of the transferred property, we may still consider the transfer to be a gift for purposes of the *Income Tax Act*. For more information, write to the Charities Directorate, Canada Revenue Agency, Ottawa ON K1A 0L5, or call the Charities Directorate at **1-800-267-2384**.

It is the **eligible amount** of the gift (as defined on page 6) that is used to calculate your non-refundable donation tax credits.

The tax consequences of a gift depend on such facts as whether it is:

- a gift to a qualified donee (as defined below);
- a gift of ecologically sensitive land;
- a gift of certified cultural property to a designated institution or a public authority under the *Cultural Property Export and Import Act*;
- a gift of a share, debt obligation or right listed on a designated stock exchange, a share of the capital stock of a mutual fund corporation, a unit of a mutual fund trust, an interest in a related segregated fund trust or a prescribed debt obligation;
- a gift of publicly listed flow-through shares acquired after March 21, 2011;
- a gift of non-qualifying securities; or
- a gift of options to acquire property.

It will also depend on whether the property was capital property, listed personal property, or inventory of a business.

## What gifts can you claim?

### Gifts to registered charities and other qualified donees

You can claim a tax credit based on the **eligible amount** of your gift to a qualified donee. Qualified donees are:

- registered charities;
- registered Canadian amateur athletic associations;
- registered national arts service organizations;
- registered housing corporations resident in Canada set up only to provide low-cost housing for the aged;
- registered municipalities in Canada;
- registered municipal or public bodies performing a function of government in Canada;
- the United Nations and its agencies;

- registered universities outside Canada that are prescribed to be universities the student body of which ordinarily includes students from Canada;
- Her Majesty in Right of Canada, a province, or a territory; and
- before June 23, 2015, registered foreign charitable organizations to which Her Majesty in Right of Canada has made a gift. For gifts after June 22, 2015, registered foreign charities (which now include foreign charitable foundations) to which Her Majesty in Right of Canada has made a gift.

To further assist donors in determining which organizations may issue official donation receipts, qualified donees must appear on the publicly available lists that we maintain at [cra.gc.ca/chrts-gvng/lstngs/lstchrts-qds-eng.html](http://cra.gc.ca/chrts-gvng/lstngs/lstchrts-qds-eng.html). The only exceptions are the United Nations and its agencies, Her Majesty in Right of Canada, or a province or territory.

Generally, you can claim part or all of the **eligible amount** of your gifts, up to the limit of 75% of your net income for the year. You may be able to increase this limit if you give capital property (including depreciable property). For details, see “Calculating your increased donation limit” on page 24.

### Gifts of non-qualifying securities

Special rules apply if you make a gift of a non-qualifying security, such as shares of a corporation you control, or obligations, or any other security issued by yourself (other than shares, obligations, and other securities listed on a designated stock exchange and deposits with financial institutions). For more information, go to [cra.gc.ca/chrts-gvng/chrts/glsry-eng.html](http://cra.gc.ca/chrts-gvng/chrts/glsry-eng.html) and see “Non-qualifying security,” or see Guide T4037, *Capital Gains*. You can also contact the Charities Directorate at **1-800-267-2384**.

### Gifts to U.S. charities

Generally, if you have U.S. income, you can claim any gifts to U.S. charities that would be allowed on a U.S. return. You can claim the **eligible amount** of your U.S. gifts up to 75% of the **net U.S. income** you report on your Canadian return. However, you may be able to claim the **eligible amount** of your gifts to certain U.S. organizations up to 75% of your **net world income**. You can do this if you live near the border in Canada throughout the year and commute to your principal workplace or business in the United States, and if that employment or business was your main source of income for the year. Similarly, your claim will also not be restricted to net U.S. income if your gift is to a U.S. college or university at which you or a member of your family is or was enrolled or if your gift is to a prescribed U.S. university as referenced in the list of qualified donees that begins on page 7.

### Gifts to Canada, a province, or a territory

You can claim a tax credit based on the **eligible amount** of gifts to the Government of Canada, a province, or a territory. These types of charitable donations do not include contributions to political parties. The amount that

qualifies for the tax credit is limited to 75% of your net income. Enter the eligible amount on **line 2** of Schedule 9, *Donations and Gifts*.

Monetary gifts to Canada should be made payable to the Receiver General. Send the gift, along with a note stating that the money is a gift to Canada, to: Place du Portage, Phase III, 11 Laurier Street, Gatineau QC K1A 0S5. If you made such a gift, you should have been provided with an official donation receipt.

## Gifts of ecologically sensitive land

You can claim a tax credit based on the **eligible amount** of a gift of ecologically sensitive land including a covenant, an easement, or, in the case of land in Quebec, a real servitude (or under proposed changes, for gifts made after March 21, 2017, a personal servitude [the rights to which the land is subject and which has a term of not less than 100 years]) you made to Canada, or one of its provinces, territories, or municipalities, or a registered charity approved by the Minister of Environment and Climate Change Canada (ECCC).

Under proposed changes, a gift of ecologically sensitive land cannot be made to a private foundation after March 21, 2017.

Gifts of ecologically sensitive land made to a municipal or public body performing a function of government in Canada, also qualify for a tax credit.

In addition, under proposed changes, gifts of ecologically sensitive land to municipalities and municipal and public bodies made after March 21, 2017 must also be approved by the Minister of ECCC on a case by case basis.

The Minister of ECCC, or a person designated by that minister, has to certify that the land is important to the preservation of Canada's environmental heritage. The Minister will also determine the fair market value (FMV) of the gift.

For a gift of a covenant or an easement, or in Quebec, a real servitude (or under proposed changes, a personal servitude when certain conditions are met), the FMV of the gift will be the **greater** of:

- the FMV of the gift otherwise determined; and
- the amount of the reduction of the land's FMV that resulted from the gift.

The FMV of the donated property, as determined or redetermined by the Minister of ECCC, will apply for a 24-month period after the last determination or redetermination. If you make a gift of the property within that 24-month period, it is the last determined or redetermined value that you use to calculate the **eligible amount** of the gift, whether you claim the gift as a gift of ecologically sensitive land or as an ordinary charitable gift.

To help make sure that the donated land is protected and not subsequently used for other purposes, a tax of 50% of the FMV of the land is charged to a recipient who, without the consent of the Minister of ECCC, changes the use of the land or disposes of it.

Under proposed changes, where the gifted land is transferred between organizations for consideration after March 21, 2017, the recipient of the transferred property will be charged the 50% tax if they subsequently change the use or dispose of the property without the consent of the Minister of ECCC.

Your claim for a gift of ecologically sensitive land is not limited to a percentage of your net income.

For a gift of ecologically sensitive land made before February 11, 2014, any unclaimed portion of the eligible amount of the gift can be carried forward for up to **five** years.

For a gift of ecologically sensitive land made after February 10, 2014, the carry-forward period is **ten** years.

The Minister of ECCC (or if the land is located in Quebec, the ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques) will issue you a certificate indicating the FMV of the gifted property and that the property is important to the preservation of Canada's environmental heritage. Attach this certificate to your income tax and benefit return. Enter the **eligible amount** of the gift of ecologically sensitive land on **line 342** of Schedule 9, *Donations and Gifts*.

You may have a capital gain or loss for the land that you donated. For information, see the section called "Capital gains and losses" on page 21.

## Gifts of certified cultural property

Special incentives have been put in place to encourage Canadians to keep in Canada cultural property that is of "outstanding significance and national importance." Under the *Cultural Property Export and Import Act*, people can donate this type of property to Canadian institutions and public authorities that have been designated by the Minister of Canadian Heritage.

You can claim a tax credit based on the **eligible amount** of gifts of certified cultural property. The **eligible amount** of your gift is calculated based on the fair market value (FMV) of the property, as determined by the Canadian Cultural Property Export Review Board (CCPERB).

The FMV of the donated property, as determined or redetermined by the CCPERB, will apply for a 24-month period after the last determination or redetermination. If you make a gift of the property within that 24-month period, it is the last determined or re-determined FMV that you use to calculate the **eligible amount** of the gift, whether you claim the gift as a gift of cultural property or as an ordinary charitable gift.

For gifts of certified cultural property made after February 10, 2014, the deemed FMV rules explained in the section called, "Deemed fair market value," on page 17, apply when the property is acquired as part of a gifting arrangement that is a tax shelter.

Your claim for a gift of certified cultural property is not limited to a percentage of your net income.



If you donate cultural property, certified by the CCPERB, to a designated institution or a public authority, the CCPERB will issue you Form T871, *Cultural Property Income Tax Certificate*, indicating the FMV of the gifted property. Attach this certificate to your income tax and benefit return. Enter the **eligible amount** of the gift of certified cultural property on **line 342** of Schedule 9, *Donations and Gifts*.

You do not have to report, or pay tax on, any capital gain that you realize when you donate certified cultural property to a designated institution or a public authority. You can, however, deduct capital losses within specified limits. For more information, see Guide T4037, *Capital Gains*.

For more information on the certification of cultural property donations as well as contact information for the CCPERB, see the section called “The *Cultural Property Export and Import Act*” on page 25.

## Carrying forward tax credits

You do not have to claim, on your income tax and benefit return for the current year, the **eligible amount** of gifts you made in the year. It may be more beneficial for you to carry them forward and claim them on your return for any of the next **five** years (or over the next **ten** years for a gift of ecologically sensitive land made after February 10, 2014). No matter what your choice is, you can claim them only once.

You have to claim tax credits for gifts you carried forward from a previous year **before** you claim tax credits for gifts you give in the current year. If you are claiming a carryforward, keep a record of the portion of the **eligible amount** you are claiming this year, and the amount you are carrying forward.

## Gifts in the year of death

You can claim on the deceased’s final return, the **eligible amount** of gifts that a deceased person gave in the year of death. The amount claimed is limited to the **lesser** of:

- 100% of the deceased person’s net income; and
- the **eligible amount of the gift(s)** made in the year of death, **plus** the unclaimed portion of the eligible amount of any gifts made in the **five** years before the year of death (or, for a gift of ecologically sensitive land made after February 10, 2014, in the **ten** years before the year of death).

Any excess can be claimed on the return for the previous year (up to 100% of the deceased’s net income for that year).

For deaths that occurred before 2016, gifts bequeathed in the deceased’s will and designation donations were deemed to be made by the individual immediately before their death. A **designation donation** is a donation of a direct distribution of proceeds to a qualified donee who is the designated beneficiary of a registered retirement savings plan (RRSP), including a group RRSP, a registered retirement income fund (RRIF), a tax-free savings account (TFSA), or a life insurance policy including a group life insurance policy. This

does not apply if the qualified donee is a policyholder under the life insurance policy or is the assignee of the life insurance policy.

For deaths that occur after 2015, estate donations (donations made by will and designation donations) are no longer deemed to be made by an individual immediately before the individual’s death. Instead, these donations are deemed to be made by the individual’s estate and where certain conditions are met, by the individual’s **graduated rate estate (GRE)**.

Effective December 31, 2015, a GRE of an individual at any time is the estate that arose on and as a consequence of the individual’s death, if that time is no more than 36 months after the death of the individual, and the estate is at that time a testamentary trust that meets the following conditions:

- The estate designates itself, by filing a T3 return of income for its first taxation year (or, if the estate arose before 2016, for its first taxation year that ends after 2015), as the deceased individual’s GRE.
- No other estate designates itself as the GRE of the deceased individual.
- The estate must include the deceased individual’s social insurance number in its T3 return of income for each taxation year of the estate that ends after 2015 and during the 36 month period after the death of the individual.

For more information about GREs, see T4013, *T3 Trust Guide*.

For deaths after 2015, **GRE donations** are donations by a graduated rate estate to a qualified donee. The donated property must be property that was acquired by the estate on and as a consequence of the death (or property that was substituted for such property). GRE donations also include designation donations.

You can allocate a GRE donation among any of:

- the taxation year of the GRE in which the donation is made,
- an earlier taxation year of the GRE, or
- the last two taxation years of the deceased individual (the final return and the return for the preceding year).

In addition, for 2016 and future taxation years, a gift made after the 36 month period but within 60 months after the date of death by a former GRE that continues to meet all of the requirements of a GRE except for the 36 month time limit, can be allocated among any of:

- the taxation year of the estate in which the donation is made; or
- the last two taxation years of the deceased individual (the final return and the return for the preceding year).

An estate, whether it is a GRE or not, can claim a charitable donations tax credit for an estate donation in the year in which the donation is made or in any of the five following years (or 10 years for a gift of ecologically sensitive land made after February 10, 2014). However, an estate that is not a GRE or a former GRE (within 60 months of the date of death) cannot allocate a donation made by the

estate to a taxation year of the deceased individual or to an earlier year of the estate.

Donations made by the individual in the year of death but prior to the date of death, can be still claimed on the deceased individual's final return or the return for the preceding year.

Generally, when an individual dies, the individual is deemed to have disposed of all capital property immediately before the individual's death.

Where the estate of an individual donates property that was the subject of a deemed disposition by the individual immediately before the individual's death, and the property's fair market value upon transfer to the qualified donee has changed, the difference will result in a gain or loss to the estate that will generally be recognized for income tax purposes. This will be the case whether or not the donation is a GRE donation or a former GRE donation.

For more information on gifts in the year of death including the treatment of capital gains on disposition, see Guide T4011, *Preparing Returns for Deceased Persons*, and the T4013, *T3 Trust Guide*, and the following budget documents:

- *Graduated Rate Taxation of Trusts and Estates and Related Rules* at [cra.gc.ca/gncy/bdgt/2014/qa15-eng.html](http://cra.gc.ca/gncy/bdgt/2014/qa15-eng.html); and
- *Estate Donations by Former Graduated Rate Estates* at [cra.gc.ca/gncy/bdgt/2016/qa09-eng.html](http://cra.gc.ca/gncy/bdgt/2016/qa09-eng.html).

## Gifts in kind

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A gift in kind refers to a gift of property (a non-cash gift) such as capital property (including depreciable property) and personal-use property (including listed personal property). These terms are defined in the "Definitions" section in Guide T4037, *Capital Gains*. A gift in kind does not include a gift of services.

## Do you have property to donate?

Here are some things to keep in mind when you donate property:

- If you plan to give away property, any capital gain you have made on the property since you acquired it may be subject to tax. For more information, see "Capital gains and losses" on page 21.
- Your own situation will affect the tax status of the gift. If you are an artist, dealer, collector, or individual carrying on a business, different tax rules apply when you donate property from your inventory.
- You have to decide to which organization you are going to donate your property. We cannot advise which museum, art gallery, archive, municipality, or institution you should approach. Remember that the tax implications may differ depending on the way in which you make the gift and to whom.

- Once you have chosen a qualified donee, and have determined that it is willing to accept your gift, you or the qualified donee may need to have the property appraised to determine its fair market value.

## Donation appraisals

Donors and qualified donees often approach appraisers, dealers, and other people who are knowledgeable about particular objects to get appraisals for income tax purposes. Determining fair market value (FMV), as defined on page 6, can be a complex process. You must consider numerous facts regarding the property.

You may need to get one or more appraisals to establish the FMV of the property you are donating. Use the appraised FMV to calculate the eligible amount of the gift unless the deemed FMV rules apply (see page 17 for details). The eligible amount is used to calculate the tax credit you can claim on your income tax and benefit return. The appraised FMV is also used in calculating any capital gain or loss you may have from donating your property.

### Who should appraise a gift?

For every situation, whether the property is **personal property**, **real property**, or **intangible property**, donors and qualified donees are encouraged to contact a professional appraiser, valuator, or other individual who is accredited in the field of valuation. That individual should be knowledgeable about the principles, theories, and procedures of the applicable valuation discipline and follow the *Uniform Standards of Professional Appraisal Practice* or the standards of the profession. Also, he or she should be knowledgeable about and active in the marketplace for the specific property.

The chosen individual should be independent. For instance, he or she should not be associated with the donor, the qualified donee, or another party associated with the purchase, sale, or donation of the property.

The individual should also be knowledgeable about the elements of a properly prepared and credible valuation report.

Where the FMV of the property to be gifted is less than \$1,000, a professional appraisal will probably not be required, but the donor should keep all documents supporting the determination of the FMV, in case we ask to see them.

### The appraisal report

The appraisal or valuation report should be based on the principles, theories, and procedures of the applicable valuation discipline and follow the standards of the profession. The report has to be an estimate of the FMV of the property as of the date of donation. Also, if you owned the property on Valuation Day (December 31, 1971), you may need to get a valuation reflecting the value on that date.

## Note

The Canadian Cultural Property Export Review Board (CCPERB) has requirements for appraisals. Before applying for certification, please consult the Review Board Secretariat. Contact information for the secretariat is given on page 27.

## Donation date

The donation date is the date that the gift is made. The donation date may not be the date of physical delivery, since a property may be on loan to the qualified donee before the actual donation date.

## Official donation receipts

The **eligible amount** of a gift is deemed to be nil if the donor fails to inform the donee of information that would be relevant to the application of the rules that would cause the eligible amount of a gift to be less than the FMV (see “Deemed fair market value” on page 17).

For donations of gifts in kind, the qualified donee can issue an official donation receipt after the property has been appraised. The receipt should show the FMV or deemed FMV of your gift. It will also show the eligible amount of the gift. For more information on what must appear on the receipt, go to [cra.gc.ca/chrts-gvng/chrts/prtng/rcpts/whtnf-eng.html](http://cra.gc.ca/chrts-gvng/chrts/prtng/rcpts/whtnf-eng.html).

If your gift comes under the *Cultural Property Export and Import Act*, and the CCPERB has certified it, you will receive Form T871, *Cultural Property Income Tax Certificate*, from the Board. Keep Form T871 for your records.

If your gift is ecologically sensitive land that the federal Minister of Environment and Climate Change or his delegate has certified as important to the preservation of Canada’s environmental heritage, you will receive a *Certificate for Donation of Ecologically Sensitive Land*. Keep the certificate for your records.

If the land you give is located in the province of Quebec, you will instead receive a *Certificate Respecting Gifts of Land With Ecological Value or Servitudes Encumbering Land With Ecological Value*, issued by the ministère du Développement durable, de l’Environnement et de la Lutte contre les changements climatiques. Keep the certificate for your records.

Generally, the eligible amount that qualifies for the tax credit applies for the year you give the gift. You can choose the part of the **eligible amount** of the gift you want to claim in the year and you can carry forward any unused part for up to five years (or over the next ten years for a gift of ecologically sensitive land made after February 10, 2014).

If you are filing electronically, keep all of your documents in case we ask to see them. If you are filing a paper return, include your Schedule 9, *Donations and Gifts*, but keep your official donation receipts in case we ask to see them. If you receive a T5003 slip from a tax shelter with an amount in box 13, you must

submit this slip with your return along with a completed Form T5004, *Claim for Tax Shelter Loss or Deduction*.

Where a qualified donee returns a property to you that is either the original property that you previously donated, or any other property that may reasonably be considered compensation for, or a substitute for, the original property and where the fair market value of the returned property is more than \$50, the qualified donee must file an information return with us. The qualified donee must send the information return to the Audit Section, Compliance Division of our Charities Directorate within 90 days of the transfer of property. The qualified donee must also provide a copy of this information return to you. We may then reassess your tax return (or the tax return of the person who claimed the tax credit) for the applicable tax year to reduce the amount of your prior claim, and to amend the reporting of the disposition of the original property. For more information, go to [cra.gc.ca/chrts-gvng/chrts/plcy/cgd/rtrng-dntd-prpty-eng.html](http://cra.gc.ca/chrts-gvng/chrts/plcy/cgd/rtrng-dntd-prpty-eng.html). You can also contact the Charities Directorate at 1-800-267-2384.

## Gifts of capital property

Capital property includes depreciable property, and any property that, if sold, would result in a capital gain or a capital loss. Capital property does **not** include the trading assets of a business, such as inventory.

The following properties are generally capital properties:

- cottages;
- securities, such as stocks, bonds, and units of a mutual fund trust; and
- land, buildings, and equipment you use in a business or a rental operation.

### Note

All references to fair market value (FMV) in this section are subject to the deemed FMV rules as discussed under “Deemed fair market value” on the next page.

If you donate capital property, we consider you to have disposed of that property for proceeds **equal** to the FMV of the property. You have to report any capital gain on your income tax and benefit return in the year you donated the property. In some cases, you may be able to claim a capital loss in the year you donated the property.

However, if you make a gift of capital property to a registered charity or other qualified donee such as Canada or one of its provinces or territories, and the FMV of the donated capital property, otherwise determined, is **more** than its adjusted cost base (ACB), you may designate an amount that is **less** than the FMV to be the proceeds of disposition. This may allow you to reduce the capital gain otherwise calculated.

The amount that you may choose to designate in respect of the donation **cannot be greater than** the FMV and **not less than** the greater of:

- any **advantage** in respect of the gift; and



- the ACB of the property (or, if the property was depreciable property, the lesser of its ACB and the undepreciated capital cost of the class of the property).

Use the amount you choose as the proceeds of disposition when you calculate any capital gain. Also use this amount to determine the **eligible amount** of the gift, which you need to calculate the tax credit.

If, when you made the donation, the FMV was **less** than the ACB, the proceeds of disposition must equal the FMV of the donated property. This amount will be used to calculate any capital loss on the disposition of a non-depreciable capital property and the **eligible amount** of the gift, which you need to calculate the tax credit.

For more information, see Interpretation Bulletin IT-288, *Gifts of Capital Properties to a Charity and Others*.

### Deemed fair market value

For a gift of property made to a qualified donee, the fair market value (FMV) of the property gifted is deemed to be the **lesser** of the property's:

- FMV otherwise determined; and
- its cost (ACB if it is capital property or adjusted cost basis if it is a life insurance policy) immediately before the gift was made.

This limitation applies to property that was acquired as part of a gifting arrangement that is a tax shelter. Unless the gift is made as a consequence of the taxpayer's death, this limitation also applies if the property was acquired:

- less than 3 years before the day the gift was made; or
- less than 10 years before the day the gift was made and it is reasonable to conclude that when the property was acquired, one of the main reasons for the acquisition was to make a gift of it.

If a gifted property was acquired in a non-arm's length transaction during the 3 year or 10 year period, the cost (or ACB if it is capital property) of the gifted property is deemed to be equal to the lower of the cost to the donor and the lowest cost to a party to the non-arm's length transaction.

The limitation does **not** apply to gifts of:

- inventory;
- real or immovable property located in Canada;
- certified cultural property (unless it was gifted after February 10, 2014, and was acquired as part of a gifting arrangement that is a tax shelter);
- ecologically sensitive land (including a covenant, an easement, or, in the case of land in Quebec, a real servitude [or under proposed changes, a personal servitude when certain conditions are met]);
- a share, debt obligation, or right listed on a designated stock exchange;

- a share of the capital stock of a mutual fund corporation;
- a unit of a mutual fund trust;
- an interest in a related segregated fund trust;
- a prescribed debt obligation;
- a share of the capital stock of a corporation issued by the corporation to the donor, if immediately before the share was gifted, the corporation was controlled by the donor or other persons related to the donor, **and** if the limitations described above would not have otherwise applied; or
- a property by a corporation if the property was acquired by the corporation in consideration for shares of the corporation's capital stock in a rollover transaction and, immediately before the gift, the shareholder from whom the corporation acquired the property (or other persons related to the shareholder) controlled the corporation, **and** if the limitations described on the previous page would not have otherwise applied.

If a donor attempts to avoid the limitation(s) described on the previous page with the acquisition or disposition of a property before gifting it, the eligible amount of the gift is deemed to be nil.

If the limitations described on the previous page would have otherwise applied to a gift of a particular property, and where that property is instead sold to a registered political organization or candidate, or a qualified donee and where all or part of the proceeds of disposition is property that is the subject of a gift or monetary contribution, the FMV of the gift is deemed to be an amount equal to the **lesser** of the FMV of the property sold and its cost, or a pro-rata portion thereof.

If the property was acquired as part of a gifting arrangement that is a tax shelter, the eligible amount will be reported in box 13 of Form T5003, *Statement of Tax Shelter Information*.

### Notes

Despite numerous warnings and audit actions by the Canada Revenue Agency (CRA), some taxpayers may be tempted to participate in gifting arrangements that are tax shelters. If you are considering entering into such an arrangement, you should obtain independent professional advice from a tax advisor before signing any documents. For more information, go to [cra.gc.ca/nwsrm/lrts/2014/1141120-eng.html](http://cra.gc.ca/nwsrm/lrts/2014/1141120-eng.html).

For tax years ending after March 20, 2013, the normal reassessment period in respect of a participant in a tax shelter or reportable transaction will be extended when an information return that is required for the tax shelter or reportable transaction is not filed as and when required. The normal reassessment period will be extended to three years after the date that the relevant information return is filed. For more information, go to [cra.gc.ca/gncy/bdgt/2013/qa12-eng.html](http://cra.gc.ca/gncy/bdgt/2013/qa12-eng.html).

For amounts assessed for the 2013 and subsequent tax years in respect of tax shelter claims that involve a charitable donation, the following rules apply:

- When a taxpayer has filed an objection or an appeal to the Tax Court of Canada, we can take collection action in respect of 50% of amounts, interest, and penalties in dispute.
- If an amount in dispute has already been paid, the taxpayer can apply in writing to have us repay that amount or to release the security that is held in respect of the amounts in dispute, but only up to 50% of the amounts.

For more information, go to [cra.gc.ca/gncy/bdgt/2013/qa13-eng.html](http://cra.gc.ca/gncy/bdgt/2013/qa13-eng.html).

### Gifts of securities acquired under a security option plan

You can claim an additional deduction on **line 249** of your income tax and benefit return for donating publicly-listed shares of corporations or mutual fund units you acquired through your employer's security option plan.

However, you must meet **all** of the following conditions:

- You acquired a security under an option that was granted to you as an employee of a corporation or a mutual fund trust.
- You disposed of the security in the year it was acquired, and not more than 30 days after its acquisition, by donating it to a qualified donee.
- You are entitled to claim a security option deduction on line 249 for the acquisition of the security.

The additional deduction is equal to 50% of the amount of the taxable benefit, which may effectively exempt from tax the employment benefit associated with the exercising of the stock option.

When calculating the amount of the additional deduction that can be claimed on line 249, you determine the employment benefit by using the **lesser of**:

- the FMV of the security at the time of acquisition; and
- the FMV of the security at the time of disposition (through donation).

You may have a capital gain on the disposition of the security. For more information, see "Capital gains and losses" on page 21.

### Granting of options to a qualified donee

You may not claim a gift in respect of an option to acquire a property that is granted to a qualified donee after March 21, 2011, until such time as the qualified donee either exercises or sells the option. At that time, the amount of the gift that you may claim is generally equal to:

- where the option is exercised by the qualified donee, the FMV of the underlying property **minus** any consideration that you receive from the qualified donee for the property and the option; or
- where the option is sold by the qualified donee, the **lesser of**:
  - the FMV of the underlying property; and
  - the FMV of any consideration, other than a non-qualifying security of any person, received by the qualified donee for the option,

**minus** any consideration that you receive from the qualified donee for the option.

### Are you an artist?

If you are an artist, we usually consider any works you create and own as inventory, not capital property. When an artist creates a work of art intending to sell it but instead donates it to a qualified donee, we consider the gift to be a disposition of property from the artist's inventory.

As an artist, if you donate a gift from your inventory and if the gift's fair market value (FMV) is **more than** its cost amount, you can designate any amount for the value of the donated property as long as it is:

- not greater than the FMV; and
- not less than the greater of:
  - the amount of any **advantage** in respect of the gift; and
  - the cost amount.

Use the amount you choose for the value of the gift as proceeds of disposition to determine your income. This amount will also be used to calculate the **eligible amount** of the gift, which you need to calculate the tax credit.

If, at the time you made the donation, the FMV is **less than** the cost amount, the proceeds of disposition must equal the FMV of the donated property. This amount will also be used to calculate the **eligible amount** of the gift, which you use to calculate the tax credit.

As an artist, you may donate a **work of cultural property** you created, from your inventory, to a designated institution or public authority. If you do this, and the Canadian Cultural Property Export Review Board (CCPERB) certifies the gift, we consider that you received proceeds of disposition equal to the **greater** of the cost amount of your gift and the amount of any **advantage** in respect of the gift. The amount that qualifies for the tax credit on certified cultural property will be based on the **eligible amount** of the gift, provided you meet all other requirements outlined in the section called "Gifts of certified cultural property" on page 10.

#### Note

An artistic endeavour occurs when you are in the business of creating paintings, murals, original prints, drawings, sculptures, or similar works of art. An artistic endeavour does not include reproducing works of art.

When you calculate your income from an artistic endeavour, you can choose to value your ending inventory at nil. If you do this, we consider the cost amount of your gift to be nil. Your choice stays in effect for each following year, unless we allow you to change it. For more information, see Interpretation Bulletin IT-504, *Visual Artists and Writers*.

## Are you an art or antiques dealer?

If you buy and sell art, antiques, rare books, or other cultural property as a business, and you donate one of these objects, we consider the objects as part of your inventory, not capital property or personal-use property. Therefore, we consider the proceeds to be business income based on the fair market value of the donated property at the time you donated it. You can claim a tax credit based on the **eligible amount** of the gift if it otherwise qualifies.

If your gift is from a private collection that you maintain apart from those works we consider to be your business inventory, the usual rules for donating capital property or personal-use property apply.

## Listed personal property

Personal-use property includes a special class of property called **listed personal property**. Items in this class usually increase in value.

Listed personal properties include:

- prints, etchings, drawings, paintings, sculptures, or other similar works of art;
- jewellery;
- rare folios, rare manuscripts, or rare books;
- stamps; and
- coins.

We consider all or any part of such properties, a part interest in them, or any right to them, as listed personal property. You should have a Valuation Day value established for any listed personal property you acquired before December 31, 1971, that is worth more than \$1,000, either separately or as a set. In most cases, you may find an indication of the fair market value for many of these items by checking dealers' catalogues, or by asking art, antiques, coin, jewellery, or stamp dealers.

Special rules may apply to personal-use property and listed personal property. For more information, see Guide T4037, *Capital Gains*.

## Capital gains and losses

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To have a capital gain or loss, the property involved has to be capital property. You will find examples of capital property in the section called "Gifts of capital property" on page 16.

If you donate capital property, we consider you to have disposed of that property. You have to report any resulting capital gain or loss on your return for the year that you donate the property.

You need to know the following three amounts to calculate a capital gain or a capital loss:

- the proceeds of disposition (generally the fair market value of the property at the time of donation);
- the adjusted cost base (ACB) of the property; and
- the outlays and expenses you incurred when donating the property.

You have a capital gain when you dispose of a capital property for **more** than its ACB plus the outlays and expenses incurred to dispose of it.

When you dispose of a non-depreciable capital property for **less** than its ACB plus the outlays and expenses incurred to dispose of it, you have a capital loss.

For details, see Guide T4037, *Capital Gains*.

## Capital gains realized on gifts of certain capital property

If you donated certain types of capital property to a registered charity or other qualified donee, you may not have to include in your income any amount of capital gain realized on such gifts. You may be entitled to an inclusion rate of **zero** on any capital gain realized on such gifts.

The inclusion rate of **zero** applies if you donate the following property:

- a share of the capital stock of a mutual fund corporation;
  - a unit of a mutual fund trust;
  - an interest in a related segregated fund trust;
  - a prescribed debt obligation;
  - ecologically sensitive land (including a covenant, an easement, or, in the case of land in Quebec, a real servitude [or under proposed changes, a personal servitude when certain conditions are met]) donated to a qualified donee other than a private foundation (see "Gifts of ecologically sensitive land" on page 9 for details);
- Note**  
For donations of ecologically sensitive land to a private foundation made before March 22, 2017, the inclusion rate of zero does not apply. Under proposed changes, a donation of ecologically sensitive land cannot be made to a private foundation after March 21, 2017.
- a share, debt obligation, or right listed on a designated stock exchange.

For donations of publicly traded securities, this treatment is extended to any capital gain realized on the exchange of shares of the capital stock of a corporation for those publicly listed securities donated when:

- at the time they were issued and at the time of disposition, the shares of the capital stock of a corporation included a condition allowing the holder to exchange them for the publicly traded securities;

- the publicly traded securities are the only consideration received on the exchange; and
- the publicly traded securities are donated within 30 days of the exchange.

In cases where the exchanged property is a partnership interest (other than prescribed interests in a partnership), the capital gain will generally be the **lesser** of:

- the capital gain otherwise determined; and
- the amount, if any, by which the cost to the donor of the exchanged interests (plus any contributions to partnership capital by the donor) exceeds the ACB of those interests (determined without reference to distributions of partnership profits or capital).

If you donate property to a qualified donee that is, at the time of the donation included in a **flow-through share (FTS) class of property**, in addition to any capital gain that would otherwise be subject to the zero inclusion rate discussed earlier in this section, you are deemed to have a capital gain from the disposition of another capital property equal to the **lesser** of:

- the amount of your **exemption threshold**, at that time, in respect of the FTS class of property; and
- the total capital gains from the actual disposition.

For more information, call **1-800-959-8281**.

If there is no **advantage** received in respect of the gift, the full amount of the capital gain is eligible for the inclusion rate of **zero**. However, if there is an advantage in respect of the gift, only a portion of the capital gain is eligible for the inclusion rate of zero. The rest is subject to an inclusion rate of **50%**.

The amount subject to the inclusion rate of **zero** is calculated using the following formula:

$$A \times (B \div C)$$

Where

**A** = the capital gain

**B** = the eligible amount of the gift

**C** = the proceeds of disposition

Report all donations of these properties on Form T1170, *Capital Gains on Gifts of Certain Capital Property*, whether the inclusion rate is **50%** or **zero**. Report the applicable amounts calculated on this form on **line 132 and/or line 153** of Schedule 3, *Capital Gains (or Losses)*.

**Note**

The capital gain realized on an exchange of partnership interests for publicly listed securities that are then donated should not be reported on Form T1170. Instead, it should be reported directly on line 174 of Schedule 3.

## Calculating your increased donation limit

If you donate cash or other property to a registered charity or other qualified donee in the year, your total donations limit will generally be **75%** of your net income for the year. However, you can increase your total donations limit if you donate **capital property** in the year. If you received an **advantage** in respect of the donation of the property, include, in your calculations, only the portion of taxable capital gains and recapture of depreciation that related to the gift portion of your donation.

To do so, complete Chart 1 below, and enter the result on Schedule 9, *Donations and Gifts*. Your donations limit **cannot exceed** your net income for the year.

Chart 1 – Gifts of capital property		
Amount of current-year taxable capital gains from capital property donated in the year	\$ _____	<b>1</b>
Amount of current-year capital gains deduction from capital property donated in the year	– _____	<b>2</b>
Line 1 minus line 2=	=====	<b>3</b>
<b>Enter this amount on line 339 of Schedule 9.</b>		

You can also increase your total donations limit if you have to include a recapture of depreciation on your current-year income tax and benefit return as a result of donating the property.



To do so, complete Chart 2 below, and enter the result on Schedule 9. Your total donations limit **cannot exceed** your net income for the year.

<b>Chart 2 – Gifts of depreciable property</b>	
Class No. of property _____	
Amount of recaptured depreciation included on your current-year return	\$ _____ 1
Net proceeds of disposition of the current year donated property for this class	\$ _____ A
Capital cost of the current year donated property for this class	\$ _____ B
Enter the amount from line A or line B, whichever is less.	\$ _____ 2*
Enter the amount from line 1 or line 2 whichever is less.	\$ _____ 3
<b>Enter this amount on line 337 of Schedule 9.</b>	
If you included on your 2017 income tax and benefit return recaptured depreciation from more than one class, complete a separate Chart 2 for each class, add the results, and enter the total on line 337 of Schedule 9.	
* If you donated more than one property in this class in the year, complete lines A and B for each property and enter the total on line 2.	

For more information, see Interpretation Bulletin IT-288, *Gifts of Capital Properties to a Charity and Others*, and Income Tax Folio S3-F4-C1, *General Discussion of Capital Cost Allowance*.

## The Cultural Property Export and Import Act

The *Income Tax Act* and the *Cultural Property Export and Import Act* (CPEIA) provide tax incentives to individuals who want to sell or donate significant movable cultural property to Canadian heritage institutions or public authorities.

The Canadian Cultural Property Export Review Board (CCPERB) is responsible under the CPEIA for certifying property as cultural property that is of “outstanding significance and national importance.”

It is also responsible for determining the fair market value of such property for income tax purposes. Deemed fair market value rules may apply. For more information, see “Deemed fair market value” on page 17.

When you donate cultural property to a designated Canadian institution or public authority and the CCPERB certifies it, you do not realize a capital gain. You may use the **eligible amount** of the gift to calculate the non-refundable tax credit.

After the CCPERB certifies your donation of cultural property, it will provide you with Form T871, *Cultural Property Income Tax Certificate*. However, it must first receive written confirmation from the institution or public authority that the legal transfer of ownership of the donation was made, and that the gift is irrevocable.

## Certification of cultural property

Cultural property may be anything from paintings and sculptures to books and manuscripts to ethnographic and decorative art material. This property does not have to be of Canadian origin.

If you want your gift to be certified under the CPEIA, you need to contact the CCPERB. Contact information for the Review Board Secretariat is given on the next page.

The CCPERB may determine that an object is of “outstanding significance and national importance” because of its:

- close association with Canadian history or national life;
- aesthetic qualities; or
- value in the study of the arts or sciences.

Certification by the CCPERB is only necessary if you want us to treat your donation as a gift of cultural property. It is not necessary if you want us to treat your donation as a gift to a registered charity or other qualified donee.

## Designated institutions and public authorities

Cultural property is eligible for certification only if the receiving institution or public authority is designated by the Minister of Canadian Heritage before the legal transfer of ownership takes place.

Designation ensures that institutions receiving cultural property have the appropriate measures in place to collect, preserve, and make cultural property accessible to the public for research or display purposes.

“Category A” designation status is granted indefinitely to institutions and public authorities that are well established and meet all of the criteria for designation.

“Category B” status is granted exclusively in relation to the proposed acquisition of a specific object or collection. The concerned institution must meet most of the criteria for designation, and prove its ability to effectively preserve the specific property for which certification by the CCPERB is desired.

If you have any questions about designation or the certification of cultural property, or if you would like to consult the CCPERB's publication called *Applications for Certification of Cultural Property for Income Tax Purposes by the Canadian Cultural Property Export Review Board – Application Guide and Supplementary Information*, contact the Review Board Secretariat in one of the following ways:

Telephone.....819-997-7761  
Toll free..... 1-866-811-0055  
Fax.....819-997-7757  
Website .....canada.pch.gc.ca/eng/1458575435135

## For more information

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### What if you need help?

If you need more information about charitable tax receipts after reading this pamphlet, visit our Charities Directorate at [cra.gc.ca/charities](http://cra.gc.ca/charities).

To verify if a charity is registered under the *Income Tax Act*, and to access its information returns, please consult the **List of charities** available from our webpage at [canada.ca/en/revenue-agency/services/charities-giving/charities-listings.html](http://canada.ca/en/revenue-agency/services/charities-giving/charities-listings.html).

### Forms and publications

To get our forms or publications, go to [canada.ca/get-cra-forms](http://canada.ca/get-cra-forms) or call 1-800-959-8281.

### My Account

The CRA's My Account service is a fast, easy, and secure way to access and manage your tax and benefit information online, seven days a week.

Use My Account to:

- view your benefit and credit payment amounts and dates;
- change your address, direct deposit information, and marital status;
- sign up for account alerts;
- check your TFSA contribution room and RRSP deduction limit;
- check the status of your tax return;
- request your proof of income statement (option 'C' print); and
- link between your CRA My Account and My Service Canada Account.

### How to register

For information, go to [canada.ca/my-cra-account](http://canada.ca/my-cra-account).

### Sign up for online mail

Sign up for the CRA's online mail service to get most of your CRA mail, like your notice of assessment online.

For more information, go to [canada.ca/taxes-online-mail](http://canada.ca/taxes-online-mail).

### Teletypewriter (TTY) users

If you have a hearing or speech impairment and use a TTY call 1-800-665-0354.

If you use an **operator-assisted relay service**, call our regular telephone numbers instead of the TTY number.

### Tax Information Phone Service (TIPS)

For personal and general tax information by telephone, use our automated service, TIPS, by calling 1-800-267-6999.

### Service complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the Canada Revenue Agency (CRA); see the *Taxpayer Bill of Rights*.

You can file a service complaint if you are not satisfied with the service you get from the CRA.

There are three steps to resolve your service-related complaint.

#### Step 1 – Talk to us first

If you are not satisfied with the service you received, you can file a service complaint. Before you do this, we recommend that you try to resolve the matter with the employee you have been dealing with or call the telephone number provided in the CRA's correspondence. If you do not have contact information, go to [canada.ca/cra-contact](http://canada.ca/cra-contact).

If you still disagree with the way your concerns were addressed, you can ask to discuss the matter with the employee's supervisor.

#### Step 2 – Contact the CRA Service Complaints Program

The CRA Service Complaints Program is for individuals and businesses. The program provides another level of review if you are not satisfied with the results from step 1 in the service complaint process. Generally, service-related complaints refer to the quality and timeliness of our work.

To file a complaint with the CRA Service Complaints Program, fill out Form RC193, *Service-Related Complaint*.

For more information on the CRA Service Complaints Program and how to file a complaint, go to [canada.ca/cra-service-complaints](http://canada.ca/cra-service-complaints).

### **Step 3 – Contact the Office of the Taxpayers’ Ombudsman**

If, after following steps 1 and 2, your service-related complaint is still not resolved, you can submit a complaint with the Office of the Taxpayers’ Ombudsman.

For information about the Office of the Taxpayers’ Ombudsman and how to submit a complaint, go to [oto-boc.gc.ca](http://oto-boc.gc.ca).

### **Reprisal complaint**

If you believe that you have experienced reprisal, fill out Form RC459, *Reprisal Complaint*.

For more information about reprisal complaints, go to [canada.ca/cra-reprisal-complaints](http://canada.ca/cra-reprisal-complaints).