



### 3.4 Donation receipts for gift cards and gift certificates

Gift cards/certificates are often donated to charities in fundraising activities such as silent auctions. Tax receipts **cannot** be issued for a gift card/certificate if the donor is the business that issued it and if the gift card/certificate is redeemed by a third party (i.e. someone who purchased it in a silent auction).

In this case, the gift card/certificate is considered only to be a promise by the business to give merchandise sometime in the future (that is, when the gift card is actually redeemed). Until then, there has been no gift of property.

If the charity redeems the gift card/certificate for goods (not services), then a receipt may be issued, as the donor (the business) has then fulfilled its promise and transferred property to the charity.

Tax receipts **may** be issued if the person who donates the gift card/certificate purchased it from the issuer and then donates it to a charity. Once purchased, the gift card/certificate is considered to be property and, if donated to a charity, is eligible for a tax receipt.

The following table illustrates when a tax receipt may be issued in exchange for a gift card or certificate donated to a registered charity:

		Redeemed by ...	
		Charity	3rd party
Donated by ...	Issuer (a business)	Issue tax receipt	Do not issue tax receipt
	3rd party	Issue tax receipt	Issue tax receipt

Example 1: A clothing store donates one of its gift cards to a charity for use in its auction. Because the gift card is only considered to be a promise at the time of the donation, a tax receipt cannot be issued.

When the card is redeemed by whoever purchased it at the auction, the charity still cannot issue a receipt. This is because the redemption transaction is between the clothing store and the purchaser. The charity is not involved in this transaction (and specifically does not receive any donation as part of the transaction), so no tax receipt can be issued.

Example 2: A person buys a gift certificate for cooking classes from the cooking school and then donates it to a charity for use in its auction. The donor can receive a tax receipt for the full amount of the gift certificate because it is now considered to be property. The person who is giving the cooking classes does not get a receipt from the charity.

(reproduced with permission, excerpt from Imagine Canada Sector Source Website)