Charity Challenge Frequently Asked Questions

Receipting

There are a number of potential “receipting” scenarios that could be relevant to Charity Challenge expeditions involving Canadian registered charities. This depends on whether the participant taking part in the challenge pays in part (under the flexi payment option), or in full (under the self funder payment option) for the challenge costs.

In addition, the matter of receipting could also be affected whether it is the participant themselves that donates to the charity, or another individual sponsor, and whether or not that sponsor is related to the participant.

In general, an official donation receipt can only be issued by a Canadian registered charity for a “gift”, under the Income Tax Act (Canada), when there is a voluntary transfer of property with donative intent. If all these 4 elements are not present, then a receipt cannot be issued. Generally, for cash donations to the charity, the issue will not be whether there is property or a transfer. Most of the issues stem from whether a payment is voluntary and/or with donative intent.

Each factual scenario could lead to a different interpretation on the issue of receipting. In fact, each charity could use the same facts and reach a different conclusion. Please therefore discuss the implications of your receipting policy internally, and seek professional advice if you feel it is required.

When looking at the various scenarios below, please note that in general, while registered charities are not obligated to issue receipts, it may be permissible for a registered charity to issue a receipt to a sponsor.

In general, the registered charity would have to know the name of the donor, address, amount of donation and also whether there was an advantage that would reduce the amount of the receipt, or preclude the charity from issuing the receipt. The charity can determine whether to issue a receipt or not, and can create and publicize its own specific receipting rules for how they will treat the challenge related donations.

Please also note that with the UK Charity Challenge model over the last 12 years, the majority of participants have raised the charity sponsorship through other unrelated individual sponsors. This is rather than making the additional sponsorship donation themselves.

**Scenario 1** - The individual who is taking part in the challenge covers the full cost of the challenge themselves (i.e. under our self funder payment option) OR covers only part of the cost of the challenge themselves (i.e. under our flexi payment option), and then seeks donations from other people in aid of their chosen charity.

If the sponsor and participant are arm’s length (i.e. not related to the sponsor by blood, marriage, adoption or close business ties), the charity should be able to issue a receipt to the sponsor.

If the sponsor and participant are not arms length then generally the sponsor would not receive an official donation receipt. However, if the participant is covering the full challenge costs themselves, the participant derives no benefit from the sponsorship and therefore a receipt could be issued.
**Example:** The participant asks a friend to donate to the charity. The friend, who is arms-length from the participant, donates $100 to the charity. The friend could receive a receipt for $100 as the friend is not receiving an advantage.

However, again, there are some different scenarios that could change this.

**Example:** If the participant only paid part of the challenge costs, and received a “benefit” of $1000 towards his challenge costs from his chosen charity, and his brother donated $10,000, the charity could in theory subtract the benefit and issue a receipt to the brother (a non-arms length sponsor) for $9,000 (made up of the $10,000 donation minus the benefit to the participant of $1000).

Likewise, if five separate non-arms length individuals all donated $2000 each to the nominated charity, the charity could in theory deduct the “benefit” of $1000 divided equally amongst the 5 non-arms length donors and therefore issue a receipt for $1800 each (so 5 x $200 = $1000, the value of the benefit was not receipted).

**Scenario 2** – The participant covers the full cost of the challenge themselves (i.e. under our **self funder** payment option), and in addition, voluntarily sends a personal donation to their nominated charity. This may be receivable, as the participant does not appear to be receiving an advantage.

If however the charity insists that in addition to paying the cost of the trip, the participant must make a personal “donation”, or fundraise a minimum amount, then the minimum amount may not be considered to be voluntary and a receipt cannot be issued.

Keep in mind the “**split receipting rules**” and that if the value of the advantage is more than 80% of the amount of the donation, it is presumed that there is no donative intent and a receipt cannot be issued.

**Example:** The challenge costs $3000 and the participant pays $3000 of their own money to Charity Challenge to participate. They then send their chosen charity a cheque for $5000 without any obligation to do so. The full $5000 may be receivable.

On the other hand, if it is a “requirement” that the participant raise (or donate themselves) at least $500, it is not therefore voluntary. If they then send a cheque for $5000 to their chosen charity, only $4500 is receivable (as the first $500 was not given voluntarily).

In the same scenario, if the participant was successful in raising the $500 minimum sponsorship through arms length sponsors, and THEN made a donation to the charity, as this was over and above the requirement, the full donation made by the participant may then be receivable.

**Scenario 3** – The individual who is taking part in the challenge covers most of the challenge costs themself (i.e. under our **flexi** payment option), commits to raising a minimum amount of sponsorship for their chosen charity, and the charity then covers the remaining challenge costs.

Let’s assume the challenge costs $3000 and the participant has paid $2000 towards the challenge costs. They have then committed to raising $4000 for their chosen charity. The charity will then pay the remaining challenge costs ($1000) to Charity Challenge from the sponsorship income. The value of these travel costs paid by the charity is the “benefit” or “advantage”.
As the individual is participating in the challenge and only covering a part of their associated challenge costs themselves, there is a benefit derived from the donation being made to the charity, as the charity will have to pay towards the remaining challenge costs.

The benefit is the amount the charity contributes towards challenge costs. In this instance, depending on how much is being donated, determines whether or not the charity can issue a receipt, and for how much.

Payments by the participant to the charity of an amount equal to or less than the charity’s contribution for the travel costs would not be receivable. However if the participants makes a donation far in excess of the travel cost contribution, part of the amount may be receivable.

**Example:** The challenge costs $3000 and the participant pays $2000 of their own money to Charity Challenge. They then donate $5000 to their nominated charity. The charity then pays Charity Challenge the balance of challenge costs ($1000) which is a benefit or advantage to the participant. The general rule here is that the charity could potentially issue an official donation receipt under the split receipting rules for $4000 (the donation less the benefit).

On the other hand, if the participant made a smaller $1100 payment to the charity, it would not be receivable. This is because the amount of the benefit received (ie. $1000 of challenge costs) is more than 80% of the amount paid $1100 in total (in this case 91%). Under the split receipting rules, if the advantage is over 80% of the payment, it is presumed not to be a gift and not receivable.

If the donation was for example $1300 and the benefit was $1000 (77%), this is less than 80% of the donation, so the charity can issue a receipt but would deduct the benefit before doing so. In this example the charity would issue a receipt for $1300 less $1000 = $300.

Keep in mind that the rules state that if you cannot determine the value of the advantage, then you should not issue any receipt. In general, assuming there are no other advantages that they would benefit from, you can easily determine the value as it is the amount paid to Charity Challenge.

If the factual circumstance is uncertain or the charity suspects that the “donor” may be related to the participant, then the charity should not issue a receipt. A charity can always request that a purported donor provide a written declaration as to the factual matters.

**Are challenge events allowable under CRA’s Fundraising Guidance?**

CRA’s Fundraising Guidance does not specifically discuss “challenge events”. However, the CRA’s Fundraising Guidance covers a number of issues such as prohibited activities, allocation of expenditures, indicators of concern, and best practices. You can read CRA’s Guidance on Fundraising at:


**How can I find out more information about receipting?**

You can contact the Charities Directorate of the Canada Revenue Agency at 613-954-0410 or Toll free in Canada at 1-800-267-2384. You can also visit CRA’s website at [http://www.cra-arc.gc.ca/charities](http://www.cra-arc.gc.ca/charities/). In some cases it may be a good idea to speak to your own legal counsel.