



Wealth
Management

the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC WEALTH MANAGEMENT SERVICES



Weatherill Wealth
of RBC Dominion Securities
4900 - 50th Street, Suite 300
Red Deer, AB T4N 1X7
www.bradweatherill.ca

Brad Weatherill, CIM
Senior Wealth Advisor
Tel: 403-341-8868
brad.weatherill@rbc.com

Sue Senio
Associate Wealth & Investment
Advisor
Tel: 403-341-7400
susan.senio@rbc.com

Trent Nicolay, CFP, BComm
Associate Wealth Advisor
Tel: 403-341-8872
trent.nicolay@rbc.com

Nathan Dyck, BBA
Associate Advisor
Tel: 403-341-7225
nathan.dyck@rbc.com

Shauna Gaume
Client Experience Associate
Tel: 403-341-8854
shauna.gaume@rbc.com

Theron Gustafson, BComm
Administrative Assistant
Tel: 403-340-7303
theron.gustafson@gmail.com

Introduction to charitable giving

When carried out properly, charitable giving can benefit both society and you, the donor. It allows you to help the causes you care about and potentially reduce your taxes. This article discusses some of the basics of charitable giving, including what a gift is and what a registered charity is for tax purposes.

What is a gift?

In most cases, the Canada Revenue Agency (CRA) considers a gift to be a voluntary transfer of money or property for which the donor expects and receives no consideration. Gifts can take a variety of forms, including:

- **Cash**
- **Gifts in-kind** — Examples include securities such as stocks, bonds, ETFs and mutual funds or real estate.
- **A right to a future payment** — For example, this may be the death benefit from a life insurance policy.
- **Certified cultural property** — This is a special category for objects that are of outstanding significance by reason of their close association with Canadian history or national life, their aesthetic qualities or their value to the study of the arts or science. They could be significant works of art and

artifacts. Canadian museums have obtained many exhibits this way. The Canadian Cultural Property Export Review Board must certify the items.

- **Gifts of ecologically sensitive land** — This is a gift of land or an eligible interest or right in land (including a covenant, an easement or, in the case of land in Quebec, a real servitude) you make to federal, provincial and territorial governments, municipalities, or municipal or public bodies that perform a function of government within Canada or a registered charity approved by the Ministry of the Environment and Climate Change Canada. The Minister of the Environment and Climate Change must certify that the conservation and protection of this land is important to the preservation of Canada's environmental heritage. Private foundations are no longer able to accept gifts of ecologically sensitive land.

Each charity has its own gift acceptance policy, so it's important check with your chosen charity to ensure they can accept your gift prior to donating.

If you receive any property, service, compensation or other benefit in exchange for the gift, you are considered to have received an advantage. It is possible that a transfer of property for which you received an advantage will still be considered a gift for tax purposes, as long as the CRA is satisfied that the transfer of property was made with the intention of making a gift. However, the value of the advantage will reduce the "eligible amount" of your gift. It is the eligible amount of the gift that's used to calculate your donation tax credit or deduction (if you are donating through a corporation). For example, if you donate \$1,000 to a charity and receive two tickets to a sporting event worth \$50 each, the value of the advantage is \$100 and the eligible amount of your gift for a donation tax receipt will be \$900. Other examples of advantages include tickets to golf tournaments and fundraising dinners.

Certain donations are not considered gifts for tax purposes:

- **Time or services** — For example, lawyers who do free legal work for a charity cannot claim the value of their time as a donation. They could, however, bill and collect from the charity for the work they perform, and use the money to make an eligible cash contribution. The income they receive from the charity is taxable.
- **Property of little value** — You are not entitled to a tax receipt for donations of used clothing or worn-out furnishings.
- **Crowdfunding** — You are generally not entitled to a tax receipt for a gift you make to a crowdfunding campaign. These campaigns are typically not registered charities.

What is a registered charity?

A charity is an organization established and operated exclusively for charitable purposes, such as the relief of poverty, the advancement of education, the advancement of religion, or other purposes that benefit the community in a way that courts have determined are charitable. A registered charity must devote its resources to charitable activities. In general, the charity must be resident in Canada and obtain a registration number from the CRA. A registered charity is generally exempt from paying tax on its income and can issue official donation receipts.

A registered charity must spend a minimum amount each year on its own charitable programs or on gifts to "qualified donees".

A qualified donee is an organization that can issue donation receipts from gifts it receives from individuals or

A charity is an organization established and operated exclusively for charitable purposes, such as the relief of poverty, the advancement of education, the advancement of religion, or other purposes that benefit the community in a way that courts have determined are charitable.

corporations. Typically, a registered charity is a qualified donee. Other examples of qualified donees include:

- A public or private foundation that carries on its own charitable activities or funds other registered charities
- A registered Canadian amateur athletic association
- A registered housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged
- Her Majesty in Right of Canada, a province or a territory
- A registered Canadian municipality
- A registered municipal or public body performing a function of government in Canada
- A registered national arts service organization
- The United Nations and its agencies
- A registered charitable organization outside Canada that has received a gift from Her Majesty in Right of Canada
- A registered university outside Canada, the student body of which ordinarily includes students from Canada

Gifts to a U.S. charity

Under the Canada-U.S. Tax Treaty, you may be able to claim a tax credit for donations made to U.S. charitable organizations that are not qualified donees but would have qualified as a Canadian registered charity if it had been established in Canada and were resident in Canada. The tax credit is generally limited to whichever is less: the gifts made to the U.S. organization or 75% of your U.S. source income (e.g. U.S. sourced dividends). There are also special rules if you reside near a Canadian-U.S. border and work in the U.S. If you are considering donating to a U.S. charitable organization, speak to your qualified tax advisor for more information.

Conclusion

With an understanding of different methods and types of giving in Canada, you may be interested in more information on the associated tax benefits. Contact your RBC advisor for articles on this topic.

This article may contain strategies, not all of which will apply to your particular financial circumstances. The information in this article is not intended to provide legal, tax or insurance advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax, legal and/or insurance advisor before acting on any of the information in this article.

With an understanding of different methods and types of giving in Canada, you may be interested in more information on the associated tax benefits.



Wealth
Management

This document has been prepared for use by the RBC Wealth Management member companies, RBC Dominion Securities Inc. (RBC DS)*, RBC Phillips, Hager & North Investment Counsel Inc. (RBC PH&N IC), RBC Global Asset Management Inc. (RBC GAM), Royal Trust Corporation of Canada and The Royal Trust Company (collectively, the "Companies") and their affiliates, RBC Direct Investing Inc. (RBC DI) *, RBC Wealth Management Financial Services Inc. (RBC WMFS) and Royal Mutual Funds Inc. (RMFI). *Member-Canadian Investor Protection Fund. Each of the Companies, their affiliates and the Royal Bank of Canada are separate corporate entities which are affiliated. "RBC advisor" refers to Private Bankers who are employees of Royal Bank of Canada and mutual fund representatives of RMFI, Investment Counsellors who are employees of RBC PH&N IC, Senior Trust Advisors and Trust Officers who are employees of The Royal Trust Company or Royal Trust Corporation of Canada, or Investment Advisors who are employees of RBC DS. In Quebec, financial planning services are provided by RMFI or RBC WMFS and each is licensed as a financial services firm in that province. In the rest of Canada, financial planning services are available through RMFI, Royal Trust Corporation of Canada, The Royal Trust Company, or RBC DS. Estate and trust services are provided by Royal Trust Corporation of Canada and The Royal Trust Company. If specific products or services are not offered by one of the Companies or RMFI, clients may request a referral to another RBC partner. Insurance products are offered through RBC Wealth Management Financial Services Inc., a subsidiary of RBC Dominion Securities Inc. When providing life insurance products in all provinces except Quebec, Investment Advisors are acting as Insurance Representatives of RBC Wealth Management Financial Services Inc. In Quebec, Investment Advisors are acting as Financial Security Advisors of RBC Wealth Management Financial Services Inc. RBC Wealth Management Financial Services Inc. is licensed as a financial services firm in the province of Quebec. The strategies, advice and technical content in this publication are provided for the general guidance and benefit of our clients, based on information believed to be accurate and complete, but we cannot guarantee its accuracy or completeness. This publication is not intended as nor does it constitute tax or legal advice. Readers should consult a qualified legal, tax or other professional advisor when planning to implement a strategy. This will ensure that their individual circumstances have been considered properly and that action is taken on the latest available information. Interest rates, market conditions, tax rules, and other investment factors are subject to change. This information is not investment advice and should only be used in conjunction with a discussion with your RBC advisor. None of the Companies, RMFI, RBC WMFS, RBC DI, Royal Bank of Canada or any of its affiliates or any other person accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. ®/™ Registered trademarks of Royal Bank of Canada. Used under licence. © 2021 Royal Bank of Canada. All rights reserved. NAV0279 (08/20)