

# Gifts & tax benefits

For the institution, the decision to accept a donation depends on factors which may include how the work fits in with their collections policies, their institutional mandate, and any exhibition, conservation, preservation, and display needs. The specific terms of any donation are agreed upon by both donor and recipient. Always confirm the recipient institution's status to ensure that they are eligible to receive charitable and/or cultural gifts.

The donor's tax benefit will depend on whether the donation is a charitable or cultural gift. A **charitable gift** is a gift in kind to a qualified recipient such as a Canadian charity, a public museum or gallery, or a municipality. A **cultural gift** is donated to a designated institution or public authority and certified by the Canadian Cultural Property Export Review Board (CCPERB).

Although donations of certified cultural property are eligible for enhanced tax benefits, in certain circumstances it may be appropriate to donate artwork under the regular charitable donation provisions.

Tax benefits may also depend on the fair market value of the artwork, the donor's status (artist, art dealer, corporation, or private collector), and other factors.

## Fair market value

An artwork's **Fair Market Value (FMV)** is defined as "the highest price, expressed in terms of money, that a property would bring, in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other" (Canada Revenue Agency, *P113 Gifts and Income Tax 2022*).



Trust the Experts.

**The Art Dealers Association of Canada  
Association des marchands d'art du Canada**

[www.ad-ac.ca](http://www.ad-ac.ca)

**The Art Dealers Association of Canada (ADAC)** is a national not-for-profit organization founded in 1966. The Association is the largest representation of commercial galleries and private art dealers in Canada. ADAC members represent the country's leading artists and deal in works of all periods and media. **The ADAC Appraisal Service** has provided appraisals of charitable donations and cultural gifts to institutions for over 40 years.

There are many reasons to donate artwork, including adding to the institution's current collection and contributing to future research and education.

**The Government of Canada offers significant federal tax concessions to incentivize artwork donations.** A donor may be entitled to an income tax credit of up to 100% of the fair market value of the artwork, less the value of any advantage they received from the donee (such as a museum membership, etc). The donation may also be exempt from capital gains tax, among other potential benefits.

This is a guide for individuals considering donation. It is important to assess your tax position carefully, and explore options with the recipient as well as your tax advisor. This guide is not a substitute for professional advice.

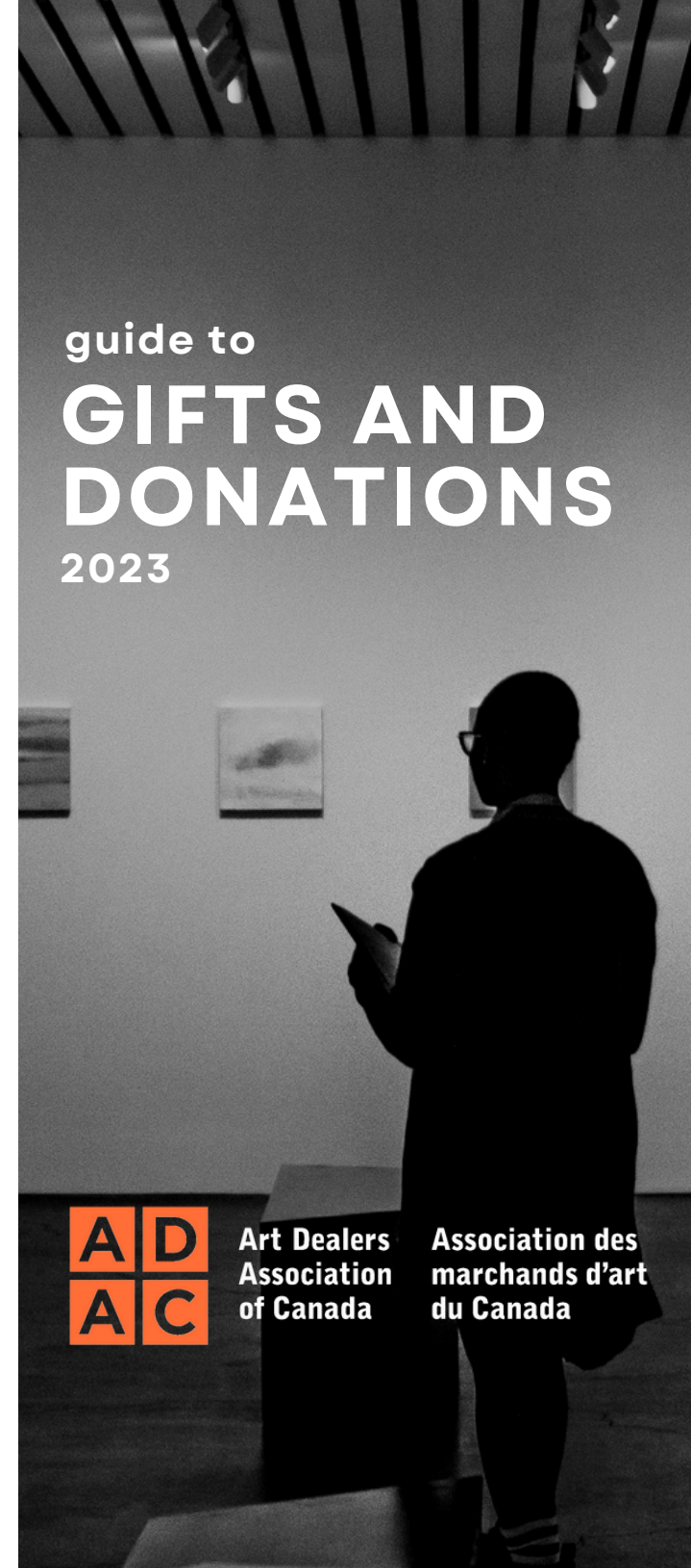


# guide to GIFTS AND DONATIONS 2023



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Association  
of Canada**

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# Charitable gifts

CRA treats donations as **standard charitable gifts**, unless the donation is certified as Cultural Property by CCPERB.

In order to determine a charitable gift's FMV for tax purposes, the institution must obtain an independent fair market value appraisal. A single appraisal report is required for artworks valued over CAD \$1,000.

The donor's eligible tax credit is calculated based on the appraised FMV, up to a maximum 75% of the donor's net income.

When making a charitable gift of personal property, the difference between the price paid and the FMV at the time of donation must be declared as capital gains.

**The ADAC Appraisal Service** is the evaluating body of choice for many of Canada's top institutions and public collections. We work with qualified, experienced professionals and follow Uniform Standards of Professional Appraisal Practice (USPAP) to ensure that the FMV of your donation is well researched and substantiated.

As a donor, please request that the institution receiving your donation contact ADAC's Appraisal Service:

**416-934-1583**  
**appraisals@ad-ac.ca**

We are happy to provide information on our services along with an appraisal quote at no charge.

ADAC thanks **Cascade Chartered Professional Accountants LLP** and the **Secretariat to the Canadian Cultural Property Export Review Board** for reviewing this brochure.



## Gifts of certified cultural property

Tax benefits for donors of **certified cultural property** are greater than tax benefits for donors of standard charitable gifts.

Designated institutions and public authorities are able to apply for cultural property certification on behalf of the donor. The recipient must be designated *before* the legal transfer of ownership takes place. Artworks must meet the criteria of outstanding significance (OS) in order to receive cultural property certification. The institution must submit a justification to CCPERB outlining the OS of the object(s).

**Cultural property** may include paintings, works on paper, sculptures, textiles, and other artworks created in Canada or abroad.

Institutions or public authorities receiving donations can provide guidance on whether donations may qualify for cultural property certification.

## What is CCPERB?

The **Canadian Cultural Property Export Review Board (CCPERB)** is an independent, quasi-judicial administrative tribunal established under the *Cultural Property Export and Import Act*. CCPERB is responsible for certifying artworks as cultural property for tax purposes.

# Tax benefits for cultural gifts

Tax credits for cultural gifts are calculated based on the artwork's FMV.

CCPERB requires only one appraisal for donations under CAD \$50,000 in value. Applicants must submit two independent appraisals if the donation is greater than or equal to the CAD \$50,000 threshold, unless the appraisal is prepared by a group such as the ADAC Appraisal Committee. CCPERB recognizes that such appraisals represent the opinion of more than one expert.

Upon receipt of a completed application, CCPERB considers the valuation(s) and makes a final determination of the donation's FMV before issuing a Cultural Property Income Tax Certificate.

Donors of certified cultural property are eligible to claim the full FMV of the donation (less any advantage) with no income limitation. If the credit exceeds the donor's federal taxes payable for the year, the excess may be carried over for up to five taxation years. Donors of certified cultural property are also exempt from paying taxes on capital gains.

There are many benefits of working with ADAC for cultural property appraisals for both the donor and institution. Our Appraisal Committee oversees and reviews all appraisals, working with the office and appraiser(s) to create a final arm's length certificate. Appraisals are combined into a single report for which the Appraisal Committee provides additional expertise, as well as suggesting a final amount for the FMV.

Trust the Experts.