

**SUMMARY**

This policy outlines the appropriate use of gift cards for clients, staff and volunteers.

When gift cards are used for clients, they must be treated as if they are cash and subject to the same security concerns and controls.

The use of gift cards for officers and employees is prohibited. Gift cards may be used for volunteers in limited circumstances, as noted in Section c) of this policy.

**RATIONALE**

Gift cards represent a form of cash and as such should be treated with the same controls placed on cash. They may be used by anyone who possesses them and their ownership cannot be validated at the point of purchase. As a result, this policy provides guidance for how gift cards should be stored and secured, controlled and the records that should be maintained.

As the use of gift cards for officers and employees results in a taxable benefit that must be reported through payroll, this practice is prohibited due to the impact on the individual’s net pay.

**POLICY**

***a) Use of Gift Cards for Clients***

Gift cards are similar to petty cash in that they represent funds held locally to be used at some later date.

Gift cards must be stored in a secure location until distribution. Gift cards must be held in a locked cash box and stored in a safe until distributed, similar to the controls regarding petty cash. In addition, an individual staff member should be assigned as the custodian of the gift cards. He/she is responsible to account for their use and security.

At the date of acquisition, the full value of the gift cards must be recorded on the ministry unit’s books as an asset. A sub-account 11050 should be used for this purpose. When cards are received by gifts, rather than purchase, full information should be provided to the finance department's regional accounting team to ensure that their value is recorded.

Where gift cards are donated to the ministry unit for use in operations, the requirements of Canada Revenue Agency must be followed with regards to issuance of charitable receipts. For further clarification information regarding donated gift cards please reference Canada Revenue Agency Policy Statement CPS - 018

A detailed list of all gift cards must be maintained including documentation of their use. A sample form is attached in Appendix ‘A’Notes Link.

Ideally the final recipient of the gift card should sign a log, but there may be situations where this is not possible, (for example, when cards are distributed in gift baskets at Christmas. In these cases, it must be signed by two independent representatives of The Salvation Army). Individual sign-off sheets are attached in Appendix "B" Notes Link.

As the gift cards are used, they must be transferred from the asset account to the appropriate expense account. Again, information must be provided to the regional accounting team to facilitate this entry. It is recommended that this transfer occur no less than once a week if gift cards have been used.

A monthly reconciliation of the gift cards on hand in comparison to the amount listed in the GL control account should be prepared and signed by the custodian of the gift cards and approved by the custodian’s supervisor. The total dollar value of cards on hand must be provided to your accounting office on a monthly basis by the custodian of the gift cards.

Food vouchers purchased in a manner similar to gift cards and paid for in advance of distribution should be treated as gift cards. If the supplier invoices the unit as vouchers are reimbursed, however, they do not need to be treated as gift cards but can be expensed as paid.

***b) Use of Gift Cards for Staff***

The use of gift cards for staff (both officers and employees, active and retired) is prohibited due to the income tax implications.

When a gift card is given to a staff member, it results in a benefit that must be reported for income tax purposes. For example, assume that an officer or employee is in a marginal income tax bracket of 30%. A gift of card of $30 for a particular store results in taxes owing of $9, but this amount cannot be deducted from the card itself to result in a net gift of $21. Rather, the staff member must spend $30 at the specified store and have $9 deducted from his/her payroll.

With 12,000+ T4s issued annually, even the distribution of one gift card per year to each officer and employee results in significant additional administration to ensure that the taxable benefits are reported correctly.

Alternatively, the provision of a tangiblegift to acknowledge a milestone such as a service anniversary or special occasion does not result in a taxable benefit, provided it is valued at less than $500 per year.

***c) Use of Gift Cards for Volunteers***

Gift cards may be used for volunteers as a means of providing a reasonable meal and travel allowance or as a token recognition without attracting income tax.

Care should be taken, however, to ensure that the amounts are in line with meal and travel costs that would otherwise be reimbursed (see OP3409 Staff Expense Policy) or, if used as a token to express appreciation, that they do not bear any relation to the number of hours worked or the value of services received. Otherwise, they may be required to be reported for income tax purposes.

***Lee Graves***

**Colonel**

**CHIEF SECRETARY**