



DONATIONS OF SECURITIES BY AN INDIVIDUAL

With the many charitable endeavours in the community, we wanted to outline the tax effect of donating cash vs. donating securities. The three columns illustrate the following:

- Donate Cash – tax result of a donation of cash.
- Sell Securities & Donate Cash – tax result of selling a security with an accrued capital gain and donating the equivalent cash amount.
- Donate Securities – tax result of donating the actual securities to a charity.

There are technical tax rules involved and any taxpayer would need to ensure that they meet all criteria to obtain the benefit outlined with their advisors.

	Donate Cash	Sell Securities & Donate Cash	Donate Securities
Amount to donate	\$10,000	\$10,000	\$10,000
Adjusted cost base of shares	N/A	\$1,000	\$1,000
Capital gain	N/A	\$9,000	\$9,000
Taxable capital gain included in income (50%)	N/A	\$4,500	nil
Tax on taxable capital gain (50%)	nil	\$2,250	nil
Donation tax credit (donated amount x 50%)	\$5,000	\$5,000	\$5,000
Net tax saved	\$5,000	\$2,750	\$5,000
After tax cost of donation	\$5,000	\$7,250	\$5,000

Assumptions:

Ontario top tax rate of 49.53% on income over \$220,000 – rounded to 50%.

Donation made by an individual to a registered charity in Canada.

For detailed planning for your own situation or for corporate donations please contact us.