

Advantage of Donating Securities

In the 2006 Federal Budget it was announced that donations of publicly listed securities made after May 1, 2006 to a registered charity (other than a private foundation) will be exempt from capital gains tax.

It is important to note that the donation of securities must be made directly to the charity. If the securities are first sold and the cash is subsequently donated, then the preferential treatment is not available.

The table below shows the savings that can be realized when an individual donates shares to a charity directly versus selling the shares first, and then donating the proceeds.

	Sell Shares – Donate Gross Proceeds	Donation of Shares
Value of shares	\$150,000	\$150,000
Cost basis of shares	\$50,000	\$50,000
Realized gain on disposition of shares	\$100,000	\$100,000
Value of donation to the charity	\$150,000	\$150,000
Taxes payable on the realized capital gain ⁽¹⁾	\$23,000	Nil
Tax credit for the donation ^{(1),(2)}	<u>(69,000)</u>	<u>(69,000)</u>
Net after-tax cost of making the donation	<u>\$104,000</u>	<u>\$81,000</u>

(1) based on the top marginal tax rate of 46%.

(2) assumes the individual donor is able to benefit from the full tax credit available on the donated shares.

Example provided courtesy of **Grant Thornton LLP.** 

Please note that tax planning around charitable gifting can be complex. You should always obtain professional advice through consultation with your tax advisor.

If you would like more information on making donations of publicly listed securities to LOFT, call Jane Corbett, Director of Development, 416-979-1994, ext. 227.