

For donations of publicly-listed securities to registered Canadian charities, the 2006 federal budget proposes to reduce the capital gains inclusion rate on such donations to zero (previously it was 25%). Thus, donors are able to gift the securities to charities free of tax while remaining entitled to tax credits for the donation. Please note that charitable donations eligible for tax credits are limited to 75% of the donor's net income in the year.

\* can change fields

		<b>Example A</b>		<b>Example B</b>	
*	Value of investments at the time of gift	<b>100,000</b>		<b>100,000</b>	
*	Cost of investments to donor	<u>5,000</u>	<b>50% Gain</b>	<u>25,000</u>	<b>75% Gain</b>
	Gain to investor on gift of investments	95,000		75,000	
	Taxable gain to investor on gift of investments*	\$NIL		\$NIL	
	Value of donation for the purposes of the donation tax credit	100,000		100,000	
	Donation tax credit - 2006 tax rates**				
		Federal		28,973	
		Provincial		14,683	
		<u>43,656</u>		<u>43,656</u>	
1)	Total tax credit available to reduce taxes owing on other income	43,656		43,656	
2)	Cost to donate securities before adding in the capital gains tax	56,344		56,344	
3)	Capital Gains taxes saved	41,515		32,775	
4)	Cost to gift securities (beneficial if there are large gains)	<u><u>14,829</u></u>		<u><u>23,569</u></u>	

\* Even though the securities are being donated, this is still considered a "disposition" or sale for tax purposes and should be reported on Form T1170 of your tax return.

\*\* The federal donation tax credit is 15.5% on the first \$200 and 29% thereafter; the BC donation tax credit is 6.05% on the first \$200 and 14.7% thereafter.