CHU Sainte-Justine Foundation | GROW BEYOND

PLANNED GIVING

# Gift of listed securities through a holding company

If you own a holding company, you might want to explore the option of gifting appreciated shares rather than cash, as a strategic approach to maximize your charitable contribution to the CHU Sainte-Justine Foundation.

Let’s look at an example. If your holding company donates publicly traded securities directly to the Foundation, any capital gain attached to them will be exempt from tax. In addition, this donation will let you add an amount equal to the non-taxable portion of the capital gain to your company’s capital dividend account (CDA). When the amount is paid out to your shareholders, it will not be subject to personal income tax as long as the proper tax-related choices have been submitted to the relevant authorities prior to the payout.

This can be a particularly tax-efficient solution for both you and your holding company.

**IS THIS RIGHT FOR YOU?**

- → You own a holding company that generates sufficient earnings to take advantage of the corresponding tax benefits.

## YOUR BENEFITS

- → Tax receipt for the fair market value of the donated shares;
- → No tax on the capital gain associated with the donated shares;
- → Increase in your holding company’s CDA balance, allowing you to pay out the equivalent of the non-taxable portion of the capital gain in shareholder dividends on a tax-free basis;
- → Possibility of seeing the impact of your gift during your lifetime.

## SUGGESTED APPROACH

For this and any other gift of listed securities, we encourage you to talk to our planned giving team and to refer to a professional advisor to optimize your tax benefits. Once you are ready to proceed, you can download the donation form from our website.

**fondationstejustine.org/en/how-to-give/securities/**

### DID YOU KNOW...?

Your holding company has a capital dividend account (CDA) that allows it to pay tax-free dividends to its shareholders. This CDA includes the non-taxable portion of any capital gains resulting from the disposal of shares.

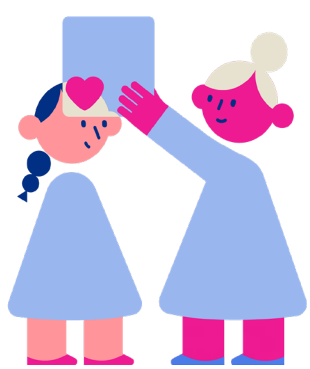
Through a refundable dividend tax on hand (RDTOH) account, your holding company can recover a portion of the taxes paid on investment income when dividends are paid out to shareholders.

EXAMPLE

*For the purposes of this example, the tax rate applicable to dividends has been rounded off to 40%. Similarly, the combined federal and provincial tax rate for the holding company has been estimated at 50% and the capital gains rate at 25%. This example does not take RDTOH payments into account. It also assumes that the holding company has the necessary taxable income to benefit from the tax deductions arising from a charitable donation.*

Mr. Smith owns a holding company. He wishes to make a $50,000 donation to the CHU Sainte-Justine Foundation. He therefore gives 1,000 shares to the Foundation through his holding company. The per-unit market value of these shares is $50 and the acquisition cost per share is $20. The total capital gain therefore works out to $30,000.

| | |
|---|---|
| Value of donation | $50,000 |
| A) Market value of shares | $50,000 |
| B) Acquisition cost of shares | $20,000 |
| C) Capital gain | $30,000 |
| E) Savings arising from the tax exemption on the capital gain for the donated shares, i.e., 50% of taxable capital gain (25% x $30,000) | ($25,000) |
| E) Savings arising from the tax exemption on the capital gain for the donated shares, i.e., 50% of taxable capital gain (25% x $30,000) | ($7,500) |
| F) Tax benefit for the holding company (including savings from the capital gain exemption) (D + E) | $32,500 |
| G) Additional CDA increase for the **non-taxable capital gain** obtained through the capital gain exemption on the donation (50% x $30,000) | $15,000 |
| H) Tax benefit for shareholders: tax savings on non-taxable dividends from the additional CDA increase (40% x $15,000) | $6,000 |
| Total tax benefits attached to the donation (F + H) | $38,500 |
| **Net cost of donation** | **$11,500** |



EXAMPLE (CONTINUED)

**Holding Company**

**GIFT OF SHARES**

1,000 shares x $50 = **$50,000**

**$25,000** **TAX SAVINGS FOR THE DONATION**

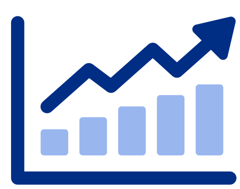
**$7,500** **TAX SAVINGS ON CAPITAL GAIN**

25% of $30,000

$30,000 in tax-free dividends, including $15,000 from the increase in the CDA, due to the capital gain exemption on the donation

Total savings (including tax savings on the capital gain) of $32,500

A gift of this nature saves the holding company $32,500 and lets shareholders benefit from $6,000 in tax savings (40% x $15,000), which is equivalent to the additional tax-free dividends resulting from the increase in the CDA. These combined savings represent tax benefits of up to $38,500. The resulting net cost of the donation would therefore be $11,500, or 23% of the total amount of the gift.



# A Wonderful Way to Support Sainte-Justine

Created in 1907 by Irma Levasseur, Justine Lacoste-Beaubien and generous donors, CHU Sainte-Justine is a worldrenowned mother-child medical care centre and the second largest pediatric research facility in Canada. But more than anything, Sainte-Justine is a community that brings people together from across the province.

The CHU Sainte-Justine Foundation carries on the philanthropic tradition that has supported the growth of the institution since its beginnings. By organizing fundraising activities throughout the year, the Foundation helps to provide world-class care to Quebec children and mothers-to-be.

**ARE YOU CONSIDERING INCLUDING A CHARITABLE DONATION THROUGH A GIFT OF SHARES?**

Contact our planned giving professionals to discuss your plans confidentially.

**Phone**: 514 345-4710
**Toll-free**: 1 888 235-DONS (3667)
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