CHU Sainte-Justine Foundation | GROW BEYOND

PLANNED GIVING

Gift of securities through a holding company

If you own a holding company, you may wish to donate publicly traded securities with significant capital gains to the CHU Sainte-Justine Foundation, allowing you to contribute more meaningfully to the cause while reducing your overall cost.

Let us consider the example of a holding company that owns publicly traded securities. Should the holding company wish to make a gift to the CHU Sainte-Justine Foundation, it could donate publicly traded securities rather than making a cash contribution.

The capital gain arising from a gift of publicly traded securities is exempt from taxation for the holding company. In the context of a transfer outside of a charitable gift, the holding company would have paid tax of approximately 25% on the difference between the value of the securities at the time of transfer and their acquisition cost, representing the capital gain. A gift of publicly traded securities to the Fondation CHU Sainte-Justine not only exempts the capital gain from taxation, but also provides an addition to the Capital Dividend Account (CDA). The Capital Dividend Account allows tax-free dividends to be distributed to the shareholder, subject to certain conditions and up to the available balance.

Your holding company and you personally may therefore benefit from highly attractive tax considerations.

A GOOD OPTION...

- If you own a holding company that generates sufficient income to benefit from the associated tax advantages.

YOUR BENEFITS

- Charitable tax receipt corresponding to the fair market value of the donated securities;
- No capital gains tax payable by your holding company on the donated securities;
- Opportunity to increase the balance of the Capital Dividend Account by an amount equivalent to the capital gain, allowing for the distribution of tax-free dividends;
- Opportunity to witness the impact of your gift during your lifetime.

SUGGESTED STEPS

As with any gift of publicly traded securities, we invite you to contact us and consult a professional advisor to optimize the associated tax benefits, and then to download the transfer form available on our website.

https://www.fondationstejustine.org/en/how-to-give/securities/

DID YOU KNOW?

Your holding company maintains a Capital Dividend Account (CDA), which allows tax-free dividends to be paid to shareholders. The CDA is composed, among other things, of the non-taxable portion of capital gains realized on the disposition of shares.

The Refundable Dividend Tax on Hand (RDTOH) allows your holding company to recover a portion of the taxes paid by a private corporation on investment income when a dividend is distributed to a shareholder.

EXAMPLE

For ease of calculation in this example, the combined personal tax rate on dividends is rounded to 40%. The combined federal and provincial tax rate applicable to the holding company is rounded to 50%, and the rate applicable to capital gains is rounded to 25%. This example does not take into account the refund of the RDTOH. The holding company is assumed to have sufficient taxable income to fully utilize all charitable donation tax deductions.

Ms. Smith owns a holding company and wishes to make a $50,000 gift to the CHU Sainte-Justine Foundation. Her holding company donates 1,000 publicly traded shares directly, with a unit market value of $50, for a total of $50,000, while their unit acquisition cost is $20, for a total of $20,000. The aggregate capital gain therefore amounts to $30,000.

Value of the gift	**$50,000**
A) Fair market value of the shares ($50 × 1,000 shares)	$50,000
B) Acquisition cost of the shares ($20 × 1,000 shares)	$20,000
C) Capital gain ($50,000 – $20,000)	$30,000
D) Capital gains tax payable by the holding company	$0
E) Tax savings for the holding company: tax otherwise payable on the capital gain (25% × $30,000)	($7,500)
F) Tax savings for the holding company: charitable donation deduction (50% × $50,000)	($25,000)
G) Amount added to the CDA balance corresponding to **the non-taxable portion of the capital gain** (100% × $30,000)	$30,000
H) Tax benefit to the shareholder: potential tax savings on tax-free dividends resulting from the increase in the CDA (40% × $30,000)	($12,000)
I) Total tax benefits arising from the gift ($7,500 + $25,000 + $12,000)	$44,500
Cost of the gift	**$5,500**

EXAMPLE (CONTINUED)

GIFT OF SHARES

1,000 shares × $50 = **$50,000**

$25,000 — **TAX SAVINGS CHARITABLE DONATION DEDUCTION**

50% × $50,000

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

25% × $30,000

Holding Company

Potential savings of $12,000 upon the distribution of tax-free dividends, of which $6,000 arises from the additional increase to the CDA resulting from the capital gains exemption.

Total savings of $32,500 for the holding company arising from the charitable donation deduction and the capital gains tax exemption.

This gift enables the holding company to benefit from tax savings of $32,500 and allows the shareholder to potentially benefit from tax savings of $12,000 upon the distribution of tax-free dividends, of which $6,000, being 40% × $15,000, arises from the additional increase to the CDA resulting from the capital gains exemption. These combined savings represent charitable donation tax benefits reaching up to $44,500 and a net cost of the gift as low as 11% ($5,500).

A meaningful way to support Sainte-Justine

Founded in 1907 by Irma Levasseur, Justine Lacoste-Beaubien and a group of generous benefactors, CHU Sainte-Justine has grown into an internationally renowned mother-and-child care centre and the second-largest pediatric research centre in Canada. For most of us, it is also, and above all, the hospital of all Quebecers.

The CHU Sainte-Justine Foundation carries on the philanthropic tradition that has supported the institution's development since its founding. Through fundraising initiatives conducted throughout the year, the Foundation helps provide the children and mothers of Quebec with the finest care in the world.

ARE YOU CONSIDERING A GIFT OF PUBLICLY TRADED SECURITIES THROUGH A HOLDING COMPANY?

Contact our Planned Giving team to discuss your intentions in complete confidentiality.

By telephone: 514 345-4710
Toll-free: 1 888 235-DONS (3667)
By email: plannedgifts@fondationstejustine.org

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