

## Gift of listed securities through a holding company

Is the work Sainte-Justine does important to you? Do you want to make sure the children and mother of today and tomorrow have access to one of the best standards of healthcare in the world?

If you own a holding company, you may wish to consider making a gift of shares that have appreciated in value through this channel instead of a cash donation. This planned giving strategy will help you get the most out of your donation dollar and give even more 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.

### BENEFITS FOR YOU

- 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/giftofsecurities](https://fondationstejustine.org/en/giftofsecurities)



#### 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.

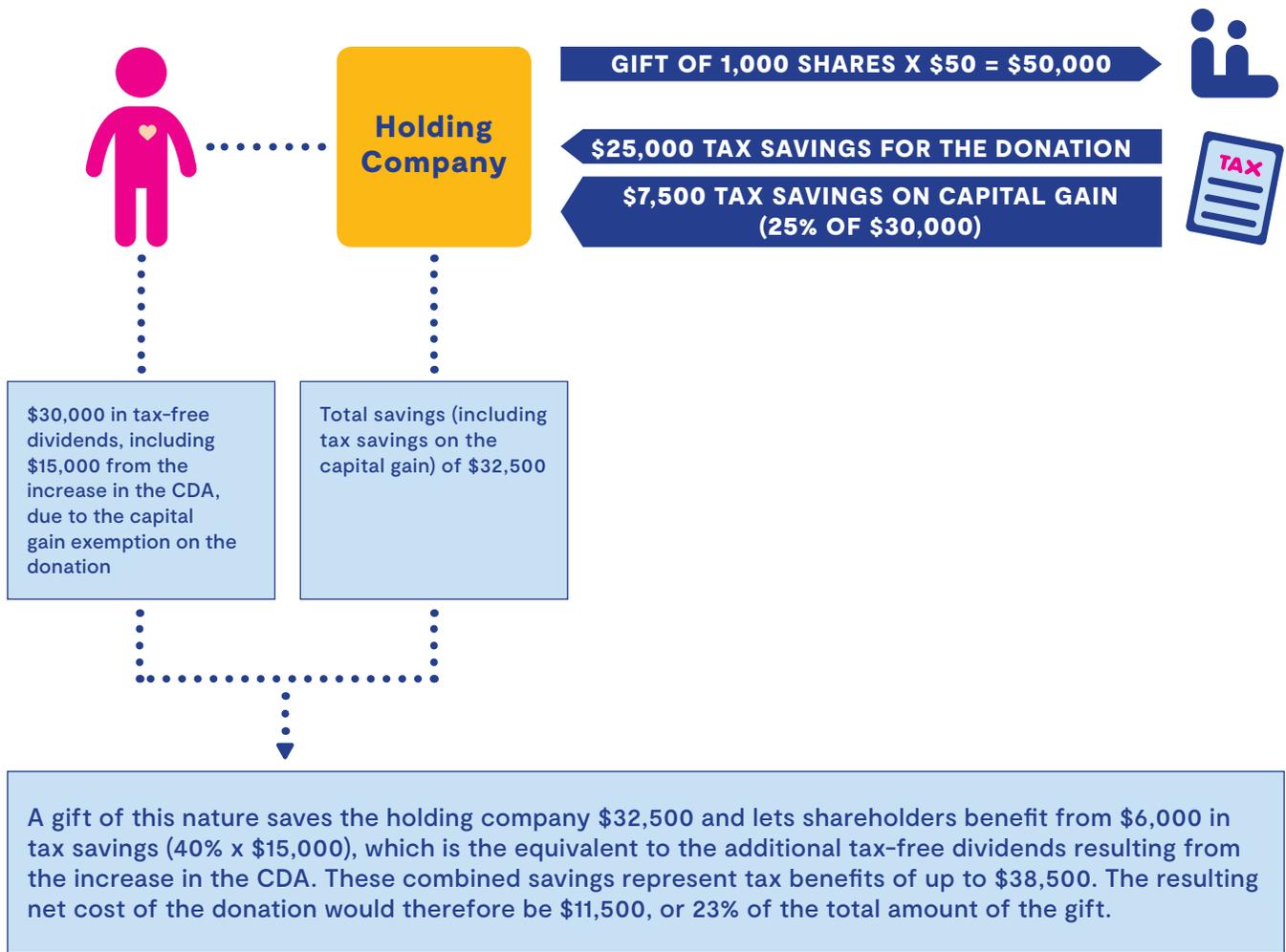
Through a refundable dividend tax on hand (RDTOH) account, your holding company can recover a portion of the taxes paid on investment income when dividends are paid out to shareholders.

**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. Langley 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.

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



The information herein should not be interpreted as financial or legal advice from the CHU Sainte-Justine Foundation. The examples are provided for general information purposes only. The amounts and rates indicated may be subject to change. Please talk to your financial or legal advisor to ensure the options you choose take into account the details of your situation, as well as all required legal and tax requirements.