

A new tax break when you donate securities to charity.

Recent tax changes have made it even more attractive to donate publicly traded securities to a charitable cause that's important to you.

Under the old rules, when you donated securities to charity, it was deemed a disposition for tax purposes. That meant that any appreciation in the value of the securities from the date you acquired them to the date they were donated was treated as a taxable capital gain.

However, in the 2006 federal budget, this rule was changed to provide a significant tax break for charitable donors. You may now donate stocks, bonds, futures and options, as well as shares in mutual funds to a registered charity without paying any tax on the capital gain.

As a donor, these tax savings may increase the amount you can afford to give, or simply reduce the out-of-pocket expense of your gift.

Significant tax savings

The following table compares the tax consequences of selling a security and realizing a capital gain, versus donating the same security to a charity.

| | Sell Security | Donate Security |
|--|---------------|-----------------|
| Market Value of security | \$100,000 | \$100,000 |
| Adjusted Cost Base of security | \$50,000 | \$50,000 |
| Taxable portion of capital gain (50%) | \$25,000 | \$0 |
| Tax on capital gain* | \$11,603 | \$0 |
| Charitable donation/tax receipt | N/A | \$100,000 |
| Charitable tax credit* | N/A | \$46,410 |
| Net Proceeds | \$88,398 | \$46,410 |

*Based on Ontario's top marginal tax rate of 46.41%

In this example, making a donation of securities allowed the investor to avoid \$11,603 in capital gains tax in addition to receiving a \$46,410 charitable tax credit. On an after-tax basis, when you factor in both the tax credit and the capital gains savings, this \$100,000 gift to charity cost the investor only \$41,987.

It is now possible for you to donate shares and receive a charitable tax receipt equal to their market value, without triggering any capital gains tax. Thanks to this new tax legislation, it's never been more affordable to show your generosity.

Working with a team of experts from across the Scotiabank Group, we can help you develop a charitable giving strategy that is right for you.

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