Sunil and Nita LLP
Tax and Business Advisors Chartered Professional Accountants

Happy Thanks Giving

This fall one of the ways to be thankful for what you are blessed with is to help someone in need. To show your appreciation, you may choose to donate this thanksgiving for the cause you are passionate about. You can donate in cash, in-kind and stocks. Stock donations are eligible for 100% tax credit at fair market value and there is no capital gains tax. If you want to help a new charity, think about the following because you have worked hard to earn your money

1. Enquire if the charity is registered as a non- profit charity with CRA or else they cannot issue you a tax receipt,
2. Learn more about their mission statement to make sure it aligns with your belief,
3. Find out how much money goes for the cause, and
4. Don’t hesitate to ask questions before donating.

"May the good things of life be yours in abundance not only at Thanksgiving but throughout the coming year!"

Corporate Donations

A corporation can deduct donations made to registered charities from its income. The deduction can result in tax savings up to 43% (provincial and federal). However, corporation must distinguish cash/non-inventory item donations and donations made out of inventory (e.g. food from grocery store, computer from computer store etc.). Donations from non- inventory items are deductible as an expense, but donations from inventory items require different accounting treatment. The business has to include in its income the fair market value of inventory item donation that it gives to registered charities and then claim deduction for tax receipts issued by the charity. This provision does not negatively impact the taxable income of the business because income is increased as a result of value of donation that is included, but it is also offset by the charitable deduction.

TFSA - Stop and Think
TFSA is a great tool for tax free investments. The real benefit of TFSA is generally dependent upon your tax situation. For higher tax bracket RRSP is a better option because it lowers your tax bracket. But remember, if you transfer an existing investment (e.g. shares, bonds etc.) to TFSA account, this will trigger a capital gains tax because the transfer will be considered “deemed disposition”. In other words, CRA will assume that you have sold investments on the day you transferred it to TFSA and any capital gains will be taxable. Also, if your investments are worth less on the day of transfer to TFSA, you are not allowed to take a capital loss on the transfer.