Sunil and Nita LLP
Tax and Business Advisors Chartered Professional Accountants

Donations to a Charity (Giving Tuesday Dec. 3):
Giving Tuesday is come up. This year it falls on December 3rd: Also known as "A Day of Generosity". Every year, on Tuesday after American Thanksgiving, many Charities send out mailings and emails to encourage people to donate, volunteer, or support causes they care about. It’s a great opportunity to make a positive impact. Many organizations also run a matching donation campaign.

Ways to Get Involved:

- Monetary Donations: Directly give to a charity.
- Donating Assets: Contribute stocks, mutual funds, or other assets.
- Volunteering: Offer your time or expertise.
- Employer Matching: Check if your employer matches donations.

Tax Benefits of Donations in Canada

1. Charitable Tax Credit: Donations to registered Canadian charities provide a tax credit (up to 29% federally, plus provincial credits).

- Example: A $1,000 donation could yield a $400 tax benefit.

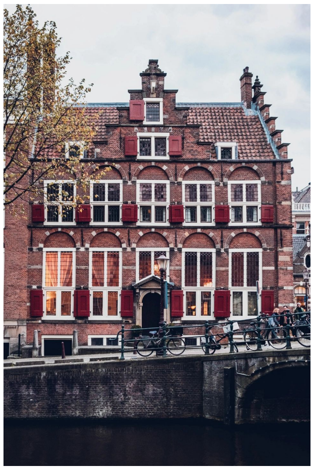
2. Donating Appreciated Assets (Stocks, Mutual Funds): Donating stocks, bonds, or mutual funds. The charities receive full value of the donated stocks and the donor gets 100% tax deductible tax receipt from the charity with zero capital gains tax on transfer of such stocks. It’s a win-win for both parties.

- Example: Donating $3,000 of appreciated stock means no capital gains tax on the full $3,000

3. Life Insurance Donations: Donating a life insurance policy is not subject to probate taxes or estate debts and you can make a substantial contribution through a small monthly or annual payment, while at the same time receive a charitable tax receipt from the charity.
4. Carry-Forward: Unused donation credits can be carried forward for up to 5 years, allowing you to maximize your tax benefit in future years.

Maximizing Your Impact

• **Eligible Charities:** Only donations issued by a registered charity qualifies for tax credits. You can check the charity's registration status via the Charities Directorate website. All registered charities are listed there.
• **Tax Receipts:** Ensure you get a receipt for your donations to claim the credit.



Business versus Income from Property
Income from property and income from business are treated differently under Subdivision B of the Income Tax Act (ITA). The main difference between the two types of income is the level of activity: ongoing, continuous activity suggests a business, while little or no activity points to property income. While it's usually clear, sometimes the distinction can be more complex.
Example 1: An individual buys a residential property to rent out and earn extra income. The tenant manages the property with little input from the landlord.
Business or Rental Income - This is considered a source of income because the person owns the property with the goal of making a profit. Since the landlord's role is mostly passive, the income is classified as rental income.

Example 2: An individual buys two residential properties. The first property is rented out at the standard market rate, like Example 1. The second property is given to a family member in need and is rented for just enough to cover the mortgage.
Business or Rental Income -each property is a separate potential source of income. The first property is considered rental income, as it is rented for a profit, just like in Example 1. However, the second property does not meet the income source criteria because it lacks a profit motive. While the owner could claim a profit motive, the facts suggest the main reason for renting the second property is to help a family member, not to make money. As a result, the second property isn't considered income-generating, so any loss on it can't be claimed for tax purposes.

Example 3: An individual buys 3 rental properties, including a 40-unit apartment building. Because of the large number of properties, the owner hires a management firm to handle tasks like maintenance, collecting payments, and repairs.

Business or Rental Income with three properties, the individual is running a business due to the amount of work involved. All the properties generate one income source. Even though the owner doesn't manage the properties directly, the use of a management firm shows that this is more than a passive investment. Therefore, it's considered business income, not rental income from property.

Foreign Media Advertising
The Income Tax Act limits deductions for advertising in foreign media if the ads target the Canadian market. However, Canadian businesses can fully deduct ads in foreign periodicals (like magazines) if at least 80% of the content is original and created for Canada. This content can be by Canadian writers or created specifically for the Canadian market. If the content is less than 80% original, only 50% of the advertising costs are deductible. These rules apply only to foreign periodicals, not other types of foreign media.