

Gift of Private Company Shares



If your client owns shares of a Canadian Controlled Private Corporation (CCPC), there might be some benefits to donating those shares “in-kind” to Abundance Canada vs selling the shares and donating the cash proceeds.

While in-kind donations of publicly traded securities (stock, bonds and mutual funds) results in the capital gains inclusion rate dropping from 50% to 0%, the same tax efficiency does not apply for in-kind donations of private company shares.

However, there are still some benefits that might result from the in-kind donation of private company shares.

Planning Points

- + There are complex rules that apply to the donation of private company shares.
- + Private company shares are considered a non-qualifying security by CRA.
- + The ability to issue a charitable receipt for the donation of private company shares will depend on whether the non-qualifying security is considered an excepted gift.
- + A non-qualifying security is considered an excepted gift if it meets all the following criteria:
 - + It is in the form of a share.
 - + The charity receiving the gift is not a private foundation.
 - + The donor deals at arm’s length with each of the charity’s directors, officers, and like officials.
- + If the private company shares are considered an excepted gift, the following tax planning benefits could be realized:
 - + Your client (the donor) could realize a taxable capital gain vs a taxable deemed dividend on the donation of the shares vs selling the shares and donating cash.
 - + When the corporation redeems the shares from Abundance Canada it could result in the corporation realizing a refund from its refundable dividend tax on hand (RDTOH) pool.
- + There could be other potential implications on the redemption of the shares. Proper planning and professional tax advice should be sought out prior to initiating a donation of private company shares.

Next Steps

Contact Abundance Canada if you have clients who might benefit from the donation of private company shares.

Established in 1974, Abundance Canada envisions a world where everyone lives generously, because we believe *generosity changes everything™*. To learn more about donating private company shares, contact Abundance Canada at **1.800.772.3257** to speak with a gift planning consultant. All consultations are confidential, with no obligations.



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