



YEAR END TAX PLANNING: **Charitable Giving**

Charitable donations are an important way for Canadians to assist their favourite causes and, at the same time, gain a tax benefit. In order to be eligible within your 2019 tax return, donations must be made by December 31st.

The federal tax credit for a donation to a registered charity is calculated as follows:

- You will get a 15% federal tax credit for the first \$200 you donate for 2019
- If you have income over \$210,371, you may receive a 33% federal tax credit for your donations over \$200;
- If your income is under \$205,842, you will receive a 29% federal tax credit for donations above \$200
- Provincial tax credits may boost your total combined charitable donation tax credits up to 54% if you have income over \$205,842 and up to 50% if your income is under \$205,842
- Donating securities instead of cash may increase the benefits of the donation for you and the charity
- Gifts of life insurance can finance a sizable donation with a relatively small cash outlay, depending on the level of your premiums.
You have two options for donating life insurance to a charity:
 - First you can donate the policy directly to charity (a new policy or existing), and if you continue to pay the premiums, rather than having the charity pay them, each payment will be considered an additional charitable donation entitling you to a tax credit.
 - Secondly, if you name a charity as the beneficiary of your life insurance (or your RRSP or RRIF) in your will, your qualifying estate may be able to claim the amount as a charitable donation in your final tax return or the return for the preceding year.

If your donations add up to more than 75% of your total net income, you can carry forward the excess amount and claim it in any of the following five years while alive.

This overall effective credit will increase when considering provincial tax. Any charitable donations that have been made in the previous five years and have not been claimed in previous tax returns can be added to your 2019 eligible amount (however, they are subject to a maximum federal credit of 29%).

Example

If you live in British Columbia and your taxable income is less than \$205,842. If you were to donate \$1,000 to charity in 2019, you will get a combined federal and provincial tax credit of 20.1% on the first \$200, equalling roughly \$40. For the

remaining \$800 of your donation, you will get a combined credit of 45.8% equalling about \$366. As such, your total federal and provincial tax credit will be \$406, and the after-tax cost of your original \$1,000 donation will be \$594. If you donate another \$1,000 you will get a 45.8% tax credit for the whole amount, and the after-tax cost of the additional \$1,000 will be \$542. (I.e. a \$1,000 donation, minus \$458 in tax savings).

For more information, please contact LeBlanc Group at leblanc.group@cgf.com or by phone at 604.661.7839.

Visit our website by following the link www.leblancgroup.ca



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