

The tax incentive to gift securities

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If you want to make a gift to your favorite charity and save more on your taxes, then consider donating publicly traded securities.¹ The government encourages these donations by completely eliminating the tax on the capital gains on the securities that were gifted to a registered Canadian charity, including a donor advised fund.²

Donation tax credit

Let's take a quick look at how the donation tax credit rules work when you make a gift. When you donate to a registered charity in Canada, you can claim a donation tax credit. For the first \$200 of donations you claim each year, the federal donation credit is 15%. Each province also provides a provincial donation tax credit. Alberta is the most generous with a combined federal and provincial donation credit of 75%, followed by Quebec with a credit 32.52%. The rest of the provinces have combined federal/provincial credits worth between 19% to 25.8% (see Chart 1 below.) For example, a British Columbia resident could get a combined credit of 20.06%, worth about \$40 in tax savings on their first \$200 of annual donations.

¹ Eligible securities include stocks or bonds listed on a designated stock exchange, and certain mutual fund units or segregated funds.

² For more information, please see the CIBC report "[Strategic Philanthropy](#)".

Once you've made at least \$200 of donations in any year, further donations save more tax (except in Alberta because of the newly enhanced provincial credit on the first \$200). The federal donation credit jumps to 29%, but could be 33% to the extent that your income exceeds the threshold for the highest federal bracket (\$253,414 in 2025). The maximum combined federal and provincial credits range from 44.5% to 54.8%, depending on your province or territory and income tax bracket. For a taxpayer in Manitoba with income above \$253,414, assuming you have already donated \$200 in the year, donating another \$200 will save you about \$100 in tax.

Chart 1: 2025 maximum donation tax credits³

Province or territory	Combined credit on the first \$200 in donations	Maximum combined credit on donations over \$200 ⁴	Province or territory	Combined credit on the first \$200 in donations	Maximum combined credit on donations over \$200 ⁴
AB	75.00%	54.00%	NU	19.00%	44.50%
BC	20.06%	53.50%	ON	20.05%	50.41%
MB	25.80%	50.40%	PE	24.5%	52.00%
NB	24.40%	50.95%	QC	32.52%	53.31%
NL	23.70%	54.80%	SK	25.50%	47.50%
NS	23.79%	54.00%	YT	21.40%	45.80%
NT	20.90%	47.05%			

Gift publicly traded securities

When you donate publicly traded securities you can claim the donation tax credit for the value of the securities on the date the charity receives them. In addition, if the publicly traded securities, mutual funds, or segregated funds have appreciated in value and there is an accrued gain, the tax on this gain is eliminated when you donate the securities directly to charity, rather than selling them and donating the proceeds.

Example

Let's consider Mark who wants to donate \$100,000 to charity. He currently owns mutual funds that have a fair market value of \$100,000 that he purchased many years ago for \$20,000. He is in the top tax bracket in Ontario with a marginal tax rate of 53.53% and a donation tax credit rate of 50.4%.

If he sold the mutual funds first, and donated the sale proceeds, he would realize a capital gain of \$80,000 and pay tax of about \$21,412 on the capital gain which is only 50% taxable. His net benefit, taking into account the value of the donation credit less the tax on the capital gain, would be about \$28,988 (see Column A in Chart 2 below).

If Mark donated the mutual fund units "in-kind" directly to charity instead of selling of them first, the capital gains tax would be eliminated. Since Mark would still be entitled to his full tax receipt for the \$100,000 contributed, his net benefit would be \$50,400 (see Column B in Chart 2), resulting in a savings of \$21,412 being the entire capital gains tax he otherwise would have paid if he had sold the shares first, prior to making his donation.

³ Source: Donation tax credit rates provided by Tax Templates Inc. In some cases provincial surtaxes and income brackets will change the donation tax credit applicable to an individual. Please confirm your applicable rates with your tax professional.

⁴ To the extent of taxable income is in the top tax bracket applicable in each province.

Chart 2: Comparison of tax savings from cash donation vs. in-kind donation

Description	(A) Value of cash donation in dollars	(B) Value of in-kind donation in dollars
Fair market value of donation	100,000	\$100,000
Adjusted cost base (assumed)	(20,000)	(20,000)
Capital gain	80,000	80,000
Taxable gain (50% vs. 0%)	40,000	0
Tax on capital gain (at 53.53%)	(21,412)	0
Tax benefit of gift (at 50.4%)	50,400	50,400
Net tax benefit	28,988	50,400
Tax savings from donating in-kind instead of cash	0	21,412
After tax cost to donate \$100,000	\$71,012	\$49,600

What if I want to continue own those securities I just donated?

If you want to keep your securities after the donation, consider repurchasing them with the cash you otherwise were going to donate to the charity. This will let you claim the donation credit, eliminate the capital gains tax on gifted shares, and your adjusted cost base on the securities will be “bumped up” or “reset” to the current fair market value. This reset will limit any future capital gains tax on securities to any increase in value from the repurchased price.

What if my securities have dropped in value?

You can donate depreciated securities to charity or sell them and donate the proceeds. In either case, you can claim the capital loss from these securities against capital gains realized in the current year, or carry back any net capital loss to use against any taxable capital gains you realized in the prior three years. Any remaining net capital loss may then be carried forward indefinitely to be used against taxable capital gains in future years.

Be careful to wait 30 days if you want to repurchase depreciated securities so that the loss is not denied under the superficial loss rules.

Conclusion

There are tax incentives to encourage people to donate publicly traded securities to charities. Talk to your advisor and tax professional to consider whether this strategy is right for you.

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