

### **Illustration of a Gift of Stock**

Nat Dauphinee wants to establish a fund in memory of his son James, who died of heart disease. He decides to use Bank of Nova Scotia shares that he purchased years ago at a cost of \$20,000. Today, in spite of the market downturn, they are worth \$50,000. His combined federal and provincial tax rate is 48%

#### **Tax on Gain**

Total Amount Transferred	\$50,000
Cost base of Transfer	\$20,000
Capital Gain Recognized	\$30,000
Taxable Gain (0% of gain)	\$ 0
Tax on Gain (48% of taxable gain)	\$ 0

#### **Tax Credit**

Donation Reported	\$50,000
Tax Credit (\$50,000 x 48%)	\$24,000
Tax on Gain	\$ 0
<i>Net Tax Savings</i>	<i>\$24,000</i>
Net cost of gift (\$50,000 - \$24,000)	\$26,000

#### **If he sold the shares and donated the proceeds**

Donation Reported	\$50,000
Taxable Gain (50% of gain)	\$15,000
Tax on Gain (48% of taxable gain)	\$ 7,200
Tax Credit (\$50,000 x 48%)	\$24,000
<i>Net Tax Savings</i>	<i>\$16,800</i>