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## **Tax Credits Support the Spirit of Giving**

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Charitable giving is undoubtedly beneficial to the community, but it can also be beneficial to donors during tax season. The federal government encourages individual charitable giving through the non-refundable charitable donations tax credit (“CDTC”) (parallel provincial credits work similarly). Up to 75% of a taxpayer’s net income can be claimed as donations, except in the year of death, when up to 100% of a taxpayer’s net income can be claimed. The donation limit can be increased in some cases with a donation of capital property.

Only donations to registered charities and other “qualified donees” supported by official donation receipts can be claimed. Qualified donees are:

- Registered charities;
- Registered Canadian amateur athletic associations;
- Registered national arts service organizations;
- Registered municipalities in Canada;
- Registered municipal or public bodies performing a function of government in Canada;
- Registered universities outside of Canada that are prescribed to be universities the student body of which ordinarily includes students from Canada;
- The United Nations and its agencies;
- Her Majesty in Right of Canada, a province, or a territory; and
- Registered foreign charities to which Her Majesty in Right of Canada has made a gift.

The Canada Revenue Agency maintains a [charities registry](#) to help donors determine whether a given charity is registered and provides information on organizations’ finances, activities, and operations.

Donations must be received by the qualified donee by December 31 of a given year in order to be claimable for that year. However, an individual can also carry forward eligible amounts for five (5) years if it would not be advantageous to claim a donation in a given year.

Two changes apply for the 2016 and subsequent tax years: a new tax credit rate of 33% and the timing of donations made on death. As a result of the introduction of the new top federal personal income tax rate of 33%, the new tax credit rate of 33% applies to the eligible amount of gifts greater than \$200 to the extent that an individual has income subject to the new 33% income tax rate. For the 2016 tax year, the applicable federal rates are:

- 15% on the first \$200 of donations;



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- 33% on the lesser of:
- the amount, if any, by which total gifts for the year exceed \$200, and
- the amount, if any, by which taxable income exceeds \$200,000;
- 29% on donations above \$200 that are not eligible for the 33% rate.

Also new for the 2016 tax year, donations made by Will and designation donations (direct distributions to a qualified donee who is the designated beneficiary of an RRSP, RRIF, TFSA, or life insurance policy) are deemed to be made by the individual's estate. Previously, such donations were deemed to have been made immediately before the individual's death.

To encourage first-time donors (neither you nor your spouse or common-law partner has claimed a CDTC for any year after 2007), the first-time donor's super credit ("FDSC") supplements the CDTC by 25% for up to \$1,000 of monetary donations – a 40% federal credit for donations of \$200 and less, and a 54% federal credit for the portion of donations between \$200 and \$1,000. As a temporary credit, the FDSC can be claimed once between the 2013 and 2017 tax years.

Whether you are a first-time donor or have been supporting a favorite charity for years, the benefits can be important for you and the community you choose to support.

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