

Donating from Company v. Personally

There are distinct advantages and disadvantages in donating to charities through your company. The chart below models both scenarios. It is important to decide if it is better for you from a **tax planning and business strategy** perspective if the funds should be coming out of the profit line of the company or against your personal income. We advise that you use this information with your CFO and your personal tax planning specialist.

In both scenarios your desired outcome is that \$50,000 ends up with a charity and that you get a tax receipt.

	Donation through the Company	Donation Personally
Source of Funds	Profit from company	Personal Income*
Donation	\$50,000	\$50,000
Receipted Charitable Donation	\$50,000	\$50,000
Tax Rate	20%*	49%*
Value of Tax Credit	\$10,000	\$24,500
Carry-forward time of a tax credit	5 yrs.	5 yrs for cash and up to 10 yrs for ecologically sensitive land

*Your income may come from direct salary OR a dividend of the company. Determine which is better to draw from as there are different tax standards for paying off of dividends v. direct salaries from companies. This tax rate is based off of a general donation of cash in Alberta and does not take into account any other tax planning scenarios.

If your company makes a donation **and does not receive any perceived benefit** (i.e. logo signage, links on websites, promotional materials, access to charity client or donor roster, etc.) then the company can claim up to 75% of its net income in that year. *However, by making a donation it cannot put the company into a loss position or increase the state of the loss.* If there is a perceived benefit then NONE of the funds are deemed charitable and the contribution is now part of Marketing/PR and/or general Goodwill.

** If you, or your spouse, or common-law partner, made a gift of money or other property to registered Canadian charities, you may be able to claim a federal and provincial or territorial non-refundable tax credit when you file your return. *Generally, you can claim all or part of this amount, up to the limit of 75% of your net income.*

As always we advise that you seek external tax advice when planning large-scale contributions.