The "Triple Play" Strategy

Comply with New Tax Rules on Split Income,
Reduce or Eliminate Taxes on Passive Income,
Make Charitable Gifts Using Tax Dollars

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Who Needs This?

Business owners with a Canadian Controlled Private Corporation (CCPC), entrepreneurs and incorporated professionals such as doctors, lawyers, and accountants.

New Tax Rules

- Restrict the ability (TOSI) to split income with one or more family members.
- CCPCs with more than $50,000 of annual passive income will lose all or part of their Small Business Deduction and then get highly taxed for every dollar of excess passive income.

Benefits Of This Strategy

- Reduce Passive Income subject to higher taxes
- Preserve your Small Business Deduction
- Distribute corporate funds to family tax-free
- Give generously to your favourite causes

How It Works

1. Donate appreciated corporate-owned marketable securities to charity. Corporation pays no tax on gains and deducts 100% of market value, reducing company value for tax purposes.
2. Withdraw untaxed gains on donated securities from company tax-free through Capital Dividend Account (CDA), distribute to family or other shareholders.
3. Use corporate-owned life insurance to replace donated funds and reduce passive income. Use tax-free death benefit to convert taxable dividends into tax-free dividends for family.

Tax Tip: Donating cash to charity is the least efficient way to be charitable.

A Recent Case

A generous business owner had $1 million of appreciated marketable securities in his holding company, with a cost base of $200,000.

He donated those shares to charity using a Donor Advised Fund (DAF) and his company obtained a deduction of $1 million for the donation (100% of market value). The company's taxable value was reduced by $1 million and a large charitable fund was available for him to distribute in the future.

The $800,000 gain in value was credited to the CDA and could now be paid out to his wife and kids (must be shareholders to receive a capital dividend), tax-free, or for any other purpose.

Passive Income was reduced further by the purchase of Corporate-Owned Life Insurance turning taxable dividends into tax-free dividends payable at death to his beneficiaries. Ultimately, the family was made completely "whole" even after the charitable donation and it was just a timing issue.

Benefits Of This Strategy

- Increase the rate of return on an estate planning strategy which incorporates Permanent Life Insurance
- Great opportunity for Strategic Philanthropy
- Increase an estate and transfer wealth tax-efficiently
- Demonstrate the importance of philanthropy by setting an example for children and grandchildren

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