KPMG

TaxNewsFlash

Canada

Make Your 2025 Charitable Donations Tax-Effective

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As the end of 2025 draws near, you may be thinking of ways to contribute to your favourite registered charities. Charitable donations are not only a great way to support the causes that are important to you, but they can also help reduce your taxes owing for 2025. Whether you ultimately choose to make a cash donation or a gift of property this year, you still have to make your charitable gifts by December 31, 2025 to claim the donation tax credit on your 2025 tax return.

Note that, as a result of the Canada Post stoppage in 2024, the CRA announced it would uphold the proposed legislative change to extend the eligible donation deadline for the 2024 taxation year to February 28, 2025, even though the proposed change has yet to be enacted. The CRA announcement followed draft legislation released to extend the deadline for individual, trust and corporate taxpayers for the 2024 taxation year only. The 2025 budget, released on November 4, 2025, stated that the government intended to proceed with this measure. However, there is no extension for the 2025 taxation year.

Generally, your after-tax cost for a $1,000 cash donation in 2025 can range from a low of $452 to a high of $555 if you are a "high income earner" with income of more than $253,415, and from a low of $492 to a high of $595 if your income is at or below the highest tax bracket (depending on your province/territory of residence). However, it is important to note that you can only claim 80% of your donation tax credit when calculating alternative minimum tax (AMT).

Making a "gift-in-kind", such as a donation of publicly traded securities instead of cash, may increase the tax benefit of your donation since the capital gain on donations of publicly listed securities is not taxable. However, note that gifts-in-kind may be subject to AMT as the inclusion rate for purposes of calculating AMT is 30%.

If you are planning to make substantial charitable donations before the end of the year, contact your KPMG tax adviser to determine the after-tax cost of your donation (including potential AMT implications) and to consider your donation options.

Tax credits for charitable donations

As an individual donor, your charitable donations entitle you to a three-tier tax credit. The first $200 of annual donations is eligible for a 14.5% federal tax credit, plus the applicable provincial/territorial tax credit. Donations above that level are eligible for a 29% federal tax credit (or a 33% federal tax credit to the extent your income is above $253,415 and subject to the 33% tax rate), plus the relevant provincial/territorial tax credit. See the combined federal and provincial/territorial donation tax credit rate and corresponding after-tax cost of a $1,000 donation in 2025 in the table in Appendix I.

You should also keep in mind that there are limits to charitable donation claims as a proportion of net income. The maximum amount of donations you can usually claim in a year is 75% of your net income (100% in the year of death and in the year preceding death). If you have donation receipts that exceed your income limit, or if you choose not to claim a donation in the year you made it for other reasons, you can save the receipts and generally claim the credit in any of the following five years.

Example

Say you live in British Columbia and your income is under $253,415. If you donate $1,000 to charity in 2025, you will get a combined federal and provincial tax credit of 19.56% on the first $200, which equals about $39. For the remaining $800 of the donation, you'll get a combined credit of 45.8%, equaling about $366. As such, your total federal and provincial tax credit will be $405, and the after-tax cost of your $1,000 donation will be $595 (i.e., a $1,000 donation, minus the total of $39 plus $366 in tax savings). If you donate another $1,000, you'll get a 45.8% credit for the whole amount, and the after-tax cost of the additional $1,000 will be $542 (i.e., a $1,000 donation, minus $458 in tax savings).

Gifts-in-kind — Donating shares and other assets

Donating private company shares, artwork and other assets

Donations of property other than cash, or gifts-in-kind, can include private securities, artwork or other collectibles and real estate, among other properties. To determine the tax credit for your donation, a gift-in-kind is generally valued at its fair market value at the time you make the gift. However, you are also deemed to have disposed of the property at the same fair market value, which means that you must recognize any gain or income that would arise as if you had sold the property at that amount, subject to certain exceptions.

In the case of a donation of capital property such as private securities, artwork or real estate, you may make an election to designate a value for the gift, between your original cost and its fair market value, to avoid or reduce a capital gain (or recapture on depreciable property). The tax credit for your donation will be based on the value you designate between your cost and the asset's fair market value.

The tax system also includes special incentives to encourage gifts of "certified cultural property" and donations of ecologically sensitive lands to the federal government, a province, territory or a municipality, or certain charities. Capital gains arising on the donation of these types of property are generally not taxable.

Note that gifts-in-kind may be subject to AMT.

Donating publicly traded shares

Charitable donations of eligible securities, including securities listed on a designated stock exchange, certain mutual funds and certain segregated funds of life insurance companies, do not result in the realization of a taxable capital gain. As such, you pay no income tax on any gain realized on the disposition of such securities. However, you should be aware that for AMT purposes, the inclusion rate for the taxable capital gain is 30% thus donations of publicly traded securities may trigger AMT.

These rules apply to donations of securities to private foundations as well as other forms of registered charities, though private foundations are subject to tighter restrictions on the amount of shares they can own in a corporation (after taking into account non-arm's length party holdings).

Cash vs. securities — Which should you donate?
If, for example, you want to make a charitable donation in 2025 and you have publicly traded securities that originally cost you $1,000 and are now worth $2,000, it's worth considering whether you should sell the securities and donate the proceeds, or simply donate the securities directly to the charity. Assuming you live in Ontario and your income is $180,000 (i.e., you are taxed at a marginal rate of 48.0%), and you've already donated $200 in the year, it may make more sense to donate the securities.

This is because if you decide to sell the securities and donate the before-tax proceeds, a $1,000 capital gain will arise on the sale ($2,000 proceeds - $1,000 original cost). You would then have to pay $240 in tax on the taxable portion of your gain (50% × $1,000 × 48.0% assumed tax rate). You will need to source another $240 from other sources to make the $2,000 donation, which will give you a tax credit of $928 (46.4% × $2,000). In the end, the donation will result in net tax savings of $688 ($928 tax credit - $240 capital gains tax). Or, put another way, the after-tax cost of making your donation will be $1,312.

On the other hand, if you donate the securities directly, the charity will still get the full $2,000 value, and the taxable portion of the $1,000 capital gain will be nil. You will still get a tax credit of $928 for the donation (46.4% of $2,000). The net tax savings resulting from your donation in kind will be $928, or $240 more than if you sold the securities and donated the before-tax proceeds. Looking at it another way, the after-tax cost of your donation is reduced by $240 to $1,072 (from $1,312) when you donate the shares directly.

Ways you can donate

There are several ways you can make a donation. Some options include setting up monthly cash contributions that support charities year round, creating a donor advised fund, making donations through your will, having a corporation you own make a donation, and donating public company shares acquired under a stock option plan.

Charitable bequests and legacies

Where charitable bequests are made by will, the donation tax credit can be allocated between the deceased and their estate, as described more fully below, as long as the estate qualifies as a "graduated rate estate" (GRE). Among other requirements, a GRE can only exist for up to 36 months after the death of an individual. A donation made by a GRE may be claimed as follows (subject to certain income limitations):

- In the GRE's taxation year in which the donation is made
- In an earlier taxation year of the GRE, or
- In the deceased individual's final return or in the individual's return for the year immediately preceding their death.

If a former GRE makes a gift after the 36-month period but within 60 months of the date of death, and meets all of the other requirements of being a GRE except for the 36-month time limit, a former GRE donation can generally be claimed in:

- The taxation year of the estate in which the donation is made
- An earlier taxation year of the GRE, or
- The deceased individual's final return or the individual's return for the year immediately preceding his or her death

Any estate (including a GRE) can claim a charitable donation tax credit for a donation in the year in which the donation is made, or in any of the five following years. However, an estate that is not a GRE, or a former GRE, cannot allocate a donation made by the estate to an individual's taxation year for the year of death or the immediately prior year or an earlier year of the GRE.

An exemption from capital gains taxation on gifts of publicly traded securities is available as long as the gift is made by a qualifying estate (i.e., a GRE or former GRE). However, this gift may be subject to AMT.

A donation tax credit may also be claimed for donations of registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), tax-free savings accounts (TFSAs) and life insurance proceeds made by a direct beneficiary designation on death.

In order to claim the donation in the estate (regardless of whether it is a GRE or not), the estate must have taxable income that is not legally payable to the estate's beneficiaries against which to claim the credit. Otherwise, the donation tax credit may be "lost".

Donations made by corporations

If you own a corporation, you may want to consider having the corporation make a donation. While individuals receive tax credits, corporations can deduct donations made in determining taxable income, within specified limits. If your private corporation donates securities or other capital property, the non-taxable portion of the capital gain will increase the corporation's capital dividend account, and then the corporation can pay out this amount to its shareholders tax-free (assuming it has sufficient cash on hand). It's a good idea to compare the results of donating personally or through your corporation.

Donating shares acquired through employee stock options

If you are an employee and you donate public company shares acquired under a stock option plan to a qualified donee, you may be eligible for an additional deduction from taxable income to reduce the related employment income inclusion to nil, the same rate as would apply to a capital gain realized on the donation of public company shares. Among other conditions, you must donate the shares to the charity within 30 days of the share acquisition (and in the same taxation year) under the stock option plan. Another condition is that the shares must qualify for the stock option deduction under the stock option rules.

It is important to note that this form of donation may be subject to AMT.

We can help

Our Family Office Practice offers Philanthropic Advisory services to help you build a plan to help support your giving goals and we believe that you can have the greatest impact when your passions, family values and vision are aligned with a robust strategy, leading industry practices, thorough due diligence, and appropriate tax and legal advice.

Your KPMG advisor can help you evaluate the financial benefits of your gift to your chosen charity and the tax benefits to you or your corporation. We can also assist you in reviewing your will to help you determine if your charitable bequests will be made as you intend and are tax-effective for your estate.

Appendix I: Combined Federal and Provincial/Territorial Tax Credits for Donations over $200 in 2025

Province/Territory	Combined Federal and Provincial/Territorial Tax Credit Rate		After-Tax Cost of $1,000 Donation in 2025	
	29% Federal	33% Federal	29% Federal	33% Federal
British Columbia	45.8%	49.8/53.5%*	$542	$502/465
Alberta	50.0	54.0	500	460
Saskatchewan	43.5	47.5	565	525
Manitoba	46.4	50.4	536	496
Ontario	46.4	50.4	536	496
Quebec	48.2/50.0**	53.3	518/500	467
New Brunswick	47.0	51.0	530	490
Nova Scotia	50.0	54.0	500	460
Prince Edward Island	48.0	52.0	520	480
Newfoundland and Labrador	50.8	54.8	492	452
Yukon	41.8	45.8	582	542
Northwest Territories	43.1	47.1	569	529
Nunavut	40.5	44.5	595	555

* In British Columbia for income between $253,415 and $259,830 the rate is 49.8%, and for income over $259,830 the rate is 53.5%

** In Quebec for income up to $129,591 the rate is 48.2%, and for income over $129,591 the rate is 50.0%.