

Transcript: From trusts to corporations - proposed changes to the capital gains taxation

[Soft music plays throughout]

[CIBC logo]

[From trusts to corporations
proposed changes to the capital gains taxation.]

[Jamie Golombek
Managing Director, Tax and Estate Planning
CIBC Private Wealth.]

The 2024 federal budget announced changes to the capital gains inclusion rate. Now those changes are different whether they affect individuals, trusts and corporations.

For individuals, any gains under \$250,000 a year will still be taxed at a 50% inclusion rate, while gains over \$250,000 a year after June 24th will be taxed at a two-thirds inclusion rate. For corporations and trusts, the rules work differently, in that both corporations and trusts do not get the lower rate on the first \$250,000 a year. And that means if a corporation or a trust sells an asset for a profit after June 24th, that gain will be taxable at a two-thirds inclusion rate.

For individuals that own a corporation, and they have investments in a corporation, whether that's a professional corporation, an operating corporation or a holding corporation. It means that the tax rate is going up for gains realized on, or after June 25th. The question that you want to be asking is, "do you then crystallize those gains prior to June 25th?"

That's a great question. And that will depend on a number of factors, your expected rate of return, your holding period, and how long the money is going to stay in the corporation. This is a great discussion to have with your tax advisor. For trusts, most trusts that we see actually distribute the gains every single year to the beneficiaries, such that there's actually no gains to be taxed in the trust on an annual basis. And the beneficiaries, when they receive the capital gains from the trust, will then pay tax on those capital gains at their own individual rates, so that they can take advantage of the lower rate on the first \$250,000 of capital gains a year, and then would only pay the higher inclusion rate at the capital gains over \$250,000 a year. The rules are complicated.

Be sure to check with your tax advisor.

[CIBC logo.]

[The CIBC logo is a trademark of CIBC]

[Disclaimers]

[This video is provided for general informational purposes only and does not constitute financial, investment, tax, legal or accounting advice, nor does it constitute an offer or solicitation to buy or sell any securities referred to. Individual circumstances and current events are critical to sound investment planning; anyone wishing to act on this video should consult with his or her advisor. All opinions and estimates expressed in this video are as of the date of publication unless otherwise indicated, and are subject to change. ©The CIBC logo is a registered trademark of Canadian Imperial Bank of Commerce, used under license. The material and/or its contents may not be reproduced without the express written consent of CIBC.]

CIBC Private Wealth consists of services provided by CIBC and certain of its subsidiaries, including CIBC Wood Gundy, a division of CIBC World Markets Inc. The CIBC logo and “CIBC Private Wealth” are trademarks of CIBC, used under license. “Wood Gundy” is a registered trademark of CIBC World Markets Inc.

Clients are advised to seek advice regarding their particular circumstances from their personal tax and legal advisors.

CIBC Private Wealth consists of services provided by CIBC and certain of its subsidiaries, including CIBC Wood Gundy, a division of CIBC World Markets Inc. Insurance services are available through CIBC Wood Gundy Financial Services Inc. In Quebec, insurance services are available through CIBC Wood Gundy Financial Services (Quebec) Inc.]

[CIBC logo.]