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## Family Owned Businesses: International Charitable Contributions & Tax Savings

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Family Owned Businesses:

International Charitable Contributions & Tax Savings

Gloria LaCourse

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December 14<sup>th</sup>, 2015

In 2014, approximately \$358.38 billion was donated to charitable organizations in the United States, making it the fifth straight year that giving has increased. (Giving, 2015) This upward trend is also present among many countries outside of the United States. The reasoning for charitable contributions are unique to every situation regardless of what entity donates. Family-Owned Business (FOB) owners who choose to make philanthropic contributions can choose to give through their business, foundation, or as individuals. There has been very little research into FOB and Philanthropy and what little that has been done has been centered on the motivations for giving and how the gift recipients are chosen. There has been little to no research published on how the choices of giving as a business or foundation as opposed to giving as an individual can have an economic impact because of taxes in the US and even less research has been done internationally.

Family-Owned Businesses constitute a significant part of the US economy and an even greater part of many international countries' economies. In the United States and internationally, FOBs have a history of giving back to the community through philanthropy gifts. What little research that has been done addresses motivations for giving such as local causes, increased public relations, a sense of giving back to the community, or personal interests of owners. However, no significant work has been done on the vehicle for giving; however, the choice of a vehicle can have a significant economic impact. The following is a very simplistic example:

Suppose a FOB has \$1,000,000 in pre-tax dollars that they would like to contribute to the local food bank. Level of income is relevant because there are limitations on corporate giving that is tax-deductible. The FOB is located in the United States in Los

Angeles, California. The business is owned by a husband and wife who file a joint tax return. The business itself is highly profitable and pays the highest rates for federal and state taxes. If the FOB contributes the \$1,000,000 as a business, the 1,000,000 will not be taxed at federal and state levels. There will be no impact on the owners' individual tax return. The gift will be \$1,000,000 and it will cost them \$1,000,000. If they take the \$1,000,000 and want to give the net proceeds as individuals, the following will happen: First, the \$1,000,000 will be taxable income for the business. The FOB will pay the U.S. Treasury \$390,000 and the State of California \$7,000. They will have a net distribution to the owners of \$603,000. The \$603,000 will not be taxed by the U.S. treasury if it is donated (subject to limitations on charitable giving) and will be taxed by California at the rate of 13.3% or \$80,199 which will leave them with \$522,801 to give to charity. Each case takes \$1,000,000 pre-tax dollars from the business with one giving \$1,000,000 to philanthropic causes (assuming they meet the criteria for charitable giving) and one gives \$522,801 to philanthropic causes and \$487,188 to taxing authorities.

The answer seems apparent: donate at the corporation level and avoid paying taxes altogether. However, there are complications that arise within the US as well as other countries. There are limits on deductible charitable contributions for corporations, so not all of the donation may be deductible at that level. In some cases, the contribution is not even considered as being deductible because it is not donated to an eligible organization. On the other hand, there are also limits on deductions or credits for individuals under different tax codes. Some places do not have any taxes for corporations or individuals. In that instance, the owner could contribute at the corporate or individual level and it would be treated the same.

Occasionally the sole motivation for choosing a vehicle to donate by is based on personal preferences. As a result of a wide scope of variables among countries and income levels, it is impossible to create a general example that would apply all over the world. In some cases, it is most beneficial to donate a portion as the corporation and individual. The optimal formula in the United States will vary depending on how the business is structure (corporation, LLC, S-Corp, partnership, or sole proprietorship) and what the state and local laws are. International tax laws vary greatly from those in the U.S. and are examined in depth in this study.

For some countries, there is no separation between the local, state, or federal tax and they are combined into one. Some have graduated tax structures and others have a single flat rate that is used. There are also major differences among countries with regards to deductions and tax credits among. There are countless differences and every countries tax laws are unique. Canada, Australia, the Cayman Islands, Malaysia, and Thailand have been examined to show the optimal tax advantages at multiple income and donation levels. For each country, tax rates along with any deductions or credits allowed at the individual or corporate levels are provided to find what donation vehicle is most beneficial to the FOB owners. Although there are only five countries being examined, every country will have varying results, creating a different model for each of them.

## Canada

Canada has a tax structure that varies among providences. This study focuses on the tax rates for Ontario. The Federal tax rates for corporations are 15% for federal and 11.5% for provincial, for a total of 26.5%.(Corporation, 2015) For the individual, they have a graduated system for both federal and provincial taxes. As income increases, the percent of tax page on that income increases. The numbers are as follows (Canadian, 2015):

<b>Federal</b>	
<b>Rates</b>	<b>Income</b>
15%	on the first \$44,701
22%	on the next \$44,700
26%	on the next \$49,185
29%	on income over \$138,586

<b>Provincial</b>	
<b>Rates</b>	<b>Income</b>
5.05%	on the first \$40,922
9.15%	on the next \$40,925
11.16%	on the next \$68,153
12.16%	on the next \$70,000
13.16%	on the amount over \$220,000

Rates would vary for first time donors, donations of certified cultural property or ecologically sensitive land, as well as corporations that qualify for Ontario small business deduction. (Canadian, 2015) Those instances are rare so they have been left out for this study but more information can be found for them on the Canada Revenue Agency Website.

Donations to all organizations are not eligible, they must be to a qualified organization for them to count as a deduction or a credit. For corporations, charitable contributions result in a deduction from their gross income, reducing their taxable income dollar-for dollar. The deduction can be up to 75% of income, but after that it is not deductible. (T2, 2014) On the other hand, contributions made by individuals result in a tax credit. Tax credits reduce the actual tax payable dollar-for dollar. If the credit exceeds the taxes payable on the current year, the amount that is left can be carried forward for five years to offset taxes payable at another time. (Charitable, 2015) The contribution that is eligible to be included in computation for a tax

credit is also limited to 75% of income. There are two separate credits: federal and provincial.

Using the amount that is subject to 75% of income, the following equations are used to calculate the credits:

**Provincial:** For items less than \$200 (Charitable, 2015)

$$5.05\% * x = \text{credit}$$

For items greater than \$200, multiple limited to 75% of net income:

$$5.05\%(200) + 11.16\%(X-200) = \text{credit}$$

**Federal:** For items less than \$200 (Charitable, 2015)

$$15\%(x) = \text{Credit}$$

For items greater than \$200, multiple limited to 75% of net income:

$$15\%(200) + 29\%(x-200)$$

Computations for income of \$100,000, \$500,000, and \$1,000,000 with donation levels of 25%, 50%, and 100% are shown for variation of taxes, deductions, credits, and credits being carried forward. In these examples, it may seem like it is more beneficial to donate as an individual because the cost of donating is less, but the donation made is also less than through the corporation because taxes are paid on the income as it flows through to the individual. Overall for Canada, it is more beneficial to donate through the corporation as much as possible while still receiving the deduction. If there is residual income that the owners still would like to donate, the remaining should be contributed as the individual. The corporation is not required to pay taxes on the donation if they donate at the corporate level. As shown below, taxes are first paid on the income being donated as it flows through to the individual. Numbers have not been changed to US dollar amounts. For reference, one Canadian is equal to \$0.75 in United States currency.

## \$100,000 Gross Income

### **\$100,000 gross income at corporate level, donating 25%**

#### **All Corporation**

If a person chose to donate \$25,000 through a corporation with income of \$100,000, their tax savings from the donation would be \$6,625. Since their donation does not exceed 75% of their income, they can get the full \$25,000 as a deduction from income. To find the tax savings, you take the percentage that they would have paid on the deduction and multiply it by the deduction amount. They have a tax rate of 26.5% and a deduction of 25,000, so the taxes that they save from this transaction comes out to the \$6,625. The net cost is then found by subtracting the tax savings out of the contribution, leaving the net cost of the donation at \$18,375.

<b>Tax Liability</b>	
Gross Income	100,00
Charitable Deduction	<u>-25,000</u>
Taxable Income	75,000
	<u>x26.5%</u>
<b>Total Tax Liability</b>	<b>19,875</b>

<b>Tax Savings</b>	
Contribution	25,000
Tax rate	<u>x26.5%</u>
<b>Tax Savings</b>	<b>6,625</b>

<b>Net Cost of Contribution</b>	
Contribution	25,000
Tax Savings	<u>-6,625</u>
<b>Net Cost</b>	<b>18,375</b>

#### **All Individual**

On the other hand, if they chose to donate 25% of their net income as an individual, the tax consequences would be slightly different. The \$100,000 would still be taxed at the



corporate level as well as the individual level. Income flowing from the corporation to the individual would be reduced to \$73,500 by the corporation's tax rates. The \$73,500 would then also be taxed at the individual level; however, a tax credit for the contribution is available to offset the tax liability. Their charitable contribution would be \$18,375 (25% of \$73,500), making their tax credit \$7,339.18 as shown below. Not taking the taxes paid at the corporate level into account, the net cost of the \$11,035.82.

<b>Income from Corporation</b>	
Gross Income	100,00
Tax Rate	<u>x26.5%</u>
Tax Liability	26,500
Gross Income	100,000
Tax Liability	<u>-26,500</u>
<b>Income to Individual</b>	<b>73,500</b>

<b>Contribution Amount</b>	
Gross Income	73,500
Donation %	<u>x25%</u>
<b>Contribution Amount</b>	<b>18,375</b>

<b>Tax Credit</b>	
Federal	5,300.75
Provincial	<u>2,038.43</u>
<b>Total</b>	<b>7339.18</b>

<b>Individual Tax Liability</b>	
Gross Income	73,500
<b>Federal Tax:</b>	
Taxed at 15%	44,701
Taxed at 22%	31,201
<b>Provincial Tax:</b>	
Taxed at 5.05%	40,922
Taxed at 9.15%	<u>32,578</u>
<b>Tax Liability</b>	<b>18,616.82</b>
Charitable Credit	<u>-7,339.80</u>
<b>Net Tax Liability</b>	<b>11,277.02</b>

<b>Net Cost of Donating</b>	
Contribution	18,375
Tax credit	<u>-7339.18</u>
<b>Net Cost</b>	<b>11,035.82</b>

**\$100,000 gross income at corporate level, donating 50%**

The following computations are for a 50% donation of income. Similar to the 25% donation of \$100,000 of income, no splitting is required because donation is under 75%. All of the donation will be either deductible or eligible to be a credit in either situation.

**All Corporate**

<b>Tax Liability</b>	
Gross Income	100,000
Charitable Deduction	<u>-50,000</u>
Taxable Income	50,000
Federal Tax Rate	<u>x26.5%</u>
<b>Total Tax Liability</b>	<b>13,250</b>

<b>Tax Savings</b>	
Contribution	50,000
Federal Tax Rate	<u>x26.5%</u>
<b>Tax Savings</b>	<b>13,250</b>

<b>Net Cost of Contribution</b>	
Contribution	50,000
Tax savings	<u>-13,250</u>
<b>Net Cost</b>	<b>36,750</b>

**All Individual**

<b>Income from Corporation</b>	
Gross Income	100,00
Federal Tax Rate	<u>x26.5%</u>
<b>Tax Liability</b>	<b>26,500</b>
	-
Gross Income	100,000
Tax Liability	<u>-26,500</u>
<b>Income to Individual</b>	<b>73,500</b>

<b>Individual Tax Liability</b>	
<b>Gross Income</b>	<b>73,500</b>
<b>Federal Tax:</b>	-
Taxed at 15%	44,701
Taxed at 22%	31,201
<b>Provincial Tax:</b>	-
Taxed at 5.05%	40,922
Taxed at 9.15%	<u>32,578</u>
<b>Tax Liability</b>	<b>18,616.82</b>
Charitable Credit	<u>-14,718.58</u>
<b>Net Tax Liability</b>	<b>3,898.24</b>

<b>Contribution Amount</b>	
Gross Income	73,500
Donation %	<u>x50%</u>
<b>Contribution Amount</b>	<b>36,750</b>

<b>Net Cost of Donating</b>	
Contribution	36,750
Tax credit	<u>-14,718.58</u>
<b>Net Cost</b>	<b>22,031.42</b>

<b>Tax Credit</b>	
Federal	10,629.50
Provincial	<u>4,089.08</u>
<b>Total</b>	<b>14,718.58</b>

**\$100,000 gross income at corporate level, donating 100%**

The following computations are for a 100% donation of income. In order to get the greatest possible tax savings, the donation would be split between the individual and the corporation. The deduction amount is limited to 75% of gross income for the company, making the donation at the corporate level only \$75,000. The leftover \$25,000 is transferred to the individual. The amounts used in the computation of the tax credits are 75% of income for the individual as well, creating the donations we see below. A portion of the credit is carried forward because the credit can only be used to the extent of taxes. The rest may be carried forward for up to five years.

**Corporation**

<b>Tax Liability</b>	
Gross Income	100,000
Charitable Deduction	<u>-75,000</u>
Taxable Income	25,000
Tax Rate	<u>x26.5%</u>
<b>Total Tax Liability</b>	<b>6,625</b>

<b>Tax Savings</b>	
Contribution	75,000
Tax Rate	<u>x26.5%</u>
<b>Tax Savings</b>	<b>19,875</b>

<b>Net Cost of Contribution</b>	
Contribution	75,000
Tax savings	<u>19,875</u>
<b>Net Cost</b>	<b>55,125</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	25,000
Total Tax Liability	<u>6,625</u>
<b>Income to Individual</b>	<b>18,375</b>

<b>Contribution Amount</b>	
Gross Income	18,375
Contribution %	<u>x100%</u>
<b>Contribution Amount</b>	<b>18,375.00</b>

<b>Contribution for Tax Credit</b>	
Contribution Amount	18,375.00
Max %	<u>x75%</u>
<b>Amount for Credit Computation</b>	<b>13,781.25</b>

<b>Individual Tax Liability</b>	
Gross Income	18,375
Federal Rate	<u>x15%</u>
Provincial Rate	<u>x5.05</u>
Tax Liability	3,684.19
Charitable Credit	<u>3,684.19</u>
<b>Net Tax Liability</b>	<b>0.00</b>
<b>Credit Carried Fwd</b>	<b>1,810.14</b>

<b>Tax Credit</b>	
Federal	3,968.56
Provincial	<u>1,525.77</u>
<b>Total</b>	<b>5,494.33</b>

<b>Net Cost of Donating</b>	
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Contribution	18,375
Tax credit	<u>5,494.33</u>
<b>Net Cost</b>	<b>12,880.67</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	75,000
Individual Donation	<u>18,375.00</u>
<b>Total Donation</b>	<b>93,375.00</b>

<b>Total Net Cost</b>	
Corporate Net Cost	55,125
Individual Net Cost	<u>12,880.67</u>
<b>Total Net Cost</b>	<b>68,005.67</b>

**\$500,000 Gross Income**

**\$500,000 gross income at corporate level, donating 25%**

**All Corporate**

<b>Tax Liability</b>	
Gross Income	500,000
Charitable Deduction	<u>-100,000</u>
Taxable Income	400,000
Federal & Provincial Rate	<u>x26.5%</u>
<b>Total Tax Liability</b>	<b>106,000</b>

<b>Tax Savings</b>	
Contribution	100,000
Tax Rate	<u>x26.5%</u>
<b>Tax Savings</b>	<b>26,500</b>

<b>Net Cost of Contribution</b>	
Contribution	100,000
Tax savings	<u>-26,500</u>
<b>Net Cost</b>	<b>73,500</b>

**All Individual**

<b>Income from Corporation</b>	
Gross Income	500,000
Tax Rate	<u>x26.5%</u>
<b>Tax Liability</b>	<b>132,500</b>
Gross Income	500,000
Tax Liability	<u>-132,500</u>
<b>Income to Individual</b>	<b>367,500</b>

<b>Contribution Amount</b>	
Gross Income	367,500
Donation %	<u>x25%</u>
<b>Contribution Amount</b>	<b>91,875</b>

<b>Tax Credit</b>	
Federal	26,615.75
Provincial	<u>10,241.03</u>

<b>Individual Tax Liability</b>	
<b>Gross Income to Indv</b>	<b>367,500</b>
<b>Federal Tax:</b>	-
Taxed at 15%	44,701
Taxed at 22%	44,700
Taxed at 26%	49,185
Taxed at 29%	<u>228,914</u>
<b>Federal Tax Liability</b>	<b>95,712.31</b>
<b>Provincial Tax:</b>	-
Taxed at 5.05%	40,922
Taxed at 9.15%	40,925
Taxed at 11.16%	68,153
Taxed at 12.16%	70,000
Taxed at 13.16%	<u>147,500</u>
<b>Provincial Tax Liability</b>	<b>41,340.07</b>
<b>Total Tax Liability</b>	<b>137,052.38</b>

<b>Total</b>	<b>36,856.78</b>	Charitable Credit	<u>-36,856.78</u>
		<b>Net Tax Liability</b>	<b>100,195.60</b>

  

<b>Net Cost of Donating</b>	
Contribution	91,875
Tax credit	<u>-36,856.78</u>
<b>Net Cost</b>	<b>55,018.22</b>

**\$500,000 Gross income at corporate level, donating 50%**

**All Corporate**

<b>Tax Liability</b>		<b>Tax Savings</b>	
Gross Income	500,000	Contribution	250,000
Charitable Deduction	<u>-250,000</u>	Tax Rate	<u>x26.5%</u>
Taxable Income	250,000	<b>Tax Savings</b>	<b>66,250</b>
Federal & Provincial Rate	<u>x26.5%</u>		
<b>Total Tax Liability</b>	<b>66,250</b>		

  

<b>Net Cost of Contribution</b>	
Contribution	250,000
Tax savings	<u>-66,250</u>
<b>Net Cost</b>	<b>183,750</b>

**All Individual**

<b>Income from Corporation</b>		<b>Individual Tax Liability</b>	
Gross Income	500,000	<b>Gross Income to Indv</b>	<b>367,500</b>
Tax Rate	<u>x26.5%</u>	<b>Federal Tax:</b>	-
<b>Tax Liability</b>	<b>132,500</b>	Taxed at 15%	44,701
		Taxed at 22%	44,700
		Taxed at 26%	49,185
		Taxed at 29%	<u>228,914</u>
		<b>Federal Tax Liability</b>	<b>95,712.31</b>
		<b>Provincial Tax:</b>	-
		Taxed at 5.05%	40,922
		Taxed at 9.15%	40,925
		Taxed at 11.16%	68,153
		Taxed at 12.16%	70,000
		Taxed at 13.16%	<u>147,500</u>
		<b>Provincial Tax Liability</b>	<b>41,340.07</b>
		<b>Total Tax Liability</b>	<b>137,052.38</b>
		Charitable Credit	<u>-73,753.78</u>
		<b>Net Tax Liability</b>	<b>63,298.60</b>

  

<b>Contribution Amount</b>	
Gross Income	367,500
Donation %	<u>x50%</u>
<b>Contribution Amount</b>	<b>183,750</b>

  

<b>Tax Credit</b>	
Federal	53,259.50
Provincial	<u>20,494.28</u>
<b>Total</b>	<b>73,753.78</b>

  

<b>Net Cost of Donating</b>	
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Contribution	183,750
Tax credit	<u>-73,753.78</u>
<b>Net Cost</b>	<b>109,996.22</b>

**\$500,000 gross income, donating 100%**

Similar to donating 100% with \$100,000, the donation would be split between the corporation and individual. 75% of 500,000 would be donated at the corporate level, with the rest being distributed to the individual to donate in order to achieve the highest deduction and credit combination. Again, the portion of the credit that exceeds the tax liability can be carried forward for the individual.

**Corporation**

<b>Tax Liability</b>	
Gross Income	500,000
Charitable Deduction	<u>-375,000</u>
Taxable Income	125,000
Tax Rate	<u>x26.5%</u>
<b>Total Tax Liability</b>	<b>33,125</b>

<b>Tax Savings</b>	
Contribution	375,000
Tax Rate	<u>x26.5%</u>
<b>Tax Savings</b>	<b>99,375</b>

<b>Net Cost of Contribution</b>	
Contribution	375,000
Tax savings	<u>-99,375</u>
<b>Net Cost</b>	<b>275,625</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	125,000
Total Tax Liability	<u>33,125</u>
<b>Income to Individual</b>	<b>91,875</b>

<b>Contribution Amount</b>	
Gross Income	91,875
Contribution %	<u>x100%</u>
<b>Contribution Amount</b>	<b>91,875.00</b>

<b>Contribution for Tax Credit</b>	
Contribution Amount	91,875.00
Max %	<u>x75%</u>
<b>Amount for Credit Computation</b>	<b>68,906.25</b>

<b>Tax Credit</b>
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<b>Individual Tax Liability</b>	
<b>Gross Income</b>	<b>91,875</b>
<b>Federal Tax:</b>	
Taxed at 15%	44,701
Taxed at 22%	44,700
Taxed at 26%	2,474
<b>Federal Tax Liability</b>	<b>17,182.39</b>
<b>Provincial Tax:</b>	
Taxed at 5.05%	40,922
Taxed at 9.15%	40,925
Taxed at 11.16%	10,028
<b>Provincial Tax Liability</b>	<b>6,930.32</b>
<b>Total Tax Liability</b>	<b>24,112.71</b>
Charitable Credit	<u>-24,112.71</u>
<b>Net Tax Liability</b>	<b>48,225.43</b>

Federal	19,954.81		
Provincial	<u>7,677.72</u>	<b>Credit Carried Fwd</b>	<b>3,519.82</b>
<b>Total</b>	<b>27,632.53</b>		

<b>Net Cost of Donating</b>	
Contribution	91,875
Tax credit	<u>27,632.53</u>
<b>Net Cost</b>	<b>64,242.47</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	75,000
Individual Donation	<u>91,875.00</u>
<b>Total Donation</b>	<b>166,875.00</b>

<b>Total Net Cost</b>	
Corporate Net Cost	275,625
Individual Net Cost	<u>64,242.47</u>
<b>Total Net Cost</b>	<b>339,867.47</b>

**\$1,000,000 Gross Income**

**\$1,000,000 gross income at corporate level, donating 25%**

**All Corporate**

<b>Tax Liability</b>	
Gross Income	1,000,000
Charitable Deduction	<u>-250,000</u>
Taxable Income	750,000
Federal & Provincial Rate	<u>x26.5%</u>
<b>Total Tax Liability</b>	<b>198,750</b>

<b>Tax Savings</b>	
Contribution	250,000
Tax Rate	<u>x26.5%</u>
<b>Tax Savings</b>	<b>66,250</b>

<b>Net Cost of Contribution</b>	
Contribution	250,000
Tax savings	<u>-66,250</u>
<b>Net Cost</b>	<b>183,750</b>

**All Individual**

<b>Income from Corporation</b>	
Gross Income	1,000,000
Tax Rate	<u>x26.5%</u>
<b>Tax Liability</b>	<b>265,000</b>
	-
Gross Income	1,000,000
Tax Liability	<u>-265,000</u>
<b>Income to Individual</b>	<b>735,000</b>

<b>Individual Tax Liability</b>	
<b>Gross Income to Indv</b>	<b>735,000</b>
<b>Federal Tax:</b>	-
Taxed at 15%	44,701
Taxed at 22%	44,700
Taxed at 26%	49,185
Taxed at 29%	<u>596,414</u>
<b>Federal Tax Liability</b>	<b>202,287.31</b>
<b>Provincial Tax:</b>	-
Taxed at 5.05%	40,922
Taxed at 9.15%	40,925
Taxed at 11.16%	68,153
Taxed at 12.16%	70,000
Taxed at 13.16%	<u>515,000</u>
<b>Provincial Tax Liability</b>	<b>89,703.07</b>

<b>Contribution Amount</b>	
Gross Income	735,000
Donation %	<u>x25%</u>
<b>Contribution Amount</b>	<b>183,750</b>

<b>Tax Credit</b>
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Federal	53,259.50	<b>Total Tax Liability</b>	<b>291,990.38</b>	
Provincial	<u>20,494.28</u>		Charitable Credit	<u>-73,753.78</u>
<b>Total</b>	<b><u>73,753.78</u></b>		<b>Net Tax Liability</b>	<b>218,236.60</b>

  

<b>Net Cost of Donating</b>	
Contribution	183,750
Tax credit	<u>-73,753.78</u>
<b>Net Cost</b>	<b>109,996.22</b>

**\$1,000,000 gross income at corporate level, donating 50%**

**All Corporate**

<b>Tax Liability</b>		<b>Tax Savings</b>	
Gross Income	1,000,000	Contribution	500,000
Charitable Deduction	<u>-500,000</u>	Tax Rate	<u>x26.5%</u>
Taxable Income	500,000	<b>Tax Savings</b>	<b>132,500</b>
Federal & Provincial Rate	<u>x26.5%</u>		
<b>Total Tax Liability</b>	<b>132,500</b>		

  

<b>Net Cost of Contribution</b>	
Contribution	500,000
Tax savings	<u>-66,250</u>
<b>Net Cost</b>	<b>433,750</b>

**All Individual**

<b>Income from Corporation</b>		<b>Individual Tax Liability</b>	
Gross Income	1,000,000	<b>Gross Income to Indv</b>	<b>735,000</b>
Tax Rate	<u>x26.5%</u>	<b>Federal Tax:</b>	-
<b>Tax Liability</b>	<b>265,000</b>	Taxed at 15%	44,701

  

Gross Income	1,000,000	Taxed at 22%	44,700
Tax Liability	<u>-265,000</u>	Taxed at 26%	49,185
<b>Income to Individual</b>	<b>735,000</b>	Taxed at 29%	<u>596,414</u>
		<b>Federal Tax Liability</b>	<b>202,287.31</b>

  

<b>Contribution Amount</b>		<b>Provincial Tax:</b>	-
Gross Income	735,000	Taxed at 5.05%	40,922
Donation %	<u>x50%</u>	Taxed at 9.15%	40,925
<b>Contribution Amount</b>	<b>367,500</b>	Taxed at 11.16%	68,153

  

Taxed at 12.16%	70,000	Taxed at 13.16%	<u>515,000</u>
<b>Provincial Tax Liability</b>	<b>89,703.07</b>	<b>Total Tax Liability</b>	<b>291,990.38</b>

  

<b>Tax Credit</b>		Charitable Credit	<u>-147,547.78</u>
Federal	106,547.00	<b>Net Tax Liability</b>	<b>144,442.60</b>
Provincial	<u>41,000.78</u>		
<b>Total</b>	<b>147,547.78</b>		



<b>Net Cost of Donating</b>	
Contribution	367,500
Tax credit	<u>-147,547.78</u>
<b>Net Cost</b>	<b>219,952.22</b>

**\$1,000,000 gross income at corporate level, donating 100%**

<b>Corporation</b>	
<b>Tax Liability</b>	
Gross Income	1,000,000
Charitable Deduction	<u>-750,000</u>
Taxable Income	250,000
Tax Rate	<u>x26.5%</u>
<b>Total Tax Liability</b>	<b>66,250</b>

<b>Tax Savings</b>	
Contribution	750,000
Tax Rate	<u>x26.5%</u>
<b>Tax Savings</b>	<b>198,750</b>

<b>Net Cost of Contribution</b>	
Contribution	750,000
Tax savings	<u>-198,750</u>
<b>Net Cost</b>	<b>551,250</b>

<b>Individual</b>	
<b>Income from Corporation</b>	
Taxable Income	250,000
Total Tax Liability	<u>66,250</u>
<b>Income to Individual</b>	<b>183,750</b>

<b>Individual Tax Liability</b>	
<b>Gross Income</b>	<b>183,750</b>
<b>Federal Tax:</b>	
Taxed at 15%	44,701
Taxed at 22%	44,700
Taxed at 26%	49,185
Taxed at 29%	<u>45,164</u>
<b>Federal Tax Liability</b>	<b>42,424.81</b>
<b>Provincial Tax:</b>	
Taxed at 5.05%	40,922
Taxed at 9.15%	40,925
Taxed at 11.16%	68,153
Taxed at 12.16%	<u>33,750</u>
<b>Provincial Tax Liability</b>	<b>17,521.07</b>
<b>Total Tax Liability</b>	<b>59,945.88</b>
Charitable Credit	<u>55,305.29</u>
<b>Net Tax Liability</b>	<b>4,640.59</b>

<b>Contribution Amount</b>	
Gross Income	183,750
Contribution %	<u>x100%</u>
<b>Contribution Amount</b>	<b>183,750.00</b>

<b>Contribution for Tax Credit</b>	
Contribution Amount	183,750.00
Max %	<u>x75%</u>
<b>Amount for Credit Computation</b>	<b>137,812.50</b>

<b>Tax Credit</b>	
Federal	39,937.63
Provincial	<u>15,367.66</u>
<b>Total</b>	<b>55,305.29</b>

<b>Net Cost of Donating</b>	
Contribution	183,750
Tax credit	<u>55,305.29</u>
<b>Net Cost</b>	<b>128,444.71</b>

		<b>Totals</b>	
<b>Total Contribution</b>			
Corporate Donation	75,000		
Individual Donation	<u>183,750.00</u>		
<b>Total Donation</b>	<b>258,750.00</b>		
		<b>Total Net Cost</b>	
Corporate Net Cost	551,250		
Individual Net Cost	<u>128,444.71</u>		
<b>Total Net Cost</b>	<b>679,694.71</b>		

## Australia

Australia has a general flat tax of 30% that is imposed on corporations. However, different corporations may have varying tax rates. (Company, 2015) For example, the small business tax rate is a bit lower at 28.5%. For purposes of this study, the 30% rate will be used. Individual taxes have a graduated tax schedule that is followed and shown below. (Individual, 2015) The individual rates do not include the Medicare levy of 2% or the Temporary Budget Repair levy.

Individual Rates	
Rates	Income
0%	On the first \$18,200
19%	On the next \$18,800
32.5%	On the next \$43,000
37%	On the next \$100,000
45%	On the remainder over \$180,000

For a donation of money to be deductible, it can be donated by the organization or individual. (Tax, 2015)

For it to be tax deductible, it also must be made to a deductible gift recipient (DGR), comply with any relevant

gift conditions, there must not be anything given in return, and it must be a gift of money or a certain type of property. For gifts of money, the only requirement is that the donation be more than two dollars. A deductible gift recipient is common among different countries and there are certain organizations that qualify. In order to be a DGR, an organization must either be endorsed by the Australian government or be listed as such in the tax law. (Tax, 2015a)

Monetary contributions are deductible until taxable income is zero, the remaining can be “spread” or carried forward up to five years. No charitable deduction may create a tax loss for the contributor, whether it is in the year of the donation or in future years. These laws are the same at both the corporate and individual level. (How, 2015) It is rare to find donation structures that are the same at both levels, but Australia is one example of this.

Computations for income of \$100,000, \$500,000, and \$1,000,000 with donation levels of 25%, 50%, and 100% are shown for a variation of taxes, deductions, and tax savings. There are no examples where there the deduction would result in a carryforward to avoid a loss, but if there was that particular situation, the deductions would be carried forward into future years for up to five years. Similar to other examples, it may seem to be more beneficial to donate at the individual level because the net tax liability is lower than it is at the corporate level; however, the donation made is also less because taxes are first taken out of the income when it flows from the corporation to the individual. Overall, it is more beneficial to donate at the corporate level when trying to get the greatest tax advantage because the income is only taxed once at the corporate level. When donated by the individual, it is taxed once before it is donated, reducing both the leftover income and the donation. Since the deduction is allowed up until taxable income reaches zero, there is no reason to split a donation between the corporate and individual level unless the donation is greater than the deduction allowed. Numbers have not been changed into US dollar amounts. For reference, one Australian dollar is worth \$0.72 in the United States.

## **\$100,000 Gross Income**

### **\$100,000 gross income at corporate level, donating 25%**

#### **All Corporation**

If the donation is made at the corporate level, the full \$25,000 that is being given is deductible for tax purposes. As shown below, it reduces taxable income to \$75,000. The tax savings is found by taken the amount contributed/deducted and multiplying it by the tax rate

that would have been applied to the income. The tax saving is \$7,500, leaving the net cost of the contribution at \$17,500.

**All Individual**

At the individual level, taxes are paid on the income as it flows from the corporation, leaving only \$70,000 of gross income to the individual. The tax paid lowers the contribution amount to \$17,500 (25% of \$70,000), leaving taxable income of \$52,500. The tax paid at the individual level is then found by applying the correct amounts to the various rates as described in the table above. The tax savings are found by determining the tax rate that would have been applied to the income that was deducted. In some cases, multiple rates must be used to find the tax savings. In this case, the taxpayer would not be moved into a higher bracket, so all of the donation would have been taxed at one rate. The saving is then subtracted from the contribution to find the net cost of the \$11,812.50.

**All Corporate**

<b>Tax Liability</b>	
Gross Income	100,000
Charitable Deduction	<u>-25,000</u>
Taxable Income	75,000
Rate	<u>x30%</u>
<b>Total Tax Liability</b>	<b>22,500</b>

<b>Tax Savings</b>	
Contribution	25,000
Tax Rate	<u>x30%</u>
<b>Tax Savings</b>	<b>7,500</b>

<b>Net Cost of Contribution</b>	
Contribution	25,000
Tax savings	<u>-7,500</u>
<b>Net Cost</b>	<b>17,500</b>

**All Individual**

<b>Income from Corporation</b>	
Gross Income	100,000
Tax Rate	<u>x30%</u>
<b>Tax Liability</b>	<b>30,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income:</b>	<b>52,500</b>
<b>Tax Rates:</b>	-
Taxed at 0%	18,200
Taxed at 19%	18,800

Gross Income	100,000	Taxed at 32.5%	<u>15,500</u>
Tax Liability	<u>-30,000</u>	<b>Tax Liability:</b>	8609.50
<b>Income to Individual</b>	<b>70,000</b>		

  

<b>Contribution Amount</b>		<b>Tax Savings</b>	
Gross Income	70,000	Deduction	17,500.00
Donation %	<u>x25%</u>	Rates for Addition Income:	-
<b>Contribution/Deduction Amount</b>	<b>17,500</b>	Taxed at 32.5%	<u>17,500</u>
		<b>Savings</b>	<b>5,687.50</b>

  

<b>Taxable Income</b>		<b>Net Cost of Donating</b>	
Gross Income	70,000.00	Contribution	17,500
Deduction	<u>-17,500.00</u>	Tax Savings	<u>-5,687.50</u>
<b>Taxable Income</b>	<b>52,500.00</b>	<b>Net Cost</b>	<b>11,812.50</b>

**\$100,000 at the corporate level, donating 50%**

As mentioned above for individuals, multiple tax rates are sometimes required to find the tax savings. In this example, there is only \$2,000 left to be taxed at 19%, so the remaining contribution would have been taxed at a higher rate.

<b>All Corporate</b>		<b>Tax Savings</b>	
<b>Tax Liability</b>		Contribution	50,000
Gross Income	100,000	Tax Rate	<u>x30%</u>
Charitable Deduction	<u>-50,000</u>	<b>Tax Savings</b>	<b>15,000</b>
Taxable Income	50,000		
Rate	<u>x30%</u>	<b>Net Cost of Contribution</b>	
<b>Total Tax Liability</b>	<b>15,000</b>	Contribution	50,000
		Tax savings	<u>-15,000</u>
		<b>Net Cost</b>	<b>35,000</b>

  

<b>All Individual</b>		<b>Individual Tax Liability</b>	
<b>Income from Corporation</b>		<b>Taxable Income:</b>	<b>35,000</b>
Gross Income	100,000	<b>Tax Rates:</b>	-
Tax Rate	<u>x30%</u>	Taxed at 0%	18,200
<b>Tax Liability</b>	<b>30,000</b>	Taxed at 19%	<u>16,800</u>
		<b>Tax Liability:</b>	<b>3,192.00</b>
Gross Income	100,000		
Tax Liability	<u>-30,000</u>		

<b>Income to Individual</b>	<b>70,000</b>	<b>Tax Savings</b>	
<b>Contribution Amount</b>		Deduction	35,000.00
Gross Income	70,000	Rates for Addition Income:	
Donation %	<b>x50%</b>	Taxed at 19%	2,000
<b>Contribution/Deduction Amount</b>	<b>35,000</b>	Taxed at 32.5%	<u>33,000</u>
		<b>Savings</b>	<b>11,105.00</b>

  

<b>Taxable Income</b>		<b>Net Cost of Donating</b>	
Gross Income	70,000.00	Contribution	35,000
Deduction	<u>-35,000.00</u>	Tax Savings	<u>-11,105.00</u>
<b>Taxable Income</b>	<b>35,000.00</b>	<b>Net Cost</b>	<b>23,895.00</b>

**%100,000 gross income at corporate level, donating 100%**

**All Corporate**

<b>Tax Liability</b>		<b>Tax Savings</b>	
Gross Income	100,000	Contribution	100,000
Charitable Deduction	<u>-100,000</u>	Tax Rate	<b>x30%</b>
Taxable Income	0	<b>Tax Savings</b>	<b>30,000</b>
Rate	<b>x30%</b>	<b>Net Cost of Contribution</b>	
<b>Total Tax Liability</b>	<b>0</b>	Contribution	100,000
		Tax savings	<u>-30,000</u>
		<b>Net Cost</b>	<b>70,000</b>

**All Individual**

<b>Income from Corporation</b>		<b>Individual Tax Liability</b>	
Gross Income	100,000	<b>Taxable Income:</b>	<b>0</b>
Tax Rate	<b>x30%</b>	<b>Tax Rates:</b>	-
<b>Tax Liability</b>	<b>30,000</b>	Taxed at 0%	0
	-	Taxed at 19%	<u>0</u>
Gross Income	100,000	<b>Tax Liability:</b>	<b>0.00</b>
Tax Liability	<u>-30,000</u>	<b>Tax Savings</b>	
<b>Income to Individual</b>	<b>70,000</b>	Deduction	70,000.00
<b>Contribution Amount</b>		Rates for Addition Income:	
Gross Income	70,000	Taxed at 0%	-
Donation %	<b>x100%</b>	Taxed at 19%	18,200
<b>Contribution/Deduction Amount</b>	<b>70,000</b>	Taxed at 32.5%	<u>33,000</u>
		<b>Savings</b>	<b>14,297.00</b>
<b>Taxable Income</b>		<b>Net Cost of Donating</b>	
Gross Income	70,000.00		

Deduction	-70,000.00	Contribution	70,000
<b>Taxable Income</b>	<b>0.00</b>	Tax Savings	<u>-14,297.00</u>
		<b>Net Cost</b>	<b>55,703.00</b>

**\$500,000 Gross Income**

**\$500,000 gross income at the corporate level, donating 25%**

**All Corporate**

Tax Liability		Tax Savings	
Gross Income	500,000	Contribution	125,000
Charitable Deduction	<u>-125,000</u>	Tax Rate	<b>x30%</b>
Taxable Income	375,000	<b>Tax Savings</b>	<b>37,500</b>
Rate	<b>x30%</b>		
<b>Total Tax Liability</b>	<b>112,500</b>		

  

Net Cost of Contribution	
Contribution	125,000
Tax savings	<u>-37,500</u>
<b>Net Cost</b>	<b>87,500</b>

**All Individual**

Income from Corporation		Individual Tax Liability	
Gross Income	500,000	<b>Taxable Income:</b>	<b>262,500</b>
Tax Rate	<b>x30%</b>	<b>Tax Rates:</b>	-
<b>Tax Liability</b>	<b>150,000</b>	Taxed at 0%	18,200
	-	Taxed at 19%	18,800
Gross Income	500,000	Taxed at 32.5%	43,000
Tax Liability	<u>-150,000</u>	Taxed at 37%	100,000
<b>Income to Individual</b>	<b>350,000</b>	Taxed at 45%	<u>82,500</u>
		<b>Tax Liability:</b>	<b>91672.00</b>

  

Contribution Amount	
Gross Income	350,000
Donation %	<b>x25%</b>
<b>Contribution/Deduction Amount</b>	<b>87,500</b>

  

Tax Savings	
Deduction	87,500
Rates for Addition Income:	-
Taxed at 45%	<u>87,500</u>
<b>Savings</b>	<b>28,437.50</b>

  

Taxable Income	
Gross Income	350,000.00
Deduction	<u>-87,500.00</u>
<b>Taxable Income</b>	<b>262,500.00</b>

  

Net Cost of Donating	
Contribution	87,500
Tax Savings	<u>-28,437.50</u>
<b>Net Cost</b>	<b>59,062.50</b>

**\$500,000 gross income at corporate level, donating 50%**



**All Corporate**

<b>Tax Liability</b>	
Gross Income	500,000
Charitable Deduction	<u>-250,000</u>
Taxable Income	250,000
Rate	<u>x30%</u>
<b>Total Tax Liability</b>	<b>75,000</b>

<b>Tax Savings</b>	
Contribution	250,000
Tax Rate	<u>x30%</u>
<b>Tax Savings</b>	<b>75,000</b>

<b>Net Cost of Contribution</b>	
Contribution	250,000
Tax savings	<u>-75,000</u>
<b>Net Cost</b>	<b>175,000</b>

**All Individual**

<b>Income from Corporation</b>	
Gross Income	500,000
Tax Rate	<u>x30%</u>
<b>Tax Liability</b>	<b>150,000</b>
	-
Gross Income	500,000
Tax Liability	<u>-150,000</u>
<b>Income to Individual</b>	<b>350,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income:</b>	<b>175,000</b>
<b>Tax Rates:</b>	-
Taxed at 0%	18,200
Taxed at 19%	18,800
Taxed at 32.5%	43,000
Taxed at 37%	<u>95,000</u>
<b>Tax Liability:</b>	<b>52697.00</b>

<b>Contribution Amount</b>	
Gross Income	350,000
Donation %	<u>x50%</u>
<b>Contribution/Deduction Amount</b>	<b>175,000</b>

<b>Tax Savings</b>	
Deduction	175,000
Rates for Addition Income:	-
Taxed at 37%	5000
Taxed at 45%	<u>170,000</u>
<b>Savings</b>	<b>55,250.00</b>

<b>Taxable Income</b>	
Gross Income	350,000
Deduction	<u>-175,000</u>
<b>Taxable Income</b>	<b>175,000</b>

<b>Net Cost of Donating</b>	
Contribution	175,000
Tax Savings	<u>-55,250.00</u>
<b>Net Cost</b>	<b>119,750.00</b>

**\$500,000 gross income at corporate level, donating 100%**

**All Corporate**

<b>Tax Liability</b>	
Gross Income	500,000
Charitable Deduction	<u>-500,000</u>

<b>Tax Savings</b>	
Contribution	500,000
Tax Rate	<u>x30%</u>

Taxable Income	0
Rate	<u>x30%</u>
<b>Total Tax Liability</b>	<b>0</b>

<b>Tax Savings</b>	<b>150,000</b>
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<b>Net Cost of Contribution</b>	
Contribution	500,000
Tax savings	<u>-150,000</u>
<b>Net Cost</b>	<b>350,000</b>

**All Individual**

<b>Income from Corporation</b>	
Gross Income	500,000
Tax Rate	<u>x30%</u>
<b>Tax Liability</b>	<b>150,000</b>
	-
Gross Income	500,000
Tax Liability	<u>-150,000</u>
<b>Income to Individual</b>	<b>350,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income:</b>	<b>0</b>
<b>Tax Rates:</b>	-
Taxed at 0%	0
Taxed at 19%	0
Taxed at 32.5%	<u>0</u>
<b>Tax Liability:</b>	<b>0.00</b>

<b>Contribution Amount</b>	
Gross Income	350,000
Donation %	<u>x100%</u>
<b>Contribution/Deduction Amount</b>	<b>350,000</b>

<b>Tax Savings</b>	
Deduction	350,000
Rates for Addition Income:	-
Taxed at 0%	18200
Taxed at 19%	18800
Taxed at 32.5%	43000
Taxed at 37%	100000
Taxed at 45%	<u>170,000</u>
<b>Savings</b>	<b>131,047.00</b>

<b>Taxable Income</b>	
Gross Income	350,000
Deduction	<u>-350,000</u>
<b>Taxable Income</b>	<b>0</b>

<b>Net Cost of Donating</b>	
Contribution	350,000
Tax Savings	<u>-131,047.00</u>
<b>Net Cost</b>	<b>218,953.00</b>

**\$1,000,000 Gross Income**

**\$1,000,000 gross income at corporate level, donating 25%**

**All Corporate**

<b>Tax Liability</b>	
Gross Income	1,000,000
Charitable Deduction	<u>-250,000</u>
Taxable Income	750,000
Rate	<u>x30%</u>
<b>Total Tax Liability</b>	<b>225,000</b>

<b>Tax Savings</b>	
Contribution	250,000
Tax Rate	<u>x30%</u>
<b>Tax Savings</b>	<b>75,000</b>

<b>Net Cost of Contribution</b>	
Contribution	250,000
Tax savings	<u>-75,000</u>
<b>Net Cost</b>	<b>175,000</b>

**All Individual**

<b>Income from Corporation</b>	
Gross Income	1,000,000
Tax Rate	<u>x30%</u>
<b>Tax Liability</b>	<b>300,000</b>
-	
Gross Income	1,000,000
Tax Liability	<u>-300,000</u>
<b>Income to Individual</b>	<b>700,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income:</b>	<b>525,000</b>
<b>Tax Rates:</b>	-
Taxed at 0%	18,200
Taxed at 19%	18,800
Taxed at 32.5%	43,000
Taxed at 37%	100,000
Taxed at 45%	<u>345,000</u>
<b>Tax Liability:</b>	<b>209,797.00</b>

<b>Contribution Amount</b>	
Gross Income	700,000
Donation %	<u>x25%</u>
<b>Contribution/Deduction Amount</b>	<b>175,000</b>

<b>Tax Savings</b>	
Deduction	175,000
Rates for Addition Income:	-
Taxed at 45%	<u>175,000</u>
<b>Savings</b>	<b>56,875.00</b>

<b>Taxable Income</b>	
Gross Income	700,000.00
Deduction	<u>-175,000.00</u>
<b>Taxable Income</b>	<b>525,000.00</b>

<b>Net Cost of Donating</b>	
Contribution	175,000
Tax Savings	<u>-56,875.00</u>
<b>Net Cost</b>	<b>118,125.00</b>

**\$1,000,000 gross income at corporate level, donating 50%**

**All Corporate**

<b>Tax Liability</b>	
Gross Income	1,000,000
Charitable Deduction	<u>-500,000</u>
Taxable Income	500,000
Rate	<u>x30%</u>
<b>Total Tax Liability</b>	<b>150,000</b>

<b>Tax Savings</b>	
Contribution	500,000
Tax Rate	<u>x30%</u>
<b>Tax Savings</b>	<b>150,000</b>

<b>Net Cost of Contribution</b>	
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Contribution	500,000
Tax savings	<u>-150,000</u>
<b>Net Cost</b>	<b>350,000</b>

**All Individual**

Income from Corporation	
Gross Income	1,000,000
Tax Rate	<u>x30%</u>
<b>Tax Liability</b>	<b>300,000</b>
Gross Income	1,000,000
Tax Liability	<u>-300,000</u>
<b>Income to Individual</b>	<b>700,000</b>

Individual Tax Liability	
<b>Taxable Income:</b>	<b>350,000</b>
<b>Tax Rates:</b>	-
Taxed at 0%	18,200
Taxed at 19%	18,800
Taxed at 32.5%	43,000
Taxed at 37%	100,000
Taxed at 45%	<u>170,000</u>
<b>Tax Liability:</b>	<b>131,047.00</b>

Contribution Amount	
Gross Income	700,000
Donation %	<u>x50%</u>
<b>Contribution/Deduction Amount</b>	<b>350,000</b>

Tax Savings	
Deduction	350,000
Rates for Addition Income:	-
Taxed at 45%	<u>350,000</u>
<b>Savings</b>	<b>113,750.00</b>

Taxable Income	
Gross Income	700,000.00
Deduction	<u>-350,000.00</u>
<b>Taxable Income</b>	<b>350,000.00</b>

Net Cost of Donating	
Contribution	350,000
Tax Savings	<u>-113,750.00</u>
<b>Net Cost</b>	<b>236,250.00</b>

**\$1,000,000 gross income at corporate level, donating 100%**

**All Corporate**

Tax Liability	
Gross Income	1,000,000
Charitable Deduction	<u>-1,000,000</u>
Taxable Income	0
Rate	<u>x30%</u>
<b>Total Tax Liability</b>	<b>0</b>

Tax Savings	
Contribution	1,000,000
Tax Rate	<u>x30%</u>
<b>Tax Savings</b>	<b>300,000</b>

Net Cost of Contribution	
Contribution	1,000,000
Tax savings	<u>-300,000</u>
<b>Net Cost</b>	<b>700,000</b>

**All Individual**

Income from Corporation
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Individual Tax Liability
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Gross Income	1,000,000
Tax Rate	<u>x30%</u>
<b>Tax Liability</b>	<b>300,000</b>
	-
Gross Income	1,000,000
Tax Liability	<u>-300,000</u>
<b>Income to Individual</b>	<b>700,000</b>

<b>Taxable Income:</b>	<b>0</b>
<b>Tax Rates:</b>	-
Taxed at 0%	0
Taxed at 19%	0
Taxed at 32.5%	0
<b>Tax Liability:</b>	<b>0</b>

<b>Contribution Amount</b>	
Gross Income	700,000
Donation %	<u>x100%</u>
<b>Contribution/Deduction Amount</b>	<b>700,000</b>

<b>Tax Savings</b>	
Deduction	700,000
Rates for Addition Income:	
Taxed at 0%	18200
Taxed at 19%	18800
Taxed at 32.5%	43000
Taxed at 37%	100000
Taxed at 45%	<u>520,000</u>
<b>Savings</b>	<b>288,547.00</b>

<b>Taxable Income</b>	
Gross Income	700,000.00
Deduction	<u>-700,000.00</u>
<b>Taxable Income</b>	<b>0.00</b>

<b>Net Cost of Donating</b>	
Contribution	700,000
Tax Savings	<u>-288,547.00</u>
<b>Net Cost</b>	<b>411,453.00</b>

## Cayman Islands

The Cayman Islands are among a select few countries that have no corporate or individual taxes. (Fantasia, 2015) As a result, there is no tax advantage of donating at the corporate level or as an individual. For example, included are three exhibits of the effect of donating at either level. In examples for other countries, it has been shown that it is beneficial to split donations between the corporation and the individual in order to receive the highest tax break. In this instance, it does not make a difference at which level the contribution is made. As shown below, the contribution can be made at either level with the same tax consequences, regardless of the percentage of income being donated. Numbers have not been changed to US dollar amounts. For reference, one dollar in the Cayman Islands equals \$1.22 in the United States.

### 1,000,000 Gross Income

#### **1,000,000 gross income at corporate level, donating 25%**

There is no deduction from taxable income or tax credits for any contribution because there is no tax on income, so a deduction or credit is arbitrary. In the calculations for corporations, we assume that they still get a deduction for this example to highlight the fact that there is no tax savings.

<b>All Corporate</b>	
<b>Tax Liability</b>	
Gross Income	1,000,000
Charitable Contribution	<u>-250,000</u>
Taxable Income	750,000
Federal & Provincial Rate	<u>x0%</u>
<b>Total Tax Liability</b>	<b>0</b>
<b>Tax Savings</b>	
Contribution	250,000
Tax Rate	<u>x0%</u>
<b>Tax Savings</b>	<b>0</b>
<b>Net Cost of Contribution</b>	
Contribution	250,000

Tax savings	<u>0</u>
<b>Net Cost</b>	<b>250,000</b>

**All Individual**

Income from Corporation	
Gross Income	1,000,000
Tax Rate	<u>x0%</u>
<b>Tax Liability</b>	<b>0</b>
-	
Gross Income	1,000,000
Tax Liability	<u>0</u>
<b>Income to Individual</b>	<b>1,000,000</b>

Individual Tax Liability	
<b>Gross Income to Indv</b>	<b>1,000,000</b>
<b>Federal Tax:</b>	-
Taxed at 0%	1,000,000
<b>Federal Tax Liability</b>	<b>0.00</b>
<b>City Tax:</b>	-
Taxed at 0%	1,000,000
<b>Provincial Tax Liability</b>	<b>0.00</b>
<b>Total Tax Liability</b>	<b>0.00</b>
Charitable Credit	<u>0.00</u>
<b>Net Tax Liability</b>	<b>0.00</b>

Contribution Amount	
Gross Income	1,000,000
Donation %	<u>x25%</u>
<b>Contribution Amount</b>	<b>250,000</b>

Tax Credit or Deduction	
Federal	0.00
City	<u>0.00</u>
<b>Total</b>	<b>0.00</b>

Net Cost of Donating	
Contribution	250,000
Tax credit	<u>0.00</u>
<b>Net Cost</b>	<b>250,000</b>

**1,000,000 gross income at corporate level, donating 50%**

**All Corporate**

Tax Liability	
Gross Income	1,000,000
Charitable Contribution	<u>-500,000</u>
Taxable Income	500,000
Federal & Provincial Rate	<u>x0%</u>
<b>Total Tax Liability</b>	<b>0</b>

Tax Savings	
Contribution	500,000
Tax Rate	<u>x0%</u>
<b>Tax Savings</b>	<b>0</b>

Net Cost of Contribution	
Contribution	500,000
Tax savings	<u>0</u>
<b>Net Cost</b>	<b>500,000</b>

**All Individual**

Income from Corporation	
Gross Income	1,000,000
Tax Rate	<u>x0%</u>
<b>Tax Liability</b>	<b>0</b>

Individual Tax Liability	
<b>Gross Income to Indv</b>	<b>1,000,000</b>

Gross Income	1,000,000	-
Tax Liability		<u>0</u>
<b>Income to Individual</b>	<b>1,000,000</b>	

<b>Contribution Amount</b>		
Gross Income	1,000,000	
Donation %		<u>x50%</u>
<b>Contribution Amount</b>	<b>500,000</b>	

<b>Tax Credit or Deduction</b>		
Federal		0.00
City		<u>0.00</u>
<b>Total</b>		<b>0.00</b>

<b>Federal Tax:</b>	
Taxed at 0%	1,000,000
<b>Federal Tax Liability</b>	<b>0.00</b>
<b>City Tax:</b>	
Taxed at 0%	1,000,000
<b>Provincial Tax Liability</b>	<b>0.00</b>
<b>Total Tax Liability</b>	<b>0.00</b>
Charitable Credit	<u>0.00</u>
<b>Net Tax Liability</b>	<b>0.00</b>

<b>Net Cost of Donating</b>	
Contribution	500,000
Tax credit	<u>0.00</u>
<b>Net Cost</b>	<b>500,000</b>

**1,000,000 gross income at corporate level, donating 100%**

**All Corporate**

<b>Tax Liability</b>		
Gross Income	1,000,000	-
Charitable Contribution	<u>1,000,000</u>	
Taxable Income		0
Federal & Provincial Rate		<u>x0%</u>
<b>Total Tax Liability</b>		<b>0</b>

<b>Tax Savings</b>	
Contribution	1,000,000
Tax Rate	<u>x0%</u>
<b>Tax Savings</b>	<b>0</b>

<b>Net Cost of Contribution</b>	
Contribution	1,000,000
Tax savings	<u>0</u>
<b>Net Cost</b>	<b>1,000,000</b>

**All Individual**

<b>Income from Corporation</b>		
Gross Income	1,000,000	
Tax Rate		<u>x0%</u>
<b>Tax Liability</b>		<b>0</b>
Gross Income	1,000,000	-
Tax Liability		<u>0</u>
<b>Income to Individual</b>	<b>1,000,000</b>	

<b>Individual Tax Liability</b>	
<b>Gross Income to Indv</b>	<b>1,000,000</b>
<b>Federal Tax:</b>	
Taxed at 0%	1,000,000
<b>Federal Tax Liability</b>	<b>0.00</b>
<b>City Tax:</b>	
Taxed at 0%	1,000,000
<b>Provincial Tax Liability</b>	<b>0.00</b>

<b>Contribution Amount</b>	
Gross Income	1,000,000



Donation %	<u>x100%</u>
<b>Contribution Amount</b>	<b>1,000,000</b>

<b>Total Tax Liability</b>	<b>0.00</b>
Charitable Credit	<u>0.00</u>
<b>Net Tax Liability</b>	<b>0.00</b>

<b>Tax Credit or Deduction</b>	
Federal	0.00
City	<u>0.00</u>
<b>Total</b>	<b>0.00</b>

<b>Net Cost of Donating</b>	
Contribution	1,000,000
Tax credit	<u>0.00</u>
<b>Net Cost</b>	<b>1,000,000</b>

## Malaysia

Rates	Income Levels
0%	On the first 5,000
1%	On the next 15,000
5%	On the next 15,000
10%	On the next 15,000
16%	On the next 20,000
21%	On the next 30,000
24%	On the next 150,000
24.5%	On the next 150,000
25%	On anything above 400,000

Malaysia has a graduated tax structure for both individuals and corporations. However, there are only two different rates for corporations while there are nine at the individual level. The rates for individuals are shown to the left. (Assessment, 2015) For corporations, if income is less than 2.5 million, the first 500,000 is taxed at 20% and the remaining is taxed at 25%. For corporations with income greater than 2.5 million, all is taxed at 25%. (Tax, 2015b)

Eligible donations are very limited for Malaysia. Many types of donations are covered, but most are limited to a low percentage. For individuals, there is a table included below. (Allowable, 2015) For this study, we will assume that a donor is contributing money to an approved institute or organization and their deduction is limited to 7% of gross income. For corporations, eligible contribution deductions are limited to 10% of gross income and must be through a qualifying organization. (Taxation, 2015c)

No	Contribution	Notes
1	Gift of money to the Government, State Government or Local Authorities.	Subsection 44(6)
2	Gift of money to Approved Institutions or Organisations. (Amount is limited to 7% of aggregate income)	Subsection 44(6)
3	Gift of money or cost of contribution in kind for any Approved Sports Activity or Sports Body. (Amount is limited to 7% of aggregate income)	Subsection 44(11B)
4	Gift of money or cost of contribution in kind for any Approved Project of National Interest Approved by Ministry of Finance. (Amount is limited to 7% of aggregate income)	Subsection 44(11C)
5	Gift of artifacts, manuscripts or paintings.	Subsection 44(6A)
6	Gift of money for provision of Library Facilities or to Libraries.	Subsection 44(8)

7	Gift of money or contribution in kind for the provision of facilities in Public Places for the benefit of disabled persons.	Subsection 44(9)
8	Gift of money or medical equipment to any healthcare facility approved by the Ministry of Health.	Subsection 44(10)
9	Gift of paintings to the National Art Gallery or any State Art Gallery.	Subsection 44(11)

Computations for income of 100,000, 500,000, and 1,000,000 with donation levels of 25%, 50%, and 100% are shown. Deductions at both the corporate and individual levels do not change because higher than the max is being donated in every situation. Since the deduction is not changing, neither will many other computations at each different level, including taxable income, tax savings, overall tax liability, and taxable income. All cost computations at the individual level are ignoring the tax on the income as it is transferred from the corporation to the individual. Since the deduction limits are so low for both individuals and corporations, the donor should split any donation above 10% between the corporate and individual level to get the highest tax savings. Anything under 10% should be donated at the corporate level so it is not double taxed when it moves on to the individual. Numbers have not been changed to US dollar amounts. For reference, one Malaysian ringgit equals \$0.23 in US currency.

## **100,000 Gross Income**

### **100,000 gross income at corporate level, donating 25%**

#### **Corporate:**

As a result of the deduction limit for donations to qualified organizations being only 10%, everything over a 10% contribution would be split between the corporation and individual to achieve the maximum tax advantage. The full 10% is donated at the corporate level, creating a 2,000 tax savings from a 10,000 deduction, leaving the net cost of the contribution at 8,000.

**Individual:**

After donating at the corporate level, the remaining income flows through to the individual. The individual then donates the left over 15% that they desire to donate, making their contribution 10,800. However, the individual deduction is even more limited than the corporate. Only 7% of gross income is allowed to be deducted, so 5,040 is a deduction for them resulting in a tax savings of 1,058 and a net cost for the contribution of 9,741.60. The additional donation over the 5,040 is non-deductible.

The total donation between the corporation and individual is 20,800, the total net cost after the tax savings is taken into consideration is 17,741.60.

**Corporate**

<b>Deduction</b>	
Gross Income	100,000
10% limit	<u>x10%</u>
<b>Deduction/Contribution</b>	<b>10,000</b>

<b>Tax Savings</b>	
Deduction	10,000
Tax Rate	<u>x20%</u>
<b>Tax Savings</b>	<b>2,000</b>

<b>Tax Liability</b>	
Gross Income	100,000
Charitable Deduction:	<u>-10,000</u>
<b>Taxable Income</b>	<b>90,000</b>
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>18,000</b>

<b>Net Cost of Contribution</b>	
Contribution	10,000
Tax savings	<u>-2,000</u>
<b>Net Cost</b>	<b>8,000</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	90,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>18,000</b>
	-
Gross Income	90,000
Tax Liability	<u>-18,000</u>
<b>Income to Individual</b>	<b>72,000</b>

<b>Tax Savings</b>	
Deduction	5,040.00
Rate for Addition Income	<u>x21%</u>
<b>Savings</b>	<b>1,058</b>

<b>Contribution Amount</b>	
Gross Income	72,000
Donation %	<u>x15%</u>
<b>Contribution Amount</b>	<b>10,800</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>66,960</b>
<b>Federal Tax:</b>	-
Taxed at 0	5,000
Taxed at 1%	15,000
Taxed at 5%	15,000
Taxed at 10%	15,000
Taxed at 16%	20,000
Taxed at 21%	<u>4,400</u>
<b>Total Tax Liability</b>	<b>6,524</b>

<b>Deduction</b>	
Gross Income	72,000.00
7% limit	<u>x7%</u>
<b>Total</b>	<b>5,040.00</b>

<b>Net Cost of Donating</b>	
Contribution	10,800
Tax Savings	<u>-1,058.40</u>
<b>Net Cost</b>	<b>9,741.60</b>

<b>Taxable Income</b>	
Gross Income	72,000
Deduction	<u>-5,040.00</u>

<b>Taxable Income</b>	<b>66,960.00</b>
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**Totals**

<b>Total Contribution</b>	
Corporate Donation	10,000
Individual Donation	<u>10,800</u>
<b>Total Donation</b>	<b>20,800.00</b>

<b>Total Net Cost</b>	
Corporate Net Cost	8,000
Individual Net Cost	<u>9,741.60</u>
<b>Total Net Cost</b>	<b>17,741.60</b>

**100,000 gross income at corporate level, donating 50%**

Although the donation percentage is more, the corporation computations stay the same because they are limited to a 10% deductions. The individual computations vary for the contribution amount, as there is more being contributed. However, they are also still limited to a 7% deduction, so that will remain unchanged. The net cost of donating also changes, but nothing else does.

**Corporate**

<b>Deduction</b>	
Gross Income	100,000
10% limit	<u>x10%</u>
<b>Deduction/Contribution</b>	<b>10,000</b>

<b>Tax Savings</b>	
Deduction	10,000
Tax Rate	<u>x20%</u>
<b>Tax Savings</b>	<b>2,000</b>

<b>Tax Liability</b>	
Gross Income	100,000
Charitable Deduction:	<u>-10,000</u>
<b>Taxable Income</b>	<b>90,000</b>
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>18,000</b>

<b>Net Cost of Contribution</b>	
Contribution	10,000
Tax savings	<u>-2,000</u>
<b>Net Cost</b>	<b>8,000</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	90,000

<b>Tax Savings</b>	
Deduction	5,040.00

Tax Rate	<u>x20%</u>	Rate for Addition Income	<u>x21%</u>
<b>Tax Liability</b>	<b>18,000</b>	<b>Savings</b>	<b>1,058</b>
Gross Income	90,000	<b>Individual Tax Liability</b>	
Tax Liability	<u>-18,000</u>	<b>Taxable Income to Indv</b>	<b>66,960</b>
<b>Income to Individual</b>	<b>72,000</b>	<b>Federal Tax:</b>	-
<b>Contribution Amount</b>		Taxed at 0	5,000
Gross Income	72,000	Taxed at 1%	15,000
Donation %	<u>x40%</u>	Taxed at 5%	15,000
<b>Contribution Amount</b>	<b>28,800</b>	Taxed at 10%	15,000
<b>Deduction</b>		Taxed at 16%	20,000
Gross Income	72,000.00	Taxed at 21%	<u>4,400</u>
7% limit	<u>x7%</u>	<b>Total Tax Liability</b>	<b>6,524</b>
<b>Total</b>	<b>5,040.00</b>	<b>Net Cost of Donating</b>	
<b>Taxable Income</b>		Contribution	28,800
Gross Income	72,000	Tax Savings	<u>-1,058.40</u>
Deduction	<u>-5,040.00</u>	<b>Net Cost</b>	<b>27,741.60</b>
<b>Taxable Income</b>	<b>66,960.00</b>		

**Totals**

<b>Total Contribution</b>		<b>Total Net Cost</b>	
Corporate Donation	10,000	Corporate Net Cost	8,000
Individual Donation	<u>28,800</u>	Individual Net Cost	<u>27,741.60</u>
<b>Total Donation</b>	<b>38,800.00</b>	<b>Total Net Cost</b>	<b>35,741.60</b>

**100,000 gross income at corporate level, donating 100%**

The same changes that occurred at the 50% contribution level also occur at the 100%.

**Corporate**

<b>Deduction</b>		<b>Tax Savings</b>	
Gross Income	100,000	Deduction	10,000
10% limit	<u>x10%</u>	Tax Rate	<u>x20%</u>
<b>Deduction/Contribution</b>	<b>10,000</b>	<b>Tax Savings</b>	<b>2,000</b>
<b>Tax Liability</b>		<b>Net Cost of Contribution</b>	
Gross Income	100,000	Contribution	10,000
Charitable Deduction:	<u>-10,000</u>	Tax savings	<u>-2,000</u>
<b>Taxable Income</b>	<b>90,000</b>	<b>Net Cost</b>	<b>8,000</b>

Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>18,000</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	90,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>18,000</b>
	-
Gross Income	90,000
Tax Liability	<u>-18,000</u>
<b>Income to Individual</b>	<b>72,000</b>

<b>Tax Savings</b>	
Deduction	5,040.00
Rate for Addition Income	<u>x21%</u>
<b>Savings</b>	<b>1,058</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>66,960</b>
<b>Federal Tax:</b>	-
Taxed at 0	5,000
Taxed at 1%	15,000
Taxed at 5%	15,000
Taxed at 10%	15,000
Taxed at 16%	20,000
Taxed at 21%	<u>4,400</u>
<b>Total Tax Liability</b>	<b>6,524</b>

<b>Contribution Amount</b>	
Gross Income	72,000
Donation %	<u>x100%</u>
<b>Contribution Amount</b>	<b>72,000</b>

<b>Deduction</b>	
Gross Income	72,000
7% limit	<u>x7%</u>
<b>Total</b>	<b>5,040.00</b>

<b>Net Cost of Donating</b>	
Contribution	72,000
Tax Savings	<u>-1,058.40</u>
<b>Net Cost</b>	<b>70,941.60</b>

<b>Taxable Income</b>	
Gross Income	72,000
Deduction	<u>-5,040.00</u>
<b>Taxable Income</b>	<b>66,960.00</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	10,000
Individual Donation	<u>72,000</u>
<b>Total Donation</b>	<b>82,000.00</b>

<b>Total Net Cost</b>	
Corporate Net Cost	8,000
Individual Net Cost	<u>70,941.60</u>
<b>Total Net Cost</b>	<b>78,941.60</b>

**500,000 Gross Income**

**500,000 gross income at corporate level, donating 25%**

**Corporate**

<b>Deduction</b>	
Gross Income	500,000
10% limit	<u>x10%</u>

<b>Tax Savings</b>	
Deduction	50,000
Tax Rate	<u>x20%</u>



<b>Deduction/Contribution</b>	<b>50,000</b>	<b>Tax Savings</b>	<b>10,000</b>
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Tax Liability	
Gross Income	500,000
Charitable Deduction:	<u>-50,000</u>
<b>Taxable Income</b>	<b>450,000</b>
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>90,000</b>

  

Net Cost of Contribution	
Contribution	50,000
Tax savings	<u>-10,000</u>
<b>Net Cost</b>	<b>40,000</b>

**Individual**

Income from Corporation	
Taxable Income	450,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>90,000</b>
-	
Gross Income	450,000
Tax Liability	<u>-90,000</u>
<b>Income to Individual</b>	<b>360,000</b>

  

Tax Savings	
Deduction	25,200.00
Rate for Addition Income	<u>x24.5%</u>
<b>Savings</b>	<b>6,174.00</b>

  

Individual Tax Liability	
<b>Taxable Income to Indv</b>	<b>334,800</b>
<b>Federal Tax:</b>	-
Taxed at 0	5,000
Taxed at 1%	15,000
Taxed at 5%	15,000
Taxed at 10%	15,000
Taxed at 16%	20,000
Taxed at 21%	30,000
Taxed at 24%	150,000
Taxed at 24.5%	<u>84,800</u>
<b>Total Tax Liability</b>	<b>68,676.00</b>

  

Contribution Amount	
Gross Income	360,000
Donation %	<u>x15%</u>
<b>Contribution Amount</b>	<b>54,000</b>

  

Deduction	
Gross Income	360,000
7% limit	<u>x7%</u>
<b>Total</b>	<b>25,200.00</b>

  

Taxable Income	
Gross Income	360,000
Deduction	<u>-25,200.00</u>
<b>Taxable Income</b>	<b>334,800.00</b>

  

Net Cost of Donating	
Contribution	54,000
Tax Savings	<u>-6,174.00</u>
<b>Net Cost</b>	<b>47,826.00</b>

**Totals**

Total Contribution	
Corporate Donation	50,000
Individual Donation	<u>54,000</u>
<b>Total Donation</b>	<b>104,000.00</b>

  

Total Net Cost	
Corporate Net Cost	40,000
Individual Net Cost	<u>47,826.00</u>
<b>Total Net Cost</b>	<b>87,826.00</b>

**500,000 gross income at corporate level, donating 50%**

**Corporate**

<b>Deduction</b>	
Gross Income	500,000
10% limit	<u>x10%</u>
<b>Deduction/Contribution</b>	<b>50,000</b>

<b>Tax Savings</b>	
Deduction	50,000
Tax Rate	<u>x20%</u>
<b>Tax Savings</b>	<b>10,000</b>

<b>Tax Liability</b>	
Gross Income	500,000
Charitable Deduction:	<u>-50,000</u>
<b>Taxable Income</b>	<b>450,000</b>
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>90,000</b>

<b>Net Cost of Contribution</b>	
Contribution	50,000
Tax savings	<u>-10,000</u>
<b>Net Cost</b>	<b>40,000</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	450,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>90,000</b>
	-
Gross Income	450,000
Tax Liability	<u>-90,000</u>
<b>Income to Individual</b>	<b>360,000</b>

<b>Tax Savings</b>	
Deduction	25,200.00
Rate for Addition Income	<u>x24.5%</u>
<b>Savings</b>	<b>6,174.00</b>

<b>Contribution Amount</b>	
Gross Income	360,000
Donation %	<u>x40%</u>
<b>Contribution Amount</b>	<b>144,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>334,800</b>
<b>Federal Tax:</b>	-
Taxed at 0	5,000
Taxed at 1%	15,000
Taxed at 5%	15,000
Taxed at 10%	15,000
Taxed at 16%	20,000
Taxed at 21%	30,000
Taxed at 24%	150,000
Taxed at 24.5%	<u>84,800</u>
<b>Total Tax Liability</b>	<b>68,676.00</b>

<b>Deduction</b>	
Gross Income	360,000
7% limit	<u>x7%</u>
<b>Total</b>	<b>25,200.00</b>

<b>Taxable Income</b>	
Gross Income	360,000
Deduction	<u>-25,200.00</u>
<b>Taxable Income</b>	<b>334,800.00</b>

<b>Net Cost of Donating</b>	
Contribution	144,000
Tax Savings	<u>-6,174.00</u>
<b>Net Cost</b>	<b>137,826.00</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	50,000
Individual Donation	<u>144,000</u>

<b>Total Net Cost</b>	
Corporate Net Cost	40,000
Individual Net Cost	<u>137,826.00</u>

<b>Total Donation</b>	<b>194,000.00</b>	<b>Total Net Cost</b>	<b>177,826.00</b>
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**500,000 gross income at corporate level, donating 100%**

**Corporate**

<b>Deduction</b>	
Gross Income	500,000
10% limit	<u>x10%</u>
<b>Deduction/Contribution</b>	<b>50,000</b>

<b>Tax Savings</b>	
Deduction	50,000
Tax Rate	<u>x20%</u>
<b>Tax Savings</b>	<b>10,000</b>

<b>Tax Liability</b>	
Gross Income	500,000
Charitable Deduction:	<u>-50,000</u>
<b>Taxable Income</b>	<b>450,000</b>
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>90,000</b>

<b>Net Cost of Contribution</b>	
Contribution	50,000
Tax savings	<u>-10,000</u>
<b>Net Cost</b>	<b>40,000</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	450,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>90,000</b>
-	
Gross Income	450,000
Tax Liability	<u>-90,000</u>
<b>Income to Individual</b>	<b>360,000</b>

<b>Tax Savings</b>	
Deduction	25,200.00
Rate for Addition Income	<u>x24.5%</u>
<b>Savings</b>	<b>6,174.00</b>

<b>Contribution Amount</b>	
Gross Income	360,000
Donation %	<u>x100%</u>
<b>Contribution Amount</b>	<b>360,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>334,800</b>
<b>Federal Tax:</b>	-
Taxed at 0	5,000
Taxed at 1%	15,000
Taxed at 5%	15,000
Taxed at 10%	15,000
Taxed at 16%	20,000
Taxed at 21%	30,000
Taxed at 24%	150,000
Taxed at 24.5%	<u>84,800</u>
<b>Total Tax Liability</b>	<b>68,676.00</b>

<b>Deduction</b>	
Gross Income	360,000
7% limit	<u>x7%</u>
<b>Total</b>	<b>25,200.00</b>

<b>Taxable Income</b>	
Gross Income	360,000
Deduction	<u>-25,200.00</u>
<b>Taxable Income</b>	<b>334,800.00</b>

<b>Net Cost of Donating</b>	
Contribution	360,000
Tax Savings	<u>-6,174.00</u>
<b>Net Cost</b>	<b>353,826.00</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	50,000
Individual Donation	<u>360,000</u>
<b>Total Donation</b>	<b>410,000.00</b>

<b>Total Net Cost</b>	
Corporate Net Cost	40,000
Individual Net Cost	<u>353,826.00</u>
<b>Total Net Cost</b>	<b>393,826.00</b>

**1,000,000 Gross Income**

**1,000,000 income at corporate level, donating 25%**

**Corporate**

<b>Deduction</b>	
Gross Income	1,000,000
10% limit	<u>x10%</u>
<b>Deduction/Contribution</b>	<b>100,000</b>

<b>Tax Savings</b>	
Deduction	100,000
Tax Rate	<u>x25%</u>
<b>Tax Savings</b>	<b>25,000</b>

<b>Tax Liability</b>	
Gross Income	1,000,000
Charitable Deduction:	<u>-100,000</u>
<b>Taxable Income</b>	<b>900,000</b>
Tax Rates:	-
On first 500,000: <b>20%</b>	500,000
On remaining: <b>25%</b>	<u>400,000</u>
<b>Tax Liability</b>	<b>200,000</b>

<b>Net Cost of Contribution</b>	
Contribution	100,000
Tax savings	<u>-25,000</u>
<b>Net Cost</b>	<b>75,000</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	900,000
Tax Rate	<u>x20/25%</u>
<b>Tax Liability</b>	<b>200,000</b>
Gross Income	900,000
Tax Liability	<u>-200,000</u>
<b>Income to Individual</b>	<b>700,000</b>

<b>Tax Savings</b>	
Deduction	49,000.00
Rate for Addition Income	<u>x25%</u>
<b>Savings</b>	<b>12,250.00</b>

<b>Contribution Amount</b>	
Gross Income	700,000
Donation %	<u>x15%</u>
<b>Contribution Amount</b>	<b>105,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>651,000</b>
<b>Federal Tax:</b>	-
Taxed at 0	5,000
Taxed at 1%	15,000
Taxed at 5%	15,000
Taxed at 10%	15,000
Taxed at 16%	20,000
Taxed at 21%	30,000
Taxed at 24%	150,000
Taxed at 24.5%	150,000
Taxed at 25%	<u>251,000</u>

<b>Deduction</b>	
Gross Income	700,000
7% limit	<u>x7%</u>

<b>Total</b>	<b>49,000.00</b>	<b>Total Tax Liability</b>	<b>147,400.00</b>
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<b>Taxable Income</b>	
Gross Income	700,000
Deduction	<u>-49,000.00</u>
<b>Taxable Income</b>	<b>651,000.00</b>

<b>Net Cost of Donating</b>	
Contribution	105,000
Tax Savings	<u>-12,250.00</u>
<b>Net Cost</b>	<b>92,750.00</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	100,000
Individual Donation	<u>105,000</u>
<b>Total Donation</b>	<b>205,000.00</b>

<b>Total Net Cost</b>	
Corporate Net Cost	75,000
Individual Net Cost	<u>92,750.00</u>
<b>Total Net Cost</b>	<b>167,750.00</b>

**1,000,000 income at corporate level, donating 50%**

**Corporate**

<b>Deduction</b>	
Gross Income	1,000,000
10% limit	<u>x10%</u>
<b>Deduction/Contribution</b>	<b>100,000</b>

<b>Tax Savings</b>	
Deduction	100,000
Tax Rate	<u>x25%</u>
<b>Tax Savings</b>	<b>25,000</b>

<b>Tax Liability</b>	
Gross Income	1,000,000
Charitable Deduction:	<u>-100,000</u>
<b>Taxable Income</b>	<b>900,000</b>
Tax Rates:	-
On first 500,000: <b>20%</b>	500,000
On remaining: <b>25%</b>	<u>400,000</u>
<b>Tax Liability</b>	<b>200,000</b>

<b>Net Cost of Contribution</b>	
Contribution	100,000
Tax savings	<u>-25,000</u>
<b>Net Cost</b>	<b>75,000</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	900,000
Tax Rate	<u>x20/25%</u>
<b>Tax Liability</b>	<b>200,000</b>
Gross Income	900,000
Tax Liability	<u>-200,000</u>
<b>Income to Individual</b>	<b>700,000</b>

<b>Tax Savings</b>	
Deduction	49,000.00
Rate for Addition Income	<u>x25%</u>
<b>Savings</b>	<b>12,250.00</b>

<b>Contribution Amount</b>	
Gross Income	700,000
Donation %	<u>x40%</u>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>651,000</b>
<b>Federal Tax:</b>	-
Taxed at 0	5,000
Taxed at 1%	15,000
Taxed at 5%	15,000
Taxed at 10%	15,000

<b>Contribution Amount</b>	<b>280,000</b>	Taxed at 16%	20,000
		Taxed at 21%	30,000
		Taxed at 24%	150,000
		Taxed at 24.5%	150,000
		Taxed at 25%	<u>251,000</u>
<b>Total</b>	<b>49,000.00</b>	<b>Total Tax Liability</b>	<b>147,400.00</b>

<b>Deduction</b>	
Gross Income	700,000
7% limit	<u>x7%</u>
<b>Total</b>	<b>49,000.00</b>

<b>Net Cost of Donating</b>	
Contribution	280,000
Tax Savings	<u>-12,250.00</u>
<b>Net Cost</b>	<b>267,750.00</b>

<b>Taxable Income</b>	
Gross Income	700,000
Deduction	<u>-49,000.00</u>
<b>Taxable Income</b>	<b>651,000.00</b>

<b>Total Contribution</b>	
Corporate Donation	100,000
Individual Donation	<u>280,000</u>
<b>Total Donation</b>	<b>380,000.00</b>

**Totals**

<b>Total Net Cost</b>	
Corporate Net Cost	75,000
Individual Net Cost	<u>267,750.00</u>
<b>Total Net Cost</b>	<b>342,750.00</b>

**1,000,000 income at corporate level, donating 100%**

**Corporate**

<b>Deduction</b>	
Gross Income	1,000,000
10% limit	<u>x10%</u>
<b>Deduction/Contribution</b>	<b>100,000</b>

<b>Tax Savings</b>	
Deduction	100,000
Tax Rate	<u>x25%</u>
<b>Tax Savings</b>	<b>25,000</b>

<b>Tax Liability</b>	
Gross Income	1,000,000
Charitable Deduction:	<u>-100,000</u>
<b>Taxable Income</b>	<b>900,000</b>
Tax Rates:	-
On first 500,000: <b>20%</b>	500,000
On remaining: <b>25%</b>	<u>400,000</u>
<b>Tax Liability</b>	<b>200,000</b>

<b>Net Cost of Contribution</b>	
Contribution	100,000
Tax savings	<u>-25,000</u>
<b>Net Cost</b>	<b>75,000</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	900,000
Tax Rate	<u>x20/25%</u>
<b>Tax Liability</b>	<b>200,000</b>
	-
Gross Income	900,000
Tax Liability	<u>-200,000</u>

<b>Tax Savings</b>	
Deduction	49,000.00
Rate for Addition Income	<u>x25%</u>
<b>Savings</b>	<b>12,250.00</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>651,000</b>

<b>Income to Individual</b>	<b>700,000</b>
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<b>Contribution Amount</b>	
Gross Income	700,000
Donation %	<u>x100%</u>
<b>Contribution Amount</b>	<b>700,000</b>

<b>Deduction</b>	
Gross Income	700,000
7% limit	<u>x7%</u>
<b>Total</b>	<b>49,000.00</b>

<b>Taxable Income</b>	
Gross Income	700,000
Deduction	<u>-49,000.00</u>
<b>Taxable Income</b>	<b>651,000.00</b>

<b>Federal Tax:</b>	
Taxed at 0	-
Taxed at 1%	5,000
Taxed at 5%	15,000
Taxed at 10%	15,000
Taxed at 16%	20,000
Taxed at 21%	30,000
Taxed at 24%	150,000
Taxed at 24.5%	150,000
Taxed at 25%	<u>251,000</u>
<b>Total Tax Liability</b>	<b>147,400.00</b>

<b>Net Cost of Donating</b>	
Contribution	700,000
Tax Savings	<u>-12,250.00</u>
<b>Net Cost</b>	<b>687,750.00</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	100,000
Individual Donation	<u>700,000</u>
<b>Total Donation</b>	<b>800,000.00</b>

<b>Total Net Cost</b>	
Corporate Net Cost	75,000
Individual Net Cost	<u>687,750.00</u>
<b>Total Net Cost</b>	<b>762,750.00</b>

## Thailand

Thailand has a general flat tax that is placed on corporations. The tax rates vary depending on what type of business is being considered. (Corporate, 2015) For example, gross income for small companies is taxed at 15% on 300,000 to 3,000,000 baht. On the remaining profit over 3 million, they are taxed at 20%. On foreign companies engaging in international transportation, the tax rate is 3% on all gross receipts. (Corporate, 2015) This study will focus on companies listed in the Stock Exchange of Thailand (SET) and their gross income is taxed at 20%. For individuals, Thailand has a progressive tax rate schedule that can be seen below. (Personal, 2015)

<u>Taxable Income (baht)</u>	<u>Tax Rate</u>
On the first 150,000	0%
On the next 150,000	5%
On the next 200,000	10%
On the next 250,000	15%
On the next 250,000	20%
On the next 1,000,000	25%
On the next 2,000,000	30%
On over 4,000,000	35%

Charitable contribution deductions for corporations are typically limited to up to 2% of gross income when donations are made to public charities, education, or sports. Additional deductions can be made for certain public education institutions and for

any expenses for the maintenance of public parks, playgrounds, or sports grounds. The general limit of 2% will be used for this study. (Corporate, 2015) On the individual side, charitable contribution deductions are limited to 10% of income after standard deductions and all other deductions are taken into consideration. (Personal, 2015) For example, if gross income is 100,000 but they get a standard deduction of 30,000 and an education deduction of 2,000, the charitable contribution deduction would be limited to 10% of 68,000. For this study, it will be assumed that the individual gets 32,000 in deductions before they take their charitable deduction.



Computations for income of 1,000,000, 2,000,000, and 4,000,000 with donation levels of 25%, 50%, and 100% are shown for a variation of taxes, deductions, and tax savings. In all situations where the donation is greater than 2% of gross income, the taxpayer would donate a portion at both the corporate level and individual to obtain the greatest tax advantages. After donating 2% at the corporate level, they should flow the rest of the desired income to the individual level and contribute in that way. They then get up to 10% deducted at that level. Numbers have not been change in US dollar amounts. For reference, one baht is worth \$0.028 in United States Currency. For all other countries, the examples have been given using gross income of 100,000, 500,000, and 1,000,000; for this example, the higher amounts stated previously are used because the baht is worth so much less than the US dollar. The higher amounts are also used for more variation in taxes paid because the tax bracket numbers are much higher than with other countries.

### **1,000,000 Gross Income**

#### **1,000,000 gross income at corporate level, donating 25%**

##### **Corporate:**

As a result of the deduction limit for donations made at the corporate level, only 2% is donated, creating a contribution of 20,000. That is also the deduction amount and is taken out of gross income accordingly. The deduction is then multiplied by the tax rate to find the tax that was saved. The savings of 4,000 is the subtracted from the contribution to find a net cost of 16,000.

##### **Individual:**

The remaining income after donating at the corporate level flows through to the individual. The individual then donates the leftover 23% they desire to donate, making their contribution 180,320. However, the individual’s deduction is limited to 10% off gross income after all other deductions are taken. The 32,000 of general deductions are then taken out of gross income, leaving 752,000 subject to the 10% limit. That creates a 75,200 charitable deduction. Both deductions are then netted and taken out of gross income to find taxable income. Taxable income is then taxed at the appropriate levels to find the overall tax liability. To compute the tax savings, we multiply the deduction by the tax bracket percentage that the individual would be in if the deduction were still in income. For this example, there are two different percentages used because they would have progressed into a new bracket. The total tax savings is 11,380. After that is deducted from the total contribution made, there is a net cost of 168,940.

The net contribution is found by adding the 20,000 contribution at the corporate level with the 180,320 contribution at the individual level. Similarly, the net cost is 184,940, also computed by adding the net cost at both levels.

<b>Corporate</b>			
<b>Deduction</b>		<b>Tax Savings</b>	
Gross Income	1,000,000	Deduction	20,000
2% limit	<u>x2%</u>	Tax Rate	<u>x20%</u>
<b>Deduction/Contribution</b>	<b>20,000</b>	<b>Tax Savings</b>	<b>4,000</b>
<b>Tax Liability</b>		<b>Net Cost of Contribution</b>	
Gross Income	1,000,000	Contribution	20,000
Charitable Deduction:	<u>-20,000</u>	Tax savings	<u>-4,000</u>
<b>Taxable Income</b>	<b>980,000</b>	<b>Net Cost</b>	<b>16,000</b>
Tax Rate	<u>x20%</u>		

<b>Tax Liability</b>	<b>196,000</b>
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**Individual**

<b>Income from Corporation</b>	
Taxable Income	980,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>196,000</b>
	-
Gross Income	980,000
Tax Liability	<u>-196,000</u>
<b>Income to Individual</b>	<b>784,000</b>

<b>Taxable Income</b>	
Gross Income	784,000
Deductions	<u>-107,200</u>
<b>Taxable Income</b>	<b>676,800.0</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>676,800</b>
<b>Federal Tax:</b>	-
Taxed at 0	150,000
Taxed at 5%	150,000
Taxed at 10%	200,000
Taxed at 15%	<u>176,800</u>
<b>Total Tax Liability</b>	<b>54,020</b>

<b>Contribution Amount</b>	
Gross Income	784,000
Donation %	<u>x23%</u>
<b>Contribution Amount</b>	<b>180,320</b>

<b>Deduction</b>	
Gross Income	784,000
Less: Other Deductions	<u>-32,000</u>
	752,000
10% limit	<u>x10%</u>
<b>Charitable Deduction</b>	<b>75,200.00</b>

<b>Tax Savings</b>	
Charitable Deduction	75,200
Rates for Addition Income:	
15% on	73,200
20% on	<u>2,000</u>
<b>Savings</b>	<b>11,380</b>

<b>Net Cost of Donating</b>	
Contribution	180,320
Tax Savings	<u>-11,380</u>
<b>Net Cost</b>	<b>168,940</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	20,000
Individual Donation	<u>180,320</u>
<b>Total Donation</b>	<b>200,320.00</b>

<b>Total Net Cost</b>	
Corporate Net Cost	16,000
Individual Net Cost	<u>168,940</u>
<b>Total Net Cost</b>	<b>184,940</b>

**Corporate**

<b>Deduction</b>	
Gross Income	4,000,000
2% limit	<u>x2%</u>
<b>Deduction/Contribution</b>	<b>80,000</b>

<b>Tax Savings</b>	
Deduction	80,000
Tax Rate	<u>x20%</u>
<b>Tax Savings</b>	<b>16,000</b>

<b>Tax Liability</b>	
Gross Income	4,000,000

<b>Net Cost of Contribution</b>	
Contribution	80,000

Charitable Deduction:	<u>-80,000</u>
<b>Taxable Income</b>	<b>3,920,000</b>
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>784,000</b>

Tax savings	<u>-16,000</u>
<b>Net Cost</b>	<b>64,000</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	3,920,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>784,000</b>
	-
Gross Income	3,920,000
Tax Liability	<u>-784,000</u>
<b>Income to Individual</b>	<b>3,136,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>2,793,600</b>
<b>Federal Tax:</b>	-
Taxed at 0	150,000
Taxed at 5%	150,000
Taxed at 10%	200,000
Taxed at 15%	250,000
Taxed at 20%	250,000
Taxed at 25%	1,000,000
Taxed at 30%	<u>793,600</u>
<b>Total Tax Liability</b>	<b>603,080</b>

<b>Contribution Amount</b>	
Gross Income	3,136,000
Donation %	<u>x100%</u>
<b>Contribution Amount</b>	<b>3,136,000</b>

<b>Tax Savings</b>	
Charitable Deduction	310,400
Rate for Addition Income	-
30% on	<u>153,600</u>
<b>Savings</b>	<b>46,080</b>

<b>Deduction</b>	
Gross Income	3,136,000
Less: Other Deductions	<u>-32,000</u>
	3,104,000
10% limit	<u>x10%</u>
<b>Charitable Deduction</b>	<b>310,400</b>

<b>Net Cost of Donating</b>	
Contribution	3,136,000
Tax Savings	<u>-46,080</u>
<b>Net Cost</b>	<b>3,089,920</b>

<b>Taxable Income</b>	
Gross Income	3,136,000
Deductions	<u>-342,400</u>
<b>Taxable Income</b>	<b>2,793,600</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	80,000
Individual Donation	<u>3,136,000</u>
<b>Total Donation</b>	<b>3,216,000</b>

<b>Total Net Cost</b>	
Corporate Net Cost	64,000
Individual Net Cost	<u>3,089,920</u>
<b>Total Net Cost</b>	<b>3,153,920</b>

**1,000,000 income at corporate level, donating 50%**

Although the donation percentage has increased, the corporation computations stay the same because it is limited to a 2% deduction. The individual computations vary for the

contribution amount because the donation percentage increased. However, they are also still restricted to a 10% deduction, so that stays the same as well. The net cost of donating also changes, but everything else remains the same.

**Corporate**

<b>Deduction</b>	
Gross Income	1,000,000
2% limit	<u>x2%</u>
<b>Deduction/Contribution</b>	<b>20,000</b>

<b>Tax Savings</b>	
Deduction	20,000
Tax Rate	<u>x20%</u>
<b>Tax Savings</b>	<b>4,000</b>

<b>Tax Liability</b>	
Gross Income	1,000,000
Charitable Deduction:	<u>-20,000</u>
<b>Taxable Income</b>	<b>980,000</b>
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>196,000</b>

<b>Net Cost of Contribution</b>	
Contribution	20,000
Tax savings	<u>-4,000</u>
<b>Net Cost</b>	<b>16,000</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	980,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>196,000</b>

<b>Taxable Income</b>	
Gross Income	784,000
Deductions	<u>-107,200</u>
<b>Taxable Income</b>	<b>676,800</b>

Gross Income	980,000
Tax Liability	<u>-196,000</u>
<b>Income to Individual</b>	<b>784,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>676,800</b>
<b>Federal Tax:</b>	-
Taxed at 0	150,000
Taxed at 5%	150,000
Taxed at 10%	200,000
Taxed at 15%	<u>176,800</u>
<b>Total Tax Liability</b>	<b>54,020</b>

<b>Contribution Amount</b>	
Gross Income	784,000
Donation %	<u>x48%</u>
<b>Contribution Amount</b>	<b>376,320</b>

<b>Deduction</b>	
Gross Income	784,000
Less: Other Deductions	<u>-32,000</u>
	752,000
10% limit	<u>x10%</u>
<b>Charitable Deduction</b>	<b>75,200</b>

<b>Tax Savings</b>	
Charitable Deduction	75,200
Rates for Addition Income:	-
15% on	73,200
20% on	<u>2,000</u>
<b>Savings</b>	<b>11,380</b>

<b>Net Cost of Donating</b>
-----------------------------

Contribution	376,320
Tax Savings	<u>-11,380</u>
<b>Net Cost</b>	<b>364,940</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	20,000
Individual Donation	<u>376,320</u>
<b>Total Donation</b>	<b>396,320</b>

<b>Total Net Cost</b>	
Corporate Net Cost	16,000
Individual Net Cost	<u>364,940</u>
<b>Total Net Cost</b>	<b>380,940</b>

**1,000,000 income at corporate level, donating 100%**

The same changes that occurred at the 50% contribution level also occur at the 100% level.

**Corporate**

<b>Deduction</b>	
Gross Income	1,000,000
2% limit	<u>x2%</u>
<b>Deduction/Contribution</b>	<b>20,000</b>

<b>Tax Savings</b>	
Deduction	20,000
Tax Rate	<u>x20%</u>
<b>Tax Savings</b>	<b>4,000</b>

<b>Tax Liability</b>	
Gross Income	1,000,000
Charitable Deduction:	<u>-20,000</u>
<b>Taxable Income</b>	<b>980,000</b>
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>196,000</b>

<b>Net Cost of Contribution</b>	
Contribution	20,000
Tax savings	<u>-4,000</u>
<b>Net Cost</b>	<b>16,000</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	980,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>196,000</b>
-	
Gross Income	980,000
Tax Liability	<u>-196,000</u>
<b>Income to Individual</b>	<b>784,000</b>

<b>Taxable Income</b>	
Gross Income	784,000
Deductions	<u>-107,200</u>
<b>Taxable Income</b>	<b>676,800</b>

<b>Contribution Amount</b>	
Gross Income	784,000
Donation %	<u>x100%</u>
<b>Contribution Amount</b>	<b>784,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>676,800</b>
<b>Federal Tax:</b>	-
Taxed at 0	150,000
Taxed at 5%	150,000
Taxed at 10%	200,000
Taxed at 15%	<u>176,800</u>
<b>Total Tax Liability</b>	<b>54,020</b>

Deduction	
Gross Income	784,000
Less: Other Deductions	<u>-32,000</u>
	752,000
10% limit	<u>x10%</u>
<b>Charitable Deduction</b>	<b>75,200</b>

Tax Savings	
Charitable Deduction	75,200
Rates for Addition Income:	-
15% on	73,200
20% on	<u>2,000</u>
<b>Savings</b>	<b>11,380</b>

Net Cost of Donating	
Contribution	784,000
Tax Savings	<u>-11,380</u>
<b>Net Cost</b>	<b>772,620</b>

**Totals**

Total Contribution	
Corporate Donation	20,000
Individual Donation	<u>784,000</u>
<b>Total Donation</b>	<b>804,000</b>

Total Net Cost	
Corporate Net Cost	16,000
Individual Net Cost	<u>772,620</u>
<b>Total Net Cost</b>	<b>788,620</b>

**2,000,000 Gross Income**

**2,000,000 gross income at corporate level, donating 25%**

**Corporate**

Deduction	
Gross Income	2,000,000
2% limit	<u>x2%</u>
<b>Deduction/Contribution</b>	<b>40,000</b>

Tax Savings	
Deduction	40,000
Tax Rate	<u>x20%</u>
<b>Tax Savings</b>	<b>8,000</b>

Tax Liability	
Gross Income	2,000,000
Charitable Deduction:	<u>-40,000</u>
<b>Taxable Income</b>	<b>1,960,000</b>
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>392,000</b>

Net Cost of Contribution	
Contribution	40,000
Tax savings	<u>-8,000</u>
<b>Net Cost</b>	<b>32,000</b>

**Individual**

Income from Corporation	
Taxable Income	1,960,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>392,000</b>

Individual Tax Liability	
<b>Taxable Income to Indv</b>	<b>1,382,400</b>
<b>Federal Tax:</b>	-
Taxed at 0	150,000
Taxed at 5%	150,000

Gross Income	1,960,000
Tax Liability	<u>-392,000</u>
<b>Income to Individual</b>	<b>1,568,000</b>

Taxed at 10%	200,000
Taxed at 15%	250,000
Taxed at 20%	250,000
Taxed at 25%	<u>382,400</u>
<b>Total Tax Liability</b>	<b>210,600.0</b>

<b>Contribution Amount</b>	
Gross Income	1,568,000
Donation %	<u>x23%</u>
<b>Contribution Amount</b>	<b>360,640</b>

<b>Tax Savings</b>	
Charitable Deduction	153,600
Rate for Addition Income	-
25% on	<u>153,600</u>
<b>Savings</b>	<b>38,400</b>

<b>Deduction</b>	
Gross Income	1,568,000
Less: Other Deductions	<u>-32,000</u>
	1,536,000
10% limit	<u>x10%</u>
<b>Charitable Deduction</b>	<b>153,600</b>

<b>Net Cost of Donating</b>	
Contribution	360,640
Tax Savings	<u>-38,400</u>
<b>Net Cost</b>	<b>322,240</b>

<b>Taxable Income</b>	
Gross Income	1,568,000
Deductions	<u>-185,600</u>
<b>Taxable Income</b>	<b>1,382,400</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	40,000
Individual Donation	<u>360,640</u>
<b>Total Donation</b>	<b>400,640.00</b>

<b>Total Net Cost</b>	
Corporate Net Cost	32,000
Individual Net Cost	<u>322,240</u>
<b>Total Net Cost</b>	<b>354,240</b>

**2,000,000 gross income at corporate level, donating 50%**

**Corporate**

<b>Deduction</b>	
Gross Income	2,000,000
2% limit	<u>x2%</u>
<b>Deduction/Contribution</b>	<b>40,000</b>

<b>Tax Savings</b>	
Deduction	40,000
Tax Rate	<u>x20%</u>
<b>Tax Savings</b>	<b>8,000</b>

<b>Tax Liability</b>	
Gross Income	2,000,000
Charitable Deduction:	<u>-40,000</u>
<b>Taxable Income</b>	<b>1,960,000</b>
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>392,000</b>

<b>Net Cost of Contribution</b>	
Contribution	40,000
Tax savings	<u>-8,000</u>
<b>Net Cost</b>	<b>32,000</b>



**Individual**

<b>Income from Corporation</b>	
Taxable Income	1,960,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>392,000</b>
	-
Gross Income	1,960,000
Tax Liability	<u>-392,000</u>
<b>Income to Individual</b>	<b>1,568,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>1,382,400</b>
<b>Federal Tax:</b>	-
Taxed at 0	150,000
Taxed at 5%	150,000
Taxed at 10%	200,000
Taxed at 15%	250,000
Taxed at 20%	250,000
Taxed at 25%	<u>382,400</u>
<b>Total Tax Liability</b>	<b>210,600</b>

<b>Contribution Amount</b>	
Gross Income	1,568,000
Donation %	<u>x48%</u>
<b>Contribution Amount</b>	<b>752,640</b>

<b>Tax Savings</b>	
Charitable Deduction	153,600
Rate for Addition Income	-
25% on	<u>153,600</u>
<b>Savings</b>	<b>38,400</b>

<b>Deduction</b>	
Gross Income	1,568,000
Less: Other Deductions	<u>-32,000</u>
	1,536,000
10% limit	<u>x10%</u>
<b>Charitable Deduction</b>	<b>153,600</b>

<b>Net Cost of Donating</b>	
Contribution	752,640
Tax Savings	<u>-38,400</u>
<b>Net Cost</b>	<b>714,240</b>

<b>Taxable Income</b>	
Gross Income	1,568,000
Deductions	<u>-185,600</u>
<b>Taxable Income</b>	<b>1,382,400</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	40,000
Individual Donation	<u>752,640</u>
<b>Total Donation</b>	<b>792,640</b>

<b>Total Net Cost</b>	
Corporate Net Cost	32,000
Individual Net Cost	<u>714,240</u>
<b>Total Net Cost</b>	<b>746,240</b>

**2,000,000 income at corporate level, donating 100%**

**Corporate**

<b>Deduction</b>	
Gross Income	2,000,000
2% limit	<u>x2%</u>
<b>Deduction/Contribution</b>	<b>40,000</b>

<b>Tax Savings</b>	
Deduction	40,000
Tax Rate	<u>x20%</u>
<b>Tax Savings</b>	<b>8,000</b>

<b>Tax Liability</b>
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<b>Net Cost of Contribution</b>
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Gross Income	2,000,000	Contribution	40,000
Charitable Deduction:	<u>-40,000</u>	Tax savings	<u>-8,000</u>
<b>Taxable Income</b>	<b>1,960,000</b>	<b>Net Cost</b>	<b>32,000</b>
Tax Rate	<u>x20%</u>		
<b>Tax Liability</b>	<b>392,000</b>		

**Individual**

<b>Income from Corporation</b>	
Taxable Income	1,960,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>392,000</b>
	-
Gross Income	1,960,000
Tax Liability	<u>-392,000</u>
<b>Income to Individual</b>	<b>1,568,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>1,382,400</b>
<b>Federal Tax:</b>	-
Taxed at 0	150,000
Taxed at 5%	150,000
Taxed at 10%	200,000
Taxed at 15%	250,000
Taxed at 20%	250,000
Taxed at 25%	<u>382,400</u>
<b>Total Tax Liability</b>	<b>210,600</b>

<b>Contribution Amount</b>	
Gross Income	1,568,000
Donation %	<u>x100%</u>
<b>Contribution Amount</b>	<b>1,568,000</b>

<b>Tax Savings</b>	
Charitable Deduction	153,600
Rate for Addition Income	-
25% on	<u>153,600</u>
<b>Savings</b>	<b>38,400</b>

<b>Deduction</b>	
Gross Income	1,568,000
Less: Other Deductions	<u>-32,000</u>
	1,536,000
10% limit	<u>x10%</u>
<b>Charitable Deduction</b>	<b>153,600</b>

<b>Net Cost of Donating</b>	
Contribution	1,568,000
Tax Savings	<u>-38,400</u>
<b>Net Cost</b>	<b>1,529,600</b>

<b>Taxable Income</b>	
Gross Income	1,568,000
Deductions	<u>-185,600</u>
<b>Taxable Income</b>	<b>1,382,400</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	40,000
Individual Donation	<u>1,568,000</u>
<b>Total Donation</b>	<b>1,608,000</b>

<b>Total Net Cost</b>	
Corporate Net Cost	32,000
Individual Net Cost	<u>1,529,600</u>
<b>Total Net Cost</b>	<b>1,561,600</b>

**4,000,000 Gross Income**

**4,000,000 gross income at corporate level, donating 25%**

**Corporate**

<b>Deduction</b>	
Gross Income	4,000,000
2% limit	<u>x2%</u>
<b>Deduction/Contribution</b>	<b>80,000</b>

<b>Tax Savings</b>	
Deduction	80,000
Tax Rate	<u>x20%</u>
<b>Tax Savings</b>	<b>16,000</b>

<b>Tax Liability</b>	
Gross Income	4,000,000
Charitable Deduction:	<u>-80,000</u>
<b>Taxable Income</b>	<b>3,920,000</b>
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>784,000</b>

<b>Net Cost of Contribution</b>	
Contribution	80,000
Tax savings	<u>-16,000</u>
<b>Net Cost</b>	<b>64,000</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	3,920,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>784,000</b>
	-
Gross Income	3,920,000
Tax Liability	<u>-784,000</u>
<b>Income to Individual</b>	<b>3,136,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>2,793,600</b>
<b>Federal Tax:</b>	-
Taxed at 0	150,000
Taxed at 5%	150,000
Taxed at 10%	200,000
Taxed at 15%	250,000
Taxed at 20%	250,000
Taxed at 25%	1,000,000
Taxed at 30%	<u>793,600</u>
<b>Total Tax Liability</b>	<b>603,080</b>

<b>Contribution Amount</b>	
Gross Income	3,136,000
Donation %	<u>x23%</u>
<b>Contribution Amount</b>	<b>721,280</b>

<b>Tax Savings</b>	
Charitable Deduction	310,400
Rate for Addition Income	-
30% on	<u>153,600</u>
<b>Savings</b>	<b>46,080</b>

<b>Deduction</b>	
Gross Income	3,136,000
Less: Other Deductions	<u>-32,000</u>
	3,104,000
10% limit	<u>x10%</u>
<b>Charitable Deduction</b>	<b>310,400</b>

<b>Net Cost of Donating</b>	
Contribution	721,280
Tax Savings	<u>-46,080</u>
<b>Net Cost</b>	<b>675,200</b>

<b>Taxable Income</b>	
Gross Income	3,136,000
Deductions	<u>-342,400</u>
<b>Taxable Income</b>	<b>2,793,600</b>

**Totals**

<b>Total Contribution</b>
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<b>Total Net Cost</b>
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Corporate Donation	80,000	Corporate Net Cost	64,000
Individual Donation	<u>721,280</u>	Individual Net Cost	<u>675,200</u>
<b>Total Donation</b>	<b>801,280.00</b>	<b>Total Net Cost</b>	<b>739,200</b>

**4,000,000 gross income at corporate level, donating 50%**

**Corporate**

<b>Deduction</b>	
Gross Income	4,000,000
2% limit	<u>x2%</u>
<b>Deduction/Contribution</b>	<b>80,000</b>

<b>Tax Savings</b>	
Deduction	80,000
Tax Rate	<u>x20%</u>
<b>Tax Savings</b>	<b>16,000</b>

<b>Tax Liability</b>	
Gross Income	4,000,000
Charitable Deduction:	<u>-80,000</u>
<b>Taxable Income</b>	<b>3,920,000</b>
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>784,000</b>

<b>Net Cost of Contribution</b>	
Contribution	80,000
Tax savings	<u>-16,000</u>
<b>Net Cost</b>	<b>64,000</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	3,920,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>784,000</b>
Gross Income	3,920,000
Tax Liability	<u>-784,000</u>
<b>Income to Individual</b>	<b>3,136,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>2,793,600</b>
<b>Federal Tax:</b>	-
Taxed at 0	150,000
Taxed at 5%	150,000
Taxed at 10%	200,000
Taxed at 15%	250,000
Taxed at 20%	250,000
Taxed at 25%	1,000,000
Taxed at 30%	<u>793,600</u>
<b>Total Tax Liability</b>	<b>603,080</b>

<b>Contribution Amount</b>	
Gross Income	3,136,000
Donation %	<u>x48%</u>
<b>Contribution Amount</b>	<b>1,505,280</b>

<b>Tax Savings</b>	
Charitable Deduction	310,400
Rate for Addition Income	-
30% on	<u>153,600</u>
<b>Savings</b>	<b>46,080</b>

<b>Deduction</b>	
Gross Income	3,136,000
Less: Other Deductions	<u>-32,000</u>
	3,104,000
10% limit	<u>x10%</u>
<b>Charitable Deduction</b>	<b>310,400</b>

<b>Net Cost of Donating</b>	
Contribution	1,505,280
Tax Savings	<u>-46,080</u>
<b>Net Cost</b>	<b>1,459,200</b>

<b>Taxable Income</b>
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Gross Income	3,136,000
Deductions	<u>-342,400</u>
<b>Taxable Income</b>	<b>2,793,600</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	80,000
Individual Donation	<u>1,505,280</u>
<b>Total Donation</b>	<b>1,585,280</b>

<b>Total Net Cost</b>	
Corporate Net Cost	64,000
Individual Net Cost	<u>1,459,200</u>
<b>Total Net Cost</b>	<b>1,523,200</b>

**4,000,000 gross income at corporate level, donating 100%**

**Corporate**

<b>Deduction</b>	
Gross Income	4,000,000
2% limit	<u>x2%</u>
<b>Deduction/Contribution</b>	<b>80,000</b>

<b>Tax Savings</b>	
Deduction	80,000
Tax Rate	<u>x20%</u>
<b>Tax Savings</b>	<b>16,000</b>

<b>Tax Liability</b>	
Gross Income	4,000,000
Charitable Deduction:	<u>-80,000</u>
<b>Taxable Income</b>	<b>3,920,000</b>
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>784,000</b>

<b>Net Cost of Contribution</b>	
Contribution	80,000
Tax savings	<u>-16,000</u>
<b>Net Cost</b>	<b>64,000</b>

**Individual**

<b>Income from Corporation</b>	
Taxable Income	3,920,000
Tax Rate	<u>x20%</u>
<b>Tax Liability</b>	<b>784,000</b>
	-
Gross Income	3,920,000
Tax Liability	<u>-784,000</u>
<b>Income to Individual</b>	<b>3,136,000</b>

<b>Individual Tax Liability</b>	
<b>Taxable Income to Indv</b>	<b>2,793,600</b>
<b>Federal Tax:</b>	-
Taxed at 0	150,000
Taxed at 5%	150,000
Taxed at 10%	200,000
Taxed at 15%	250,000
Taxed at 20%	250,000
Taxed at 25%	1,000,000
Taxed at 30%	<u>793,600</u>
<b>Total Tax Liability</b>	<b>603,080</b>

<b>Contribution Amount</b>	
Gross Income	3,136,000
Donation %	<u>x100%</u>
<b>Contribution Amount</b>	<b>3,136,000</b>

<b>Tax Savings</b>	
Charitable Deduction	310,400
Rate for Addition Income	-
30% on	<u>153,600</u>

<b>Deduction</b>	
Gross Income	3,136,000

Less: Other Deductions	-32,000
	3,104,000
10% limit	<u>x10%</u>
<b>Charitable Deduction</b>	<b>310,400</b>

<b>Savings</b>	<b>46,080</b>
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<b>Taxable Income</b>	
Gross Income	3,136,000
Deductions	<u>-342,400</u>
<b>Taxable Income</b>	<b>2,793,600</b>

<b>Net Cost of Donating</b>	
Contribution	3,136,000
Tax Savings	<u>-46,080</u>
<b>Net Cost</b>	<b>3,089,920</b>

**Totals**

<b>Total Contribution</b>	
Corporate Donation	80,000
Individual Donation	<u>3,136,000</u>
<b>Total Donation</b>	<b>3,216,000</b>

<b>Total Net Cost</b>	
Corporate Net Cost	64,000
Individual Net Cost	<u>3,089,920</u>
<b>Total Net Cost</b>	<b>3,153,920</b>

Although Canada, Australia, the Cayman Islands, and Malaysia all have unique tax structures, similarities can be seen among them. When there is a limit on the amount of charitable contribution that may be taken as a deduction at the corporate level, if the desired contribution amount is less than the limit, it is in the best interest of the individual to donate all at the corporate level. On the other hand, if the desired contribution amount is greater than the limit, the individual will donate up to the allowed percentage at the corporate level. The rest of the income is then flowed through to the individual and donated at that level. In Canada, the donation at the individual level results in a tax credit while with Malaysia, Australia, and Thailand, it results in a deduction. Typically the tax credits and deductions at the individual levels are also subject to limitations based on income. Even though there are limitations, some may still want to donate past the limits. If they choose to do this, there is no tax advantage on the income donated past the prescribed limit. Limits vary among countries as demonstrated.

The Cayman Islands was very different from the other examples in this study. As shown, there is a 0% tax rate in the Cayman Islands. This non-existent tax rate puts less stress on the contributors for the tax advantages of donating and allows them to donate through whichever vehicle they choose without those computations. For some, this is preferable because they can donate all through whichever vehicle they would like to have recognition. In most other places, the choice of vehicle for FOB donations is extremely important in determining taxes.

Each tax model has been created to enable Family Owned Businesses in the selected countries to evaluate the after-tax impact of their giving for each vehicle so taxes can be included in their decisions. Balanced with their personal preference, the vehicle for giving can be decided with slightly broader information that may not have been readily available. These

models not only aid economically efficient philanthropic giving, but make sense of tax laws that may otherwise be difficult to understand.



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