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“Inter-vivos Pipeline
Transactions”
Marketing Brochure

Facts

- Mr. Bobo is a Canadian resident
- Mr. Bobo is not a US citizen, not a US green card holder
- Mr. Bobo is over 18 years old



Inter-Vivos Pipeline

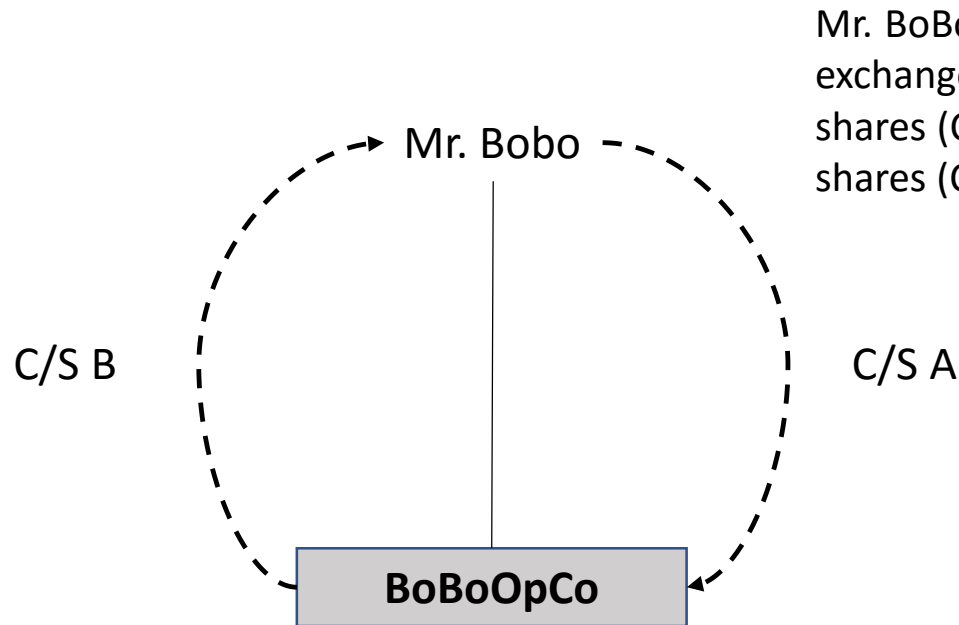
Transaction to remove corporate surplus into personal hands of a shareholder.

Assumed Facts & Legend

- Top personal marginal rate for capital gains is 27%.
- Top personal marginal rate for eligible dividends is 39%.
- Top personal marginal rate for ineligible dividend is 45%.
- TOSI = Tax on Split Income = Tax at highest personal tax rate for a particular source of income.

Inter-Vivos Pipeline-High Level

Step 1

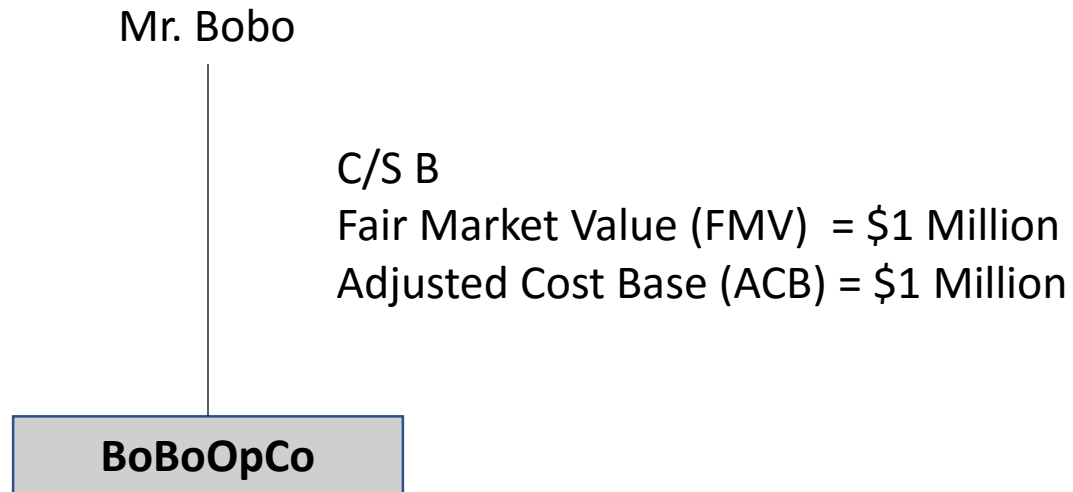


Mr. BoBo triggers capital gain on exchange of old A common shares (C/S A) to new B common shares (C/S B)

N.B. 120.4(4)/(5) does not apply to convert taxable capital gain into ineligible dividend since Mr. BoBo is 18 years old or over.

Inter-Vivos Pipeline-High Level

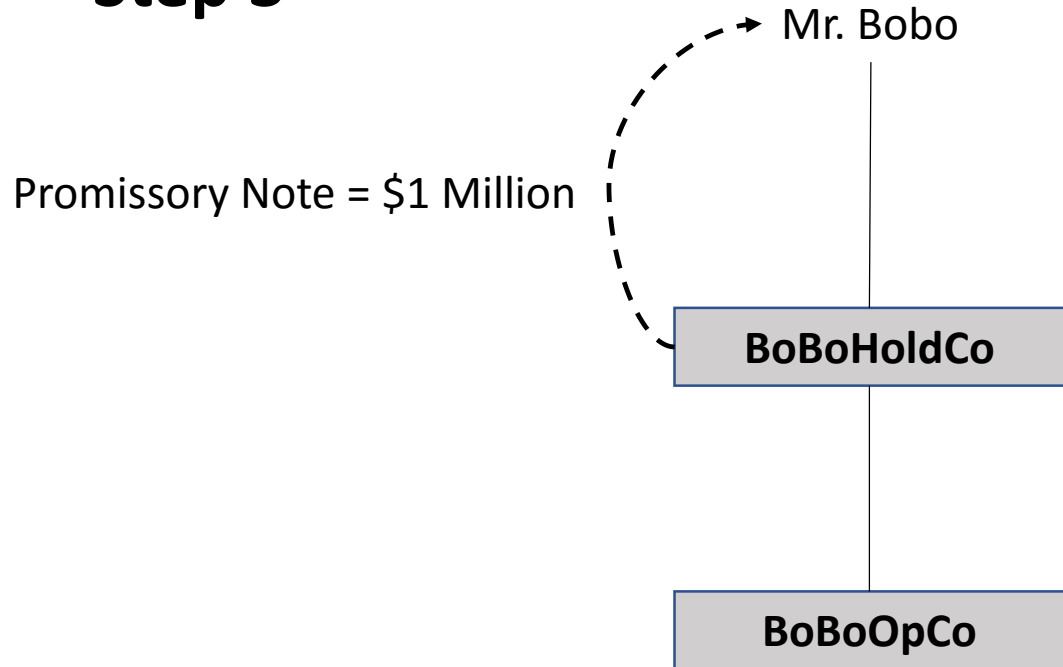
Step 2



N.B. Mr. BoBo's ACB not sheltered by capital gains exemption or V-day value

Inter-Vivos Pipeline High Level

Step 3



Mr. Bobo transfers OpCo C/S B shares to BoboHoldCo with no tax consequence because $POD = ACB = \$1 \text{ Million}$. (so there is no taxable capital gain)

Inter-Vivos Pipeline Issues

If subject to the new income splitting rules, the capital gain arising from the pipeline shall be automatically taxed at the highest personal income tax rate of 27% and not the graduated rates of Mr. BoBo.

Downside Risk

TOSI capital gain – Taxed at 27%.

Vs

Non TOSI capital gain – Taxed at graduated personal rates.

Is it a big deal because Mr. BoBo is trying to avoid 45% ineligible dividend rate (or 39% eligible dividend rate)?.

TOSI capital gain still achieves a good tax result even at a flat tax rate of 27%.

Why Would Someone do the Inter-Vivos Pipeline?

- Clients are becoming more aggressive because they feel they are being pushed too far with the recent tax proposals.
- More specifically, income splitting via dividends for family members under 65 years old has become more difficult if no contributions are made to the business. This results in higher personal tax for the family.
- Leaving passive investments in a private company will force clients to deal with the complexity of the passive income reinvestment rules.
- The Liberal government in the July 18, 2017 proposals initially banned the pipeline and then reinstated it. Who knows how long the pipeline will be around?
- The client has an immediate personal need for the corporate funds.

Optimal Client

1. Minimum \$750,000 cash or near cash assets in the corporation (more complex plans exist to extract corporate assets with accrued gains).
2. Has cash flow to prepay the 27% personal tax the April following the calendar year of the transaction.
3. Clients are not industry specific: can be professional corporations, investment holding companies and operating companies to just name a few....(not complete list).

Initial Client Information Package

1. Is shareholder a US citizen and US green card holder?
2. Fair market value of the private company shares to be pipelined.
3. Name of all shareholders and issued shares of a corporation.
4. Paid Up Capital (“PUC”) and Adjusted Cost Base (“ACB”) of the shares to be pipelined.
5. Most recent financial statements and tax returns of company to be pipelined.
6. Age of the particular shareholder.



Our firm would gladly assess the feasibility of your client status and provide a fee estimate.

For More Information

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