The Atlantic GOLD & SILVER CENTRE

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SILVER MAPLE LEAFS ENJOY CAPITAL GAINS TAX EXEMPTION

Written by Kevin D.

As a Canadian, and a precious metal investor, I've wondered about the issue of capital gains taxes on bullion for a long time. After reviewing the Canadian Tax Code recently, I have discovered that my primary precious metals investment vehicle, **1 oz Silver Maple bullion coins, are in fact exempted from capital gains taxes.**

Essentially, any coin that was purchased for under $1000 and also sold for under $1000 is considered Listed Personal Property (LPP) under the Canadian Tax Code. LPP is a specific type of Personal-Use Property which would include such things as a boat, car, or furniture. The only attribute that distinguishes LPP from Personal-Use Property is that LPP would generally be expected to increase in value over time, (such as in the case of jewelry, rare art, a stamp collection, or coins) whereas Personal-Use Property tends to depreciate (as with a boat, car, or furniture).

The details from the Canada Revenue Agency document are as follows:

"Listed personal property (LPP) – is a type of personal-use property. The principal difference between LPP and other personal-use properties is that LPP usually increases in value over time. LPP includes all or any part of any interest in or any right to the following properties:

- *prints, etchings, drawings, paintings, sculptures, or other similar works of art;*
- *jewellery;*
- *rare folios, rare manuscripts, or rare books;*
- *stamps; and*
- ***coins***

Because LPP is a type of personal-use property, the capital gain or loss on the sale of the LPP item is calculated the same way as for personal-use property.

A WORD FROM OUR PRESIDENT

Since opening in sleepy Riverview, NB just over 3 years ago, we have had people asking us every month to open in Halifax - indeed many Nova Scotians have made the 500 km round trip just to get their precious metals! It took some time, but finally we found the right combination of people and location to make it happen. We now look forward to helping even more of you face an uncertain financial landscape with a few gold & silver aces up your sleeves!

David Ford
President & Founder

Personal-use property

When you dispose of personal-use property, you may have a capital gain or loss. To calculate this gain or loss, follow these rules:

■ *If the adjusted cost base (ACB) of the property is less than $1,000, its ACB is considered to be $1,000.*
■ *If the proceeds of disposition are less than $1,000, the proceeds of disposition are considered to be $1,000.*
■ ***<u>If both the ACB and the proceeds of disposition are $1,000 or less, you do not have a capital gain or a capital loss.</u> Do not report the sale on Schedule 3 when you file your income tax and benefit return.***

When you dispose of personal-use property that has an ACB or proceeds of disposition of more than $1,000, you may have a capital gain or loss. Adjusted cost base (ACB) – usually the cost of a property plus any expenses to acquire it, such as commissions and legal fees." ***(Source: CRA, Capital Gains 2013)***

Based on this wonderful discovery, I would advise Canadians to purchase only government bullion coins that you expect to be saleable for less than 1000$/unit in order to avoid any capital gains on your bullion.

Since the capital gains tax in Canada is based on 50% of the gain, taxed at your personal marginal tax rate (for the average person, around 30-35%), a typical capital gains tax on bullion would be about 15-18%. The tax loss of 15-18% upon the sale of a 100 oz silver bar for example, which would be bought and sold for considerably more than $1000, outweighs any savings in terms of the lower premium paid versus purchasing one hundred 1 oz Silver Maple bullion coins.

Therefore, this analysis suggests that given my long-term price targets of $6000/oz for gold and $300/oz for silver (sometime around 2017-2019), Canadians should be buying 1 oz Silver Maple coins and 1/10 oz fractional Gold Maple coins to maximize their eventual gains and to avoid any onerous government reporting of personal bullion sales.

Contributing author Kevin D. has been investing in gold and silver since 2005. He believes that every investor should hold at least 10% of their assets in physical precious metals stored securely outside of the banking system.

QE, Money printing and how it effects precious metals

Written by Robert Craig

On January 29th, the US Federal Reserve announced that it would begin to reduce its asset purchase plan. Until that point the Fed was buying $85 billion per month in non-performing assets from banks' balance sheets and transferring them to their own. Many economists believe the Fed basically printed the money to do so, known as QE, or quantitative easing. The theory behind QE is to aid the member banks' performance which was somewhat impaired due to a weak US economy. The Fed felt that since the US economy was showing improvement, they could begin to "taper" or gradually reduce QE. Further to this, the thinking goes, the Fed can then sell these assets into a strengthening market.

One concern of the "tapering" is the effect it could have on the strength of the US dollar, which happens to be the world's reserve currency. Should the currency weaken, it makes US exports cheaper, however, it also means that it makes goods and services that are sold to the US more expensive. Think China, who many believe is the engine that drives a very large part of the rest of the world's economies. Canada, for example, sells large quantities of it natural resources to China, ditto for Australia. Should the US money printing aid in the slowdown of the Chinese economy, the negative repercussions would be felt around the world.

This QE, and whether the Fed continues to taper or not, should have an effect on the precious metals market as well. Coming back to the US dollar being the world's reserve currency, means that gold, silver, gas, oil and other commodities are generally priced in US dollars. If the amount of US dollars is increasing at a faster rate than the commodities which they purchase, then it would stand to reason that these commodities should go up in price. When the Fed announced its taper program the price of both gold and silver did in fact go up. On the face of it, this would seem to be a contrarian statement, seeing as the essence of tapering would mean a decrease in the amount of money being printed. One possible reason for this is the markets' down turn since the announcement that the taper could mean the Fed will be forced to resume the QE to aid the markets and thus put upward pressure on the metals. In other words, it is doubtful that the Fed will continue to taper if the markets keep selling off. Any hint that they are going to decrease, or for that matter, even stop the rate of tapering should be positive for the precious metals.

The next few weeks should prove to be very interesting. Will the markets continue the downward trend? Will the Fed step up and buy more assets? If they do, will this light a fire under the metals? Stay tuned, it promises to be an interesting ride.

Author Robert Craig has an extensive background in the field of financial services including the sale of private life insurance, Registered Educational Savings Plans and 15 years of personal banking spent at CIBC. He is a firm believer in the long term benefits of owning precious metals and is a self-proclaimed 'goldbug'.