

*Information provided below is generic in nature and may not apply to all the individuals, please contact us for more information:*

### **Tax Tips – General**

- **Individual Tax returns deadline:** To avoid penalties, file your return on time even if you are unable to pay the balance due. Tax returns are due by April 30. If you are self-employed this deadline is extended to June 15 but be careful, if there is a balance owing on your return, then tax is payable by April 30.
- **RRSP Contribution:** RRSP contributions must be made by February end, to obtain a deduction from current year's income. Your maximum contribution can be found on your notice of assessment.
- **Medical Expenses:** Medical expenses are claimable in any 12-month period ending in the taxation year. Try to lump large costs together to ensure a maximum claim.
- **GST/HST Credit:** You must file an income-tax return in order to be eligible to receive the HST credit.
- **Public transit passes:** If you are commuting to work by public transportation, then save all your pass receipts to get tax credit on your return. You can claim for passes for yourself, spouse and children who are under 19 at the end of the year.
- **Self-employed – Capital Expenditure:** If you are self-employed you may wish to consider making capital expenditures such as purchasing equipment or automobiles before December 31. Please consult us for further information.
- **Interest on loans:** Interest on loans borrowed for the purpose of investing in an RRSP is not deductible from income. However it may be beneficial to borrow to maximize contributions. As there are several factors to consider when making this decision, we recommend consulting a professional.
- **Charitable donations:** If you and your spouse both made the charitable donations, then consider pooling them together to get the maximum tax refund.

### **Tax Tips – If you are an employee:**

- **Income deferral**: Try to defer the receipt of certain employment income if your personal tax rate will be lower in next year than in current year.
- **Job-related courses**: Ask your employer to pay for job-related courses directly rather than paying you additional remuneration. If you pay for postsecondary courses related to your current employment, you can claim the Education Tax Credit.
- **Home office expenses**: If you work out of your home, try to arrange your employment terms so that you can deduct expenses related to your home office. Your employer must sign form T2200 as evidence of this requirement.
- **Deductible expenses for commission employees**: If you are remunerated at least in part by commission, consider leasing rather than purchasing your cellular phone, computer or fax machine. You are not entitled to claim capital cost allowances on these items.
- **Company car**: If you have a company car, you may be able to reduce your operating cost benefit and/or your standby charge benefit. You may reduce your operating cost benefit on a company car such as reimburse your employer for some or all of the operating costs, reimburse your employer for 100% of the personal use portion of the actual operating costs or minimize your personal driving. The same way you may reduce your standby charge benefit by the way of Reduce the number of days the car is available to you or have your employer sell the automobile and repurchase it or lease it back or you should keep automobile records to identify personal and business kilometers.
- **Compensation packages**: When negotiating an employee compensation package, consider employee benefits which are not subject to tax.
- **Retirement allowance**: Consider making direct transfers of retiring allowances to an RRSP (up to the deductible amount) to avoid withholding tax.
- **Tradespeople's tools**: Deduct up to \$500 of tools [Cell phones and computers will not qualify for this deduction]

## **Tax Tips – For business owners**

- **Advance Tax Installments**: Pay your monthly/quarterly advance tax installments if required by law or asked by CRA to avoid interest for late payments or non-payments
- **Final tax balances**: Pay final corporate income and capital tax balances within two months after year end (three months for certain Canadian-Controlled private Corporations).
- **Salary/dividend mix**:
  - Determine the optimal salary/dividend mix for you and other family members for current year.
  - If the individual's tax rate is higher than the corporation's, retain in the corporation income on which the corporation pays tax, to allow personal tax to be deferred.
- **Remuneration accruals**: Accrue salary and bonuses before the year end of your business. Ensure that accrued amounts are paid within 180 days at the corporation's year-end.
- **Employee gifts and awards**: Consider the CRA's revised policies when formulating an employee gift and award program.
- **Salaries to family members**: Pay a reasonable salary to a lower-tax bracket spouse or child who provides services to your business.
- **Depreciable assets**: Consider to accelerate purchase of depreciable assets under certain circumstances
- **Capital gains exemption** election of upto \$800,000
  - Ensure that the company qualifies as a qualified small business corporation.
  - Crystallize the capital gain now( Plan selling shares two years in advance).
  - Consider taking steps to have your spouse or children share in future appreciation to use their \$800,000 capital gains exemption.
  - Determine whether you have a cumulative net investment loss (CNIL) amount which will affect any capital gains exemption claim.

- **Shareholder loans to your corporation:** Have your corporation pay deductible interest on shareholder loans made to the corporation in order to reduce active business income to the \$500,000 threshold. This threshold may be higher or lower in some jurisdictions.
- **Shareholder loans from your corporation:** Repay shareholder loans from your corporation no later than one tax year after the amount is borrowed (exceptions apply).
- **Fines and penalties:** Most government and court fines are not deductible.
- **Professionals and sole proprietorship:**
  - Consider making election to retain your off-calendar year-end.
  - If you are operating a successful unincorporated business, consider whether incorporation of the business will provide additional commercial and tax benefits.
  - Review whether you should incorporate your professional business, if allowed by your licensing authority.

### **Tax Tips – For students**

- **Scholarships and other prizes:** Remember that all scholarship fellowship bursary or prize from a program that entitles the student to the education tax credits is tax-free.
- **Moving expenses:** If you moved to attend school, your moving expenses may be deductible.
- **Education tax credit:** Claim this credit if you are in a full or part-time student of if you pay for post-secondary education that is related to your current employment (and not reimbursed by your employer).
- **Textbook tax credit:** Claim this credit which is to offset the cost of textbooks. The credit is \$65 per month for full-time students and \$20 per month for part-time students.
- **Unclaimed credits:** Remember that the carry forward period is indefinite for unclaimed education and tuition fees credits; and five years for unclaimed student loan interest.
- **Foreign university tuition fees:** If you attend a foreign university, your tuition fees may be eligible for a tuition credit in Canada.