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TAX TIME

- Year End Planning

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Tax Brackets

Federal

Income Level	Tax Rate
< $40,970	15%
$40,971 - $81,941	22%
$81,971 - $127,021	26%
> $127,021	29%

Provincial

Income Level	Tax Rate
< $37,106	5.05%
$37,107-$74,214	9.15%
> $74,214	11.16%

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Important Dates

- RRSP Contribution Deadline March 1st, 2011
- Self-Employed business tax filing deadline June 15th , 2011
- Individual tax filing deadline April 30th , 2011
- Last date for electronic filing of 2010 personal income tax using NETFILE September 30th , 2011
- Quarterly deadlines if you pay taxes to CRA by installments
  March 15th , 2011 June 15th , 2011
  September 15th , 2011 December 15th , 2011

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Tax Time – What to Keep

- T4 – Statement of Remuneration Paid
- T5 – Return of Investment Income
- T3 - Statement of Trust Income Allocations and Designations
- RRSP Contribution Receipts
- Charitable Donation Receipts
- Medical Receipts
- Child Care Receipts
- Child Fitness Receipts

CPP Changes

- Pension Amount
  - Before 65

Current – reduced by 0.5% for each month before 65

2012 – 2016 – gradually reduce the amount from 0.5% - 0.6%

  - After 65

Current – increased by 0.5% for each month after 65

2011 – 2013 – gradually increase the amount from 0.5% - 0.7%

CPP Changes

- CPP Contributions (Receive CPP and still work)
  - Under 65

    Current – Do not pay CPP if you work and receive pension

    2012 – Employer and employee make mandatory contributions

  - Between 65-70

    Current - Do not pay CPP if you work and receive pension

    2012 – Option to contribution to CPP

  - CPP Contributions build your Post Retirement Benefit, the contributions will gradually increase your retirement income

RSP Contributions

- Deadline March 1, 2011
- Maximum Contribution - $22,000 for 2010
  - The Contribution amount is indexed annually
- RSP Contribution limit
  - Lesser of 18% of previous years earned income or RSP dollar limit

    + previous years pension adjustment reversal (T4 slip)

    + unused RSP deduction room at the end of preceding year

Charitable Donations

- Receive a federal tax credit of 15% on the first $200 donated and 29% on the remaining amounts
- Donors able to claim an amount for total donations up to 75% of net income
- Min of $200 fully offsets the tax you paid on the amount donated
- Tax savings can be expected to range from 40% to 50% for every dollar over $200
- Unused donations can be carried forward for 5 years

Charitable Donations

- Charitable Gift made by a will – deemed made by the deceased immediately before death and therefore gives rise to charitable donation tax credit in the year of death
- Donations of Shares – may be eligible for an inclusion rate of zero on any capital gain realized
- Gift of Property – government treats the gift as if you had sold the property and donated the cash received
- Gifts – claim the lower of 100% of person's net income or the eligible amount of the gift (s) donated in the year of death plus any unclaimed gifts in the past 5 years

Charitable Donations & Life Insurance

- Cash Donations – Take tax receipts for the donations as they are made
- Charity Owns Policy – Buy life insurance policy, donate it to the charity, then take tax receipts as the premiums are paid
- Contributor owns Policy – Buy life insurance policy, retain ownership, then at death take a tax receipt for the proceeds paid to the charity

Pension Income Splitting

- Under Age 65
  - Income received directly from a pension plan or received because of the death of a spouse
- Over Age 65
  - Income from other registered plans such as RRIFs, RRSP annuities and Deferred Profit Sharing

- CPP allow spouses who are at least 60 years of age to share up to 50% of the benefits earned while they were living together

- Spousal RRSPs provides income splitting at any age and are not restricted to 50%

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Eligible Pension Income Tax Credit

- Income for those aged at least 65, allows for a possible tax credit of up to $2000

    - Pension Income
    - Annuity Income
    - Interest on GICs from Life Insurance Companies
    - RRIF Income

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Registered Education Savings Plan
RESP

- RESP Setup
  - Subscriber makes non-deductible contributions to pay for post-secondary education. Income taxed at the hands of beneficiary when withdrawn
  - Accounts can be set up by anyone that is related to the beneficiary by either birth or adoption
  - The accounts can be set up as either Individual or Family Plans
  - Contributions must be made be the Dec 31 deadline
  - Maximum $2,500/ annual per child to attract the grant
  - Eligible grants can be backdated for 2 calendar years of missed opportunity

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Registered Education Savings Plan
RESP

- Educational Grants
  - Canada Education Savings Grant – 20% of first $2,500 annual contribution, max $500/annual, $7,200 lifetime grant
  - Canada Learning Bond – additional incentive of up to $2,000

- Contribution requirements – 16, 17 years old
  - Min $2,000 contributed before the year beneficiary is 16 years of age

    OR
  - Min $100 annual contributed in at least any four years before the year beneficiary is 16 years of age
  - Contributions must be made by the Dec 31 Deadline

Student's Income Tax

- **Students always file an Income Tax Return even if you don't have any earned income**
- **Education and Textbook Tax Credit** – able to claim on income tax if attended a post-secondary school
- **Moving Expenses** – if you moved to attend school or moved from school to work or home, your expenses maybe deductible
- **Unused and Unclaimed Tax Credits** – students can transfer your education, tuition or textbook credits to your parents, grandparents or spouse
- **OSAP** – Students receive a tax credit on interest paid on a student loan, it can be claimed in the year interest is paid or carried forward to 1 of the 5 following years
  - Bank loans and PLCs are not eligible for the tax credit

Registered Disability Savings Plan
RDSP

- There is no annual limit on amounts that can be contributed but there is a lifetime limit of $200,000
- Contributions are permitted until the end of the year in which the beneficiary turns 59 years of age
- Disability Savings Grant – Government will pay matching grants of 300, 200 or 100 % (depending on family income) Maximum grant $3,500/ annual, $70,000/ lifetime
- Canada Disability Bond – Government will pay up to $1,000 / annual to low-income Canadians with disabilities. Lifetime limit is $20,000

RRSP Conversion to RRIF

- RRSP must wind up by the end of the year you turn age 71
  - Contribute to your RSP only by DEC 31
  - Withdraws are not mandatory in the 1st year of the RRIF
  - Minimum withdraws can be based on spouses age (if younger)

- Able to contribute to your Spouses RRSP until the end of the year your spouse reaches age 71, if you have unused RRSP contribution room or earned income tin the previous year

- Withdraws from the RRIF are eligible for an “In-Kind” Transfer to an Investment Account

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Tax Credits/Deductions

- **Things to be aware of…**
  - Medical Expense Tax Credit – lesser of $2,011 or 3% of net income
  - Children’s Fitness Amount - $500 /child up to age 16, expenses must be paid by December 31, 2010
  - Child Care Expenses
  - Home Renovation
  - First Time Home Buyers
  - Moving Expenses
  - Disability
  - Caregiver

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Home Buyers Plan & Lifelong Learning Plan

- **Home Buyers Plan** – Buyers may withdraw up to $25,000 from their RRSP tax-free
  - The withdraw must be paid back within 15 years beginning the 2nd calendar year. The property must be purchased before Oct 1st of the calendar year that follows the year of withdraw
  - Consider withdrawing the funds after the 1st of the year

- **Lifelong Learning Plan** – Individuals may withdraw from RRSP to finance full time education tax-free
  - The maximum withdraw is $10,000/year and $20,000 over a four-year period. Withdraw must be paid back in a 10-year period

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Tax Free Savings Account (TFSA)

- Contributions will not be deductible, but withdraws and income earned in the TFSA will not be taxed

- Maximum contribution limit is $5,000/annual

- Unused contribution room from previous years are carried forward to future years

- Amounts withdrawn from TFSA are added to your TFSA contribution room the following year after the withdraw

Investment Income

- Interest – taxed at the highest marginal tax rate
- Capital Gains – taxed only on 50% of the income
- Dividends – dividend tax credit

- Example – If you earned $500 of income at the highest marginal tax rate
  - Interest - $500 x 46.41% =$232.05
  - Capital Gains - $500 x 23.20% = $116
  - Dividends - $500 x 23.06% = $115.30

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Non-Registered Mutual Funds

- Delay purchase of mutual funds until the beginning of the year or consider selling mutual funds before the distribution date to minimize your allocation of taxable income.

- If you acquire a mutual fund during the year, you may be allocated income that was earned by the fund before your purchase

- Accrued Capital losses – Sell securities with accrued losses before year end to offset capital gains in the current or previous 3 years (you can repurchase in the new year 30 days after the sell)

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