Being tax-savvy has advantages

Keep these deductions and credits in your back pocket to help lower your tax bill.

NOBODY LIKES TO PAY MORE TAX than they have to – but when was the last time you checked to make sure you're taking full advantage of all the tax-saving opportunities available to you? These come in two forms:

- Deductions that reduce your taxable income
- Credits that reduce your taxes payable

This article describes some of the most common deductions and credits. Speak with your accountant or tax specialist about which ones apply to you and how you can minimize your family's tax bill.

Deductions

Do you make RRSP contributions?
When completing your tax return, contributions you made to your Registered Retirement Savings Plan (RRSP) can be deducted (up to your contribution limit).[1] But they don't have to be. RRSP deductions can be:

- Carried forward indefinitely (even after the RRSP is closed)
- Spread out over several years

That means you can make a strategic decision about when to take the deduction – for example, deferring it to a future year when you anticipate your income will be higher.

Do you have investment expenses?
You can deduct fees paid to manage or administer your non-registered investments. You can also deduct interest paid on money borrowed to earn income from non-registered investments or from a business.[2]

Are you paying for daycare?
You can deduct qualifying child care expenses paid so you or your spouse[3] can earn income, go to school or conduct research. You can include amounts paid to a child who is age 18 or older to look after siblings who are age 16 or younger.

Generally, only the spouse with the lower net income (even if it is zero) can claim these expenses. However, under certain circumstances the spouse with the higher income may be able to claim them, for example, if the lower-income spouse was enrolled in an educational program.

[1] Your final RRSP contribution must be made by December 31 of the year you turn age 71. [2] The Income Tax Act (Canada) provides the basic criteria for interest deductibility. In Quebec, the deduction for investment expenses is limited to the amount of investment income earned during the year. [3] Throughout this article, "spouse" includes a spouse or common-law partner as these terms are defined in the Income Tax Act (Canada).

Have you relocated for work or school?

You can claim moving expenses if you moved at least 40 kilometres closer to:

- A new place of work
- A school where you enrolled as a full-time student

These expenses can be deducted only from taxable income earned at the new location or the taxable amount of scholarships, fellowships, bursaries, certain prizes and research grants – but you can carry forward unused amounts until you have enough eligible income to claim them.

Credits

Are you a first-time home buyer?

If you purchased a home, and neither you nor your spouse owned another home in the calendar year of the purchase or in any of the previous four calendar years, you may qualify for the First-Time Home Buyers' Tax Credit – worth up to $750. Either spouse can claim the credit, or you can share the credit.

Do you have medical expenses?

You can claim eligible medical expenses for yourself, your spouse and dependent children under age 18 that were not paid for by a provincial or private plan. You can also claim the premiums you pay for a private plan. The lower-income spouse should generally claim the credit, assuming he or she has to pay taxes, because the credit is reduced by a percentage of net income.

Do you give to charity?

Donations over $200 receive a more generous credit, so it may make sense for spouses to pool their donations and for only one spouse to claim all donations during the year. You can also carry forward donations for up to five years to maximize your tax savings.

Keep in mind that donating stocks, mutual funds or segregated fund contracts directly to a charity results in a donation receipt for the fair market value and eliminates tax on any capital gain.

Are you a student?

If so, you may be able to claim:

- Post-secondary tuition costs over $100
- An education amount for each month you're enrolled in a qualifying program
- A textbook amount for each month you're enrolled in a qualifying program

Any amounts you can't claim on this year's return can be transferred to a spouse, parent or grandparent, or carried forward so you can use them in a future year.

In addition, students may be able to claim most of the interest paid on student loans in the current tax year and/or the preceding five years – they can also carry forward this credit for five years.[4]

Do you have children enrolled in extracurricular activities?

The Arts Tax Credit applies to up to $500 in eligible fees for an "artistic, cultural, recreational or developmental activity." Either parent can claim this credit. You can't claim the same expenses under this credit and under the child care expense deduction.

Do you use transit?

If you have a monthly (or longer) pass that gives you access to local buses, streetcars, subways, commuter trains, commuter buses or local ferries, you or your spouse can claim the cost for yourself, your spouse and dependent children under 19.

Do you receive pension income?

The first $2,000 of eligible pension income qualifies for the pension income tax credit. What's eligible changes depending on age at the end of the year. Under 65, the credit applies only to income received directly from a pension plan or received from other registered plans or an annuity because of a spouse's death. At 65 and above, the credit also applies to income from other registered plans such as Registered Retirement Income Funds (RRIFs), annuities purchased from an RRSP or deferred profit sharing plan (DPSP), as well as the taxable portion of an annuity contract, including a guaranteed interest contract (GIC) from an insurance company. Any unused portion of the credit can be transferred to a spouse.

Pay tax-deductible or tax-creditable expenses before year-end

A variety of expenses can only be claimed as a deduction or credit on your tax return if the amount is paid by the end of the calendar year. If you will be paying a tax-deductible or tax-creditable expense early next year, consider paying the amount by the end of this year in order to get the benefit on this year's tax return.

[4] Loans must have been received under the Canada Student Loans Act, Canada Student Financial Assistance Act or a similar provincial or territorial law for post-secondary education.

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