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## *Top 10 Personal Tax Tips*

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### **1. Realize capital losses to offset current year capital gains**

If you have realized capital gains in the current year and unrecognized capital losses in other investments, consider disposing of the loss investments prior to the end of the calendar year in order to offset the capital gains.

### **2. Realize capital losses in 2018 to offset capital gains realized in 2015 to 2017.**

Capital losses can be carried back for three years to recover tax paid on capital gains. For example, a \$100 capital loss in 2018 would trigger a \$50 allowable capital loss; if you have no capital gains in 2018, this capital loss could be used to offset a capital gain in any of the three preceding years, from 2015 to 2017.

### **3. Maximize your RRSP contributions**

Don't wait until the deadline to invest in an RRSP. The sooner the contribution the longer the investment can grow in the RRSP on a tax deferred basis.

### **4. Consider spousal RRSP contributions**

If your spouse's retirement income is expected to be less than yours, consider making a contribution to your spouse's RRSP as opposed to your own.

### **5. Contribute to an RRSP by December 31 if you are 71 years of age**

Taxpayers are required to convert their RRSP to a RRIF in the year in which they turn 71 years of age. However, a final contribution is allowed in the year in which they turn 71. In the event the taxpayer has earned income in 2018, in addition to their normal contribution, they could contribute 18% of their 2018 earned income, to a maximum of \$26,500. Although the over contribution will be assessed a penalty equal to 1% per month, if the contribution is delayed until December, the penalty will be minimized and the contribution can be deducted in 2019.

### **6. Consider Registered Education Savings Plans (RESP) and Tax Free Savings Accounts (TFSA)**

Although contributions to an RESP are not tax deductible, the investment earnings are sheltered and not subject to tax until withdrawn by the child when he or she is pursuing post secondary education and will, in all likelihood, be in a low income tax bracket. The lifetime RESP contribution limit is \$50,000. A Canadian Education Savings Grant ("CESG") equal to 20% of contributions to a maximum \$500 per year (maximum of \$400 per year prior to 2007) for a beneficiary 17 years of age or under, will be invested directly into the Plan. The lifetime limit of the CESG is \$7,200.

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Although contributions to a TFSA are not tax deductible, income earned in the TFSA, gains and losses on investments held in the TFSA, and amounts withdrawn from the TFSA are not taxable. A TFSA can be opened for individuals age 18 and over. The annual TFSA limit for 2018 is \$5,500. The cumulative TFSA limit for individuals born before 1992 is \$57,500 (total of the annual TFSA limits from 2009 (year of inception of the TFSA) to 2018).

### **7. In the event charitable donations are contemplated, consider the donations of publicly traded securities**

The capital gains inclusion rate is reduced to zero on capital gains arising from the gift of qualified securities to most charities and most private foundations.

### **8. Choose your investments wisely**

With regards to earning investment income, dividends, after the dividend tax credit, may yield a better return than interest, which is fully taxable.

### **9. Interest Deductibility**

CRA has clarified their policy on interest deductibility as a result of various Supreme Court of Canada tax decisions. Where taxpayers can demonstrate that the aggregate eligible expenditures from a commingled cash account exceed the amount of borrowed money deposited to that account, CRA will generally accept that the taxpayer has satisfied the test of tracing/linking borrowed money to eligible investments.

### **10. Miscellaneous Tips**

- All charitable donations should be claimed on one spouse's tax return, rather than splitting the donation claim between spouses based whose name is on the donation receipt.
- Medical expenses should generally be claimed on the lower income spouse's return.
- If you purchase Canada Savings Bonds using a payroll purchase plan, the interest charged by your employer to participate in the plan is deductible.
- If you do not wish to claim student loan interest on the return for the year they are paid, you can carry it forward and apply it against any one of the next five year's returns.

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