GETTING THE MOST FROM YOUR TAX RETURN

TAX TIPS 2012

As the 2011 income tax deadline gets closer, many people look for ways to keep more money in their pockets. Planning ahead is the best way not only to reduce your tax burden, but also to get the most out of any tax refund you may receive.

What's new for 2011

NEW TAX CREDITS

Children's arts tax credit

Parents: you can save up to $75 at tax time for eligible expenses paid for registering, or buying membership for, your children in a certain artistic, cultural, recreational, or developmental activities.

Taxable capital gains

If you donated certain flow-through share properties to a qualified donee after March 21, 2011, it may give rise to a deemed capital gain that is subject to an inclusion rate of 50%.

Volunteer firefighters tax credit

Volunteer firefighters may be able to reduce their tax bill by as much as $450 if they have completed at least 200 hours of eligible volunteer time.

CHANGES AND DEDUCTIONS

Canada child tax benefit

You must now notify the Canada Revenue Agency (CRA) of any changes to your marital status by the end of the month following the month in which the status changes. Since July 2011, each eligible parent in a shared custody situation gets half of the child benefit and credit payments for that child every month they qualify.

Allowable amount of medical expenses for other dependants

The $10,000 limit per eligible dependant has been removed.

Students

More examination fees now qualify for the tuition amount. In addition, the minimum duration of courses taken at a university outside Canada has been reduced to three consecutive weeks.

Canada Pension Plan (CPP) contribution

As of January 1, 2012, the rules for contributing to the CPP have changed. The changes apply if you are an employee or self-employed, you are 60 to 70 years old, and you receive a CPP or Quebec Pension Plan retirement pension.

Saskatchewan pension plan (SPP)

The annual contribution limit to the SPP has increased to $2,500 from $600. For 2012 and later tax years, SPP contributions are subject to the same rules as RRSP contributions. Claim your SPP contribution on line 208.

Speak with your Advisor for more information about any of these changes.

Claim all of your deductions

Ask your Advisor about these, and many other, valuable tax-saving strategies.

Pension income splitting

If you receive income from a pension, you can reduce your taxes by splitting up to 50% of eligible pension income with your spouse or common-law partner.

Home buyer's tax credit (HBTC)

If you're a first-time homebuyer, you may be able to claim $5,000 on the purchase of your new home, which can save you up to $750.

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Public transit tax credit
If you or someone in your family regularly uses public transit, you may be able to claim a non-refundable tax credit based on the cost of eligible transit passes.

Children's fitness tax credit
In addition to the children's arts tax credit, if your children play soccer, hockey, take ballet, or participate in other eligible physical activity programs, you can claim up to $500 of the money spent on these activities per child for a non-refundable tax credit of up to $75.

Student expenses
Students in your household can claim the tuition, education, and textbook amounts. They may also be able to claim any interest paid on their student loans.

Disability tax credit
If you or a family member has a severe and prolonged physical or mental disability, you may be able to claim this non-refundable tax credit on your 2011 income tax return.

Child care expenses
You or your spouse or common-law partner may also be able to claim childcare expenses paid so that either of you could work, do research, or go to school.

File on time!
Submit your income tax and benefit return before the tax-filing deadline to avoid paying any late-filing penalties.

Try to keep your refund to a minimum

Of course, the very best thing you can do with a tax refund is plan to avoid getting one. After all, the refund is actually a repayment of an interest-free loan you made to the government by overpaying your taxes.

If you make a big RRSP contribution each year, ask your employer to deduct less tax off your pay cheques. You won't get a big refund each spring, but your monthly cash flow will increase and you'll be able to put your money to work in your interest instead of the government's. Talk to your Human Resource Department about how to get less tax taken off at source.

Use any cash you receive wisely

If you do get a tax refund from the government, before you spend any money you receive, speak with your Advisor about which one of the following strategies might work best for you.

Pay off debt.
If you are carrying large credit card bills at double-digit interest rates, wipe the slate clean. If you have no credit card debt, pay down your mortgage. A $1,000 prepayment on a $100,000 mortgage amortized over 25 years at 5% will save you over $2,300 in interest.

Make a lump sum contribution to your Registered Retirement Savings Plan.
The sooner you make your contribution, the sooner it starts compounding. A $1,000 RRSP contribution earning an annual average return of 5.7% over 25 years quadruples to $4,000. And your RRSP contribution could result in a tax refund next year.

Pay back your RRSP Loan.
If you took out a loan to make an RRSP contribution, use your refund to pay that loan back. You'll save on interest charges and free up money that would otherwise go to your monthly loan payment.

Contribute to a Registered Education Savings Plan.
The federal government provides a 20% grant on up to $2,500 contributed each year ($500). That's free money.

Contribute to a Tax Free Savings Account.
You can invest $5,000 per year into a TFSA. You don't get a tax deduction but any income earned in the account grows tax free.

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