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While most tax planning should be done prospectively for maximum benefit, there are still some things that you can do to ensure that when you file your 2009 return, you pay the least amount of tax legally possible.

Here are my top ten tips to save money on your 2009 return.

1. Claim those renos (Schedule 12)

As the dust settles on those home renovations you painstakingly undertook to complete before February 1, 2010, now is the time to collect your Home Renovation Tax Credit (HRTC).

The HRTC is a 15% non-refundable tax credit for "eligible" renovation expenditures made to your home or vacation property. The credit applies to any amounts spent over \$1,000, up to a maximum of \$10,000, producing a maximum credit of \$1,350.

The expenses are eligible if they were incurred in relation to a renovation or alteration to your home or vacation property, and are of an enduring nature and integral to the dwelling. As a general rule, if the item you purchased won't become a permanent part of your home, it's not eligible.

Still have supplies lying around? You're in luck as eligible expenses for renovation supplies, such as lumber, flooring, etc., that were purchased before midnight on January 31st will qualify, even if they are installed afterwards.

If you own a condo, you can claim the HRTC for qualifying renovations made on your own unit, as well as for your share of renovations of the common areas made by the condo corporation.

If you rented out your basement or earned business income in 2009 from one of the rooms of your home, you can only claim the HRTC for expenses incurred for the personal-use areas of your dwelling. For renovation expenses for common areas that benefit the housing unit as a whole, such as a new roof or heating system, you are required to allocate the expense between personal and income-earning use and claim only the personal-use portion.

Make your claim on new Schedule 12 of the 2009 income tax package. On the schedule, you indicate the date on the invoice, the name and GST number of the supplier, a description of the supplies purchased or work done, and the amount paid. You don't need to send in your receipts, but keep them in case the CRA asks to see them later.

2. Split that pension (Form T1032)

Pension splitting is a tax planning technique that you can actually only take advantage of come tax filing time and, unlike the HRTC above, requires no prior action.

Top 10 Tax Tips

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First introduced for the 2007 tax year, pension splitting allows Canadians who received "eligible" pension income to split up to half of that income with their spouse or common-law partner.

Naturally, pension splitting will save you tax if your spouse or partner is in a lower tax bracket. But it can even work to your advantage if you are both in the same tax bracket, but one of you is losing some of your Old Age Security (OAS) benefits due to the dreaded "clawback."

OAS payments are clawed back or reduced by 15% once your 2009 income is over \$66,335 and are fully clawed back once income hits \$107,692.

Consider Victor and Victoria, who each had \$80,000 of income in 2009. Victor, who is 68 and who had eligible pension income of \$10,000, would still benefit by transferring 50% of his pension income to his wife, Victoria, who is only 62. That's because even though Victoria may pay tax at the same rate as Victor on the split pension income, Victor will preserve \$750 of OAS otherwise clawed back. Victoria, being under 65, isn't yet eligible for OAS and consequently suffers no similar clawback.

In addition, depending on the type of pension income Victor received, Victoria may now be eligible to claim both federal and provincial pension income credits. Annuity-type pension payments received from an employer's pension plan will always qualify for the pension credit – and thus pension income splitting – regardless of your age.

RRIF withdrawals, including from locked-in plans, only qualify once you are at least age 65. Note that while a RRIF withdrawal by someone who is at least 65, such as Victor, qualifies for both the pension credit and pension splitting, Victoria, the "transferee" spouse, could not claim the pension credit on the RRIF income transferred unless she was also at least 65.

3. Pool your donations (Schedule 9)

The amount you donate is eligible for both federal and provincial donation tax credits. For the first \$200 of donations you make in a calendar year, the federal donation credit is equal to 15% of the amount given. The provincial/territorial credit varies from 4% to 11% of the amount donated.

Once you've made at least \$200 of donations in any year, however, the donation credit jumps to 29% federally, plus between 11% and 21% provincially (ignoring any additional provincial surtax savings).

If you're married or have a common-law partner, you can pool your donations when you file your tax return. This allows you take advantage of the higher donation credit faster.

If you were wise enough to donate appreciated securities "in-kind" to a registered charity, be sure to also file Form T1170 to eliminate all capital gains tax owing on such gifts.

4. Write off your kids (line 367)

Sorry – while you can't actually "deduct" your kids for tax purposes, you may still be entitled to some tax relief.

As of 2007, there is a non-refundable tax credit you can claim for each child under the age of 18 in 2009. The “child amount” is \$2,089 per child, which entitles you to a 15% credit against taxes payable.

Also, 2007 saw the introduction of the children’s fitness tax credit, which allows parents to generally claim up to \$500 per year for eligible fitness expenses paid for each child who is under 16 years of age at the beginning of the year.

You may also wish to file tax returns for minors to report any employment income they may have had from part-time or summer jobs. While such income is generally tax-free since it would generally fall below the basic personal amount threshold of \$10,320, it will constitute “earned income” for the purpose of building up a child’s future RRSP contribution limit. That limit is based on 18% of earned income of the prior year.

If you’ve got university or college-age kids, consider encouraging them to file returns as well. If they are over 18 and have minimal income, they may be entitled to the quarterly GST/HST credit, which can only be obtained by filing a tax return – even if there is no income to report.

Students who do have income over the basic amount (\$10,320) may wish to file in order to claim the various credits available to them, including credits for: tuition fees, the education amount, the textbook amount, student loan interest and possibly public transit passes.

They may also be able to write off moving expenses paid to return home during the summer months (or upon ultimate graduation) against employment income after the move.

5. Claim legal fees (line 232)

If you lost your job in 2009, consider whether you may be able to make a claim for legal fees that you paid last year.

The Income Tax Act permits employees to deduct legal expenses “to collect or to establish a right to salary or wages owed by an employer or former employer.”

Note, however, that this deduction is allowed only in respect of an amount “owed” by an employer or a former employer. If you weren’t successful in court or you failed to establish that some amount was owed to you, no deduction can be claimed.

On the other hand, the failure to collect an amount “owing” to you does not preclude you from claiming the deduction.

You can also deduct legal expenses paid to collect or establish a right to a pension benefit or retiring allowance. The term “retiring allowance” is broad enough to include damages or settlements for wrongful dismissal.

In this case, the amount of the eligible legal fees paid that may be deducted is limited to the amount of any retiring allowance or pension benefit related to those legal fees which is received and included in your income for that year.

Any otherwise eligible legal fees which are not deductible because they exceed the income may be carried forward and deducted in any of up to seven subsequent years, to the extent related income is received in those years.

6. Defer stock option benefits (Form T1212)

If you're an employee who exercised stock options to acquire shares of your publicly traded employer's stock in 2009, this may be your last chance to defer paying any tax liability on the stock option benefit until the year of sale.

Under Canadian tax law, if you purchase shares by exercising an employee stock option, your taxable employment benefit (and thus your tax liability) is based on the difference between the price you paid for the shares and the fair market value of shares on the date you receive them.

A stock option benefit deduction equal to 50 per cent is available to tax the stock option at capital gains-type rates, even though it's still classified as taxable employment income.

While the value of the taxable benefit is fixed when the shares are acquired, the benefit can generally be deferred until the year you sell the shares by filing a special election with your employer by January 15th following the year of exercise.

If you did so, you also need to file this Form T1212 with your tax return each year that you have an outstanding balance of deferred stock option benefits, whether or not you have disposed of any shares securities in the year relating to an option benefit that was previously deferred.

Note that the ability to defer paying tax on future stock option exercises is restricted after March 4, 2010, as a result of the recent 2010 Federal Budget.

7. Report any offshore stash (Form T1135)

At the top of page two of your 2009 tax return, there is a question about whether you owned any foreign property at any time in 2009. If the total cost of all your foreign investments was over \$100,000, you must complete a special form, the T1135 or the "Foreign Income Verification Statement."

Note that foreign property does not include any foreign property held in your RRSP, RRIF or registered pension plan. Nor does it include Canadian mutual funds with foreign holdings. The term also excludes any business property or personal-use property such as vacation properties.

On the T1135 Form, you are asked to specifically state the types of foreign investments you own and the cost of those investments, along with geographical locations. You are then asked to identify the total income you reported on your tax return from the identified foreign investments.

The penalties for failing to file this form are severe: \$25 per day, to a maximum of \$2,500. If you knowingly or under circumstances amounting to "gross negligence" fail to file the form, the penalty jumps to \$500 for each month the form is not filed, to a maximum of 24 months.

While historically, CRA used to waive these harsh penalties for first time, non-filing offences, in recent years it has been assessing them on first time offences.

The most recent example was a February 2010 tax case in which Jean-Claude LeClerc was assessed two late filing penalties of \$2,500 each for failure to file Form T1135 in both 2003 and 2006, plus nearly \$1,200 in arrears interest.

Even though the Judge found that the taxpayer made an “innocent mistake” by not filing the Forms on time, he concluded that the penalties were properly assessed and were upheld by the Tax Court.

8. File on time

Most Canadians must file their tax returns by midnight April 30. If you or your spouse or common-law partner were self-employed in 2009, your returns are due on June 15. But any taxes owing for 2009 must still be paid by April 30.

If you file your return late, there is an automatic 5% penalty on the amount of tax unpaid, plus an additional 1% per month penalty on the amount due each month the return is late, up to a maximum of 12%. Late filers are also subject to arrears interest.

If it is not the first time you have filed late, and you have been assessed a late-filing penalty in any of the prior three years, the penalties double to 10% of the unpaid amount plus a 2% penalty for each late month to a maximum of 20 months. Fortunately, this higher penalty is only charged if you have also received a formal demand to file from the Canada Revenue Agency.

However, if you fail to pay the required amount of tax owing on time, but your return is filed on time, you will only be subject to arrears interest. The interest, which is not tax deductible, is compounded daily and charged at the CRA's prescribed interest rate, which is currently 5%.

9. Report all your income

Still missing a tax slip or a receipt? Don't let that hold you up from filing on time.

As the Canada Revenue Agency states in its 2009 Guide, if you know that you won't be able to get a slip by the due date, simply attach a note to your paper return stating the payer's name and address, the type of income involved, and what you are doing to get the slip.

You can use any pay stubs or statements you have to estimate the amount of income to report and any deductions or credits to claim.

Under the Income Tax Act, a person who has failed to report an amount in income for the current year, and who had failed to report such an amount in any of the three preceding years, could face a penalty of 10% of the current year's unreported amount. That penalty can actually double to 20% should the CRA also assess a parallel 10% provincial tax penalty.

A January 2010 tax case found Satish Sabharwal in Tax Court objecting to taxes owing of more than \$5,000, plus arrears interest of about \$425, and a late-filing penalty of \$245 in respect of his 2003 tax return.

Mr. Sabharwal argued that he never received a T-slip for some of his 2003 income paid to him by Great West Life from a wage-loss replacement plan. The CRA had a copy of the T4A slip issued to him and reassessed him accordingly.

At trial, Mr. Sabharwal acknowledged that he had, in fact, received this income.

The judge, who upheld the taxes, interest and penalty charged, advised Mr. Sabharwal that "the requirement to pay tax on a particular item of income is triggered by the receipt of the income and not the receipt of a T-slip."

10. Avoid that refund! (Form T1213)

Last but not least, if you've already filed your 2009 tax return by the time you are reading this, chances are it's because you are expecting a refund.

Getting a tax refund is a sign of poor tax planning as it means you've loaned your hard-earned money to the government for no interest.

A tax refund typically arises when the amount of tax owing on your return is less than the amount of tax withheld from your income during the year.

Employment income is the most common type of income from which tax is deducted at source. The amount of tax withheld by your employer is calculated without taking into account various deductions normally claimed, such as RRSP contributions or child-care expenses, which can reduce your taxes payable.

Fortunately, by taking advantage of the "undue hardship provision" under the Income Tax Act, it's possible to get your tax refund throughout the year, on every paycheque, instead of waiting until your return is filed the following spring.

To apply, simply complete Canada Revenue Agency's one-page Form T1213 "Request to Reduce Tax Deductions at Source." On this form you indicate the various deductions or credits that, if not taken into account, would otherwise result in a tax refund for the year.

This form is then sent to your local CRA tax services office for approval. Once approved, the CRA will send you a letter of authority, which must be given to your employer, allowing the employer to begin deducting less tax at source.

Why not complete a T1213 Form today, to ensure that come next spring, you're guaranteed not to get another tax refund for 2010.

As with all planning strategies, you should seek the advice of a qualified financial or tax advisor to discuss your circumstances and how the changes in the federal budget could impact your financial plans.

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