

Tax Talk

It's 2010, but you can still cut your 09 tax bill

Last year may be a distant memory for you – and given the state of the economy, why not? – but there's still a chance to minimize your 2009 personal income tax bill. Here are six opportunities you shouldn't overlook:

100% CCA for computers

When you buy property or equipment for your business, you deduct a calculated portion over a period of years as it depreciates or becomes obsolete. This is called Capital Cost Allowance (CCA).

Last year, Canada Revenue Agency (CRA) changed the CCA rate for computers and system software (Class 52) to 100%.

This applies to eligible new computers and software used in Canada and acquired after Jan. 27, 2009, and before February 2011.

There is no half-year rule like most CCA classes so you can expense the purchase in the first year.

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Home Renovation Tax Credit

The chance to make this credit part of an overall tax plan is over – the HRTC ends on Feb. 1. But if you had home renovation expenses between Jan. 27, 2009, and Feb. 1, 2010, you may be eligible for a 15% income tax credit. The credit applies to certain expenditures exceeding \$1,000 but not more than \$10,000. The result is up to \$1,350 [(\$10,000 - \$1,000) x 15%] of tax relief.

As with any new tax credit, it's important to understand how to report and back up your claim. Here are two things to remember:

- Your federal return will have a new schedule for you to list renova-

tion expenses and calculate your claim. Don't submit receipts or documents with your return, but do keep them in case the CRA asks to see them.

- An expense isn't valid without documentation. Agreements, invoices, and receipts must clearly show the type and quantity of goods purchased or services rendered and information about the contractor or vendor, including name, address, and, if applicable, his GST/HST number; the purchase date; a description of the work including the address where the work was performed; and the amount paid.

I'd hate to be a contractor in April when every other phone call is a request for paperwork. Get organized now.

First-time Home Buyers Tax Credit

You can claim the HBTC if you bought a home after Jan. 27, 2009 (this generally means the closing

is after this date). To calculate the credit, multiply \$5,000 by the lowest personal income tax rate for the year (15% in 2009). For 2009, the credit will be \$750.

To qualify, neither you nor your spouse or common-law partner can have owned and lived in another home either in 2009 or any of the four preceding years. The claim can be split between you and your spouse or common-law partner, but the total combined credit cannot exceed \$750.

Home Buyers Plan

Effective Jan. 27, 2009, first-time homebuyers can withdraw up to \$25,000 from their RRSP to buy or build a home for themselves or a relative with a disability. If you're buying the home with your spouse or common-law partner, or with other individuals, each person can withdraw up to \$25,000 from their RRSP. You have to repay the amount starting no later than the second year following the year you withdrew it (ie. if you take out money in 2010, your first repayment would be due in 2012).

CRA will send a statement each year showing the total HBP withdrawals, the amount you've repaid to date, your HBP balance, and the amount you must repay the following year. Generally, you pay 1/15 of the total withdrawal amount each year so it's completely repaid in 15 years. If you don't repay the required amount, you must include the difference as RRSP income on your return.

Working Income Tax Benefit

This refundable tax credit provides tax relief to working low-income individuals and families. Two-thousand-and-nine was the first time that taxpayers could get quarterly advance payments. If you did, show this on your tax return. Also consider whether you will qualify for 2010 and apply for advance payments during 2010.

HST transition

On July 1, Ontario and B.C. will replace their provincial sales tax with a harmonized sales tax. Ontario has announced a program to help taxpayers with the transition (we're still waiting on B.C.): Families with an annual household income below \$160,000 will receive three payments totaling \$1,000. Individuals with an annual income below \$80,000 will receive three payments totaling \$300. These transition payments will be delivered to eligible Ontario tax filers aged 18 and over in June 2010, December 2010 and June 2011.

I'll be following all announcements about the HST conversion and will talk about its effects on your business here in the coming months. In the meantime, get your 2009 income tax return together. If you're in Ontario, you must file it in order to qualify for those transition payments. □

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