Tax Talk

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Six tax tips to not overlook

It's February and those of us in the tax business are feeling like Santa as we make our lists and check them twice. We want to make sure clients know about payroll source remittance payments, T4/T5 summaries (due Feb. 28), RRSP contributions (due March 1), and all the other data necessary to file their personal income tax return.

So while you're gathering up logbooks, cell phone bills, utility bills, T4's, etc., here's a little advice about items not to leave unchecked:

Income splitting

The object here is to have income taxed at the lowest possible rate by splitting your income with your spouse or children, assuming that they're in a lower tax bracket than you.

Any income paid to your spouse, son, or daughter has to be shown on their return and has to be reasonable given the work they have done for you. If a wage from you means that your spouse or child's refund will be reduced, just write them a cheque for what they should have received and call it good. Guaranteed, the amount is less than what you would have written to CRA.

Tuition and education

If you have kids in college or university, you can transfer up to $5,000 of your child's tuition and education amount to your return as a deduction. The school will issue a tax slip showing the tuition paid for the year and number of months attended to calculate the education amount.

Caregiver and family caregiver

You can claim caregiver-related expenses if you maintained a dwelling where a dependent person with a physical or mental impairment lives with you. Just so we're clear, a dependent can be a child, grandchild, brother, sister, aunt, uncle, niece, nephew, parent, or grandparent of yours or your spouse or common-law partner. If the dependent is a parent or grandparent, he or she had to have been born in 1948 or earlier.

Medical expenses

Include any premiums you or your spouse/common-law partner paid to an insurance company (not a government body) for medical coverage, along with receipts for the actual drugs, glasses, hearing aids, and dental and medical services you paid for your family. CRA has a great list on its Web site if you want to see what qualifies as a deductible expense. If you're self-employed, the premiums may be better listed as a business expense rather than a medical expense on your return.

Donations

It does not matter whether your name or your spouse's name is on the slip or receipt, it's generally best to group all of your donations together and claim them on one tax return. This is especially true if the total is more than $200 as you will get a larger tax-credit deduction.

Talk to your accountant about CRA's new first-time donor's "super" credit. It gives you an extra 25% tax credit when you claim your charitable donation tax credit. You qualify as a first-time donor if neither you nor your spouse or common-law partner has claimed the charitable donation tax credit since 2007.

A word about tax services

There are lots of people out there who want to help you file your tax return. They include big accounting firms, accountants that specialize in a particular industry like trucking, national tax-prep chains, the bookkeeper looking to make a little money on the side – and they all vary in knowledge, services, qualifications, and cost.

Once you find someone you trust, get your family's returns all done at the same place. I don't understand why some couples have different services preparing their tax returns. Unless your spouse is in some sort of specialty business (like trucking), your returns should be done by the same person to ensure all income and deductions are used to the maximum benefit. Most of the credits you may qualify for are based on household income. It saves confusion and hassle if all of your returns are done together.

> **We all must file a return. So...take time to prepare. It's the best way to ensure that your return is accurate, on time and takes into account all the tax planning you did throughout the year.**

Whether you were naughty or nice in 2013, CRA does not care (unless your naughtiness includes tax fraud). We all must file a tax return. So for goodness sake, be good to yourself and take time to prepare. It's the best way to ensure that your return is accurate, on time, and takes into account all the tax planning you did throughout the year.

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