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# FineAnswers

Answers to questions on tax and finance

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## YEAR-END TAX TIPS

### REVIEW YOUR RRSP AND INVESTMENTS

- **Contribute the maximum** to your RRSP if you have cash or investments.
- **Realize capital losses**; but beware of superficial loss rules. If you sell loss making investments you cannot buy them back until after 30 days.
- **Sell investments with losses**; if your RRSP has cash and the foreign content rule allows it buy them **back in your RRSP**
- **If you don't have cash** and you have eligible investments outside your RRSP transfer them to your self directed RRSP
- If your income is low and will rise next year consider contributing to your RRSP and not deducting it from this year's income and saving it for next year
- **Avoid buying mutual funds** late this year - as year end capital gains distribution could affect you adversely
- **If you have dividend paying US stocks in your RRSP**, remember that you cannot claim the US withholding tax as a tax credit on your personal tax return. You would normally be allowed to do that if your stocks were held outside your RRSP. However, under the US/Canada tax treaty you now can request the institution paying the dividend to your RRSP, not to deduct it.
- **If your employer wishes to pay you a year end bonus**, it is better to have it paid directly into your RRSP. Withholding taxes on this bonus could be avoided by filing the appropriate documents. Also if your employer pays the bonus in the following tax year, you have achieved a double dip into the tax pot. You have a deduction available from your income in the current year if the bonus is paid into your RRSP in the first sixty days of the following year and you have achieved a one-year deferral of tax on your bonus.
- You can contribute to your spousal RRSP **even if you are over 69 years old** and have RRSP room or earned income. You will get the deduction and the income earned on the contributions is sheltered in your spouse's RRSP until he / she is 69 years of age.
- Make an over **contribution in the year you reach 69** and if you have sufficient earned income in that year you can deduct the over contribution on your next year's tax return.
- If you are receiving a **retirement allowance** and are not transferring it

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to your RRSP seek advice immediately as the time limit for doing so can run out.

### **MEDICAL EXPENSES**

- If you did not claim any medical expenses take a look at the last 24 months of expenses and pick a twelve month period out that gives you the largest amount of medical expenses for you and your spouse and try claiming that.
- If you are claiming for the twelve months ended 31<sup>st</sup> December 2000 and need some expensive dental work done you should consider having it done before 31<sup>st</sup> December 2000.

### **EQUIVALENT TO SPOUSE**

- If you are not married and live with your parents or your child and they have no income or very little income consider claiming them as equivalent to spouse.

### **EMPLOYMENT EXPENSES**

- If you are an employee and use your car for business consider submitting a form T2200 to your employer and claiming employment expenses.
- If you are an employee and earn commission income consider submitting a form T2200 to your employer and claiming employment related entertainment and promotional expenses as well as your auto expenses.

### **RENTAL PROPERTY**

- If you have just sold a rental property and made a loss on it beware that some of that loss may be non-capital loss and deductible from your other income. Even if you have filed your return and treated it as a capital loss you may be able to ask for an amendment and get a deduction again other income.

### **UNREALIZED LOSSES ON RENTAL PROPERTY.**

- You may be able to crystallize non-capital losses without having to sell your property.

### **EDUCATIONAL NON-REFUNDABLE CREDIT**

- If your child is studying abroad you may still be able to claim your child's educational credit from your taxes.

### **DISABILITY ALLOWANCES**

- If you have a disabled child or parent you may be entitled to some credits.

### **DON'T FORGET YOUR DEDUCTIONS AND CREDITS**

- Namely, interest paid on money borrowed to invest, eligible accounting and legal fees, safety deposit box rent, charitable donations, student loan interest, moving expenses, childcare expenses, tuition fees and education allowance, bursaries and scholarships, union and professional dues, alimony, investment counseling fees,

*Please consult with your professional tax advisor before taking any action.*