Year End Tax Tips

Dec 12 2016

With a few weeks to go before the year-end, you may wish to think about some moves you can take now to save you some taxes for 2016.

Along with the usual advice to do any tax loss selling before December 23rd on any equity investments to offset any capital gains earned in other investments during 2016, there are a few new tax planning strategies that you can take advantage of.

An early November poll released by CIBC reported that almost two-thirds of Canadians are unaware of year-end benefits or strategies that can help them reduce their taxes and save money on their 2016 tax return*.

For example, the use of the **fitness and art credits for children** will no longer be available after 2016 so remember to gather those receipts now for your tax filing. The art credit is based on up to $250 of qualifying expenses and the refundable children's fitness tax credit is based on up to $500 of qualifying expenses. You may want to prepay any 2017 expenses in 2016 to reach those maximum amounts before December 31st.

Secondly, another tax planning strategy that expires in 2016 is the tax-free re-balancing of corporate class mutual fund investments, which needs to be done before December 31st. This is the last opportunity to make any portfolio switches for portfolio rebalancing purposes or to lock in any capital gains without attracting any taxes. Any future switches within the Corporate Class investments will result in a deemed disposition and trigger a taxable capital gain.

Under current tax rules, the exchange from one class of mutual fund shares within the corporation to another class of shares (from a Canadian equity fund to a Global equity fund for example) is done on a tax deferred basis. This tax deferral will no longer exist starting in 2017 so that any future rebalancing may result in a taxable capital gain – that has not been the case up until this year as announced in the recent Federal Budget.

Additionally, there is a **new tax credit** available in 2016 to assist seniors and those eligible for the **disability tax credit with certain home renovations**. The new, non-refundable Home Accessibility Tax Credit (HATC) is equal to 15% of up to $10,000 of expenses per year towards eligible renovations. The credit is aimed at people who need help to gain access to, or to be more mobile or functional within their own home, or to reduce their risk of harm within their home or from entering their home.

Thirdly, another new tax credit for 2016 is the **School Supply Tax Credit**. This credit is meant to compensate teachers and early childhood educators, who incur personal expenses for the purchase of teaching supplies, to enhance the students' classroom learning environment. The new tax credit allows educators to claim a 15% refundable tax credit for up to $1,000 in qualifying school supply expenses each year. In order to qualify, they will need to show the supplies were purchased "for the purpose of teaching or otherwise enhancing learning in a classroom or learning environment." Therefore, it is recommended to retain the receipts in case they need to be verified.

And finally, please make sure you top up your 2016 TSFA contribution and any RESP contributions for each child before year end. It is also a good time to start thinking about investing in your 2016 RRSP if you have not already done so.

Call our office today to discuss your investment tax planning needs!

***CNW Newswire,** *Three-quarters of Canadians risk missing out on 2016 tax savings: CIBC Poll* **[1]. Retrieved on November 14, 2016.**

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Tags: tax [3]
tax planning [4]
investment [5]

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