7 Key Tax Planning Tips

While tax preparation software can catch most credits and deductions, it's easy to overlook them. Here are some of the key reminders for you:

1. Pension splitting

Your spouse can benefit from pension splitting by using Form T1032-Joint Election to Split Pension Income. Up to 50% of income can be allocated to a spouse or common-law partner, producing a lower overall tax bill and either avoiding or reducing the claw back of Old Age Security (OAS) benefits for one or both spouses. In addition, both spouses may be able to claim the pension tax credit.

2. Expenses

Some expenses only qualify as tax deduction or tax credits if you pay them before the end of the tax year. Examples include interest costs on investment loans, medical expenses and spousal support payments.

3. Donations

Charitable donations should also be used to create the greatest possible tax benefit. If a couple has donated more than $200 in the tax year, the receipts should be combined and claimed by the partner with the highest income, thereby maximizing the allowable credit. Don't forget, you can claim as many as five years' worth of donation receipts on the same tax return.

4. Tax credits for kids

Tax credits aimed at children can help parents reduce or eliminate the amount of tax they owe. Child-oriented tax credits you may benefit from include the federal government's children's fitness and arts tax credits (both of which will be eliminated for 2017). You may also benefit from the adoption expense tax credit.

5. Child care

Deductions are available for child care expenses such as daycare and after-school care costs. Costs for boarding school and camp fees may also qualify. Generally, the younger the child, the greater the allowable expense claim limit.

6. Students

Non-refundable tax credits for tuition, education and text book costs can also be claimed by a student or their parents or grandparents. Certain types of examination fees will also be considered as part of tuition expenses when claiming the credit.

7. Kiddie tax

Budget 2014 expanded the so-called "kiddie tax," making it more challenging to split business income with minor children. The new rules apply to the 2014 taxation year onward. Also known as the tax on split income, these rules tax income at the highest federal tax rate (29%), even if a minor child or spouse in a lower bracket.

Additional considerations

Finally, if you have a spouse or child with little or no income, there are some good reasons why they should still file a tax return. First, earned income determines eligibility for government programs such as the Canada Child Tax Benefit (CCTB) or the GST/HST credit. Students, especially, should make sure they file a return in order to claim the GST/HST credit. And even a small amount of reported income will add to future registered retirement savings plan contribution room.

Deadline exceptions

The April 30 deadline has exceptions, including for individuals or their spouses who are self-employed or ran a business, or if a spouse died during the tax year. In these examples, the individual has until June 15 to file returns. The Canada Revenue Agency (CRA) allows the extension in these cases because it may take longer to gather the necessary filing information. However, the extended deadline in these instances doesn't cover the actual taxes owed. They still have to be paid by April 30.

Getting Advice

Reviewing your Tax Plans? We encourage you to talk to us. Speak to your Financial Advisor or contact investor services at 1 800 608 7707.