

This Month:

Contribute to Your RRSP

- Donating Appreciated Shares
- Capital Asset Purchases
- Eligible Deductions & Credits
 - Tax Loss Selling
- Other Tax Planning Issues

Year End Tax Planning Edition

It's time to review some tax-planning opportunities that can be undertaken before the close of 2019. From all of us at Padgett Business Services, we wish you Happy Holidays and health and prosperity for the New Year.

Contribute to Your RRSP

Contributions to RRSP's are tax deductible and the income earned within the plan grows tax deferred until retirement. You can claim a contribution of up to 18% of 2018 earned income to a maximum of \$26,500. Earned income is defined as income from employment, business, net rental income from real estate, CPP/QPP disability pension, certain types of royalties, and spousal or child support payments that are included in your income.

The contribution limit may be subject to the year 2018 pension adjustments. Pension adjustments reflect, in most cases, your employer's contributions to a pension plan or actuarial commitments to such plans in the year 2018.

You can contribute to your RRSP up to December 31st in the year you turn 71 years old. This is also the age/date limit for converting your RRSP into a RRIF or annuity otherwise the full proceeds of your RRSP will become taxable.

Even if you are over 71, if you continue to have earned income and your spouse is 71 years of age or less in the year, consider contributing to a spousal RRSP for them. You will be entitled to the RRSP deduction on your return.

Donating Appreciated Shares

Gift publicly traded securities (eg: shares) that have appreciated in value instead of cash. This will give you 2 benefits – you will obtain a charitable donation tax receipt for the market value of the shares you are donating, and you will not have to include the income from the capital gains on the shares.

Capital Asset Purchases

Consider the acquisition of fixed assets for your business prior to year end – new accelerated write-offs are available federally and for Quebec that can provide significant tax savings.

Eligible Deductions & Credits

If you pay the following expenses by December 31, 2019, they will be eligible for deductions or credits on your 2019 personal tax return:

- Childcare expenses
- Deductible support payments
- Charitable donations
- Union and professional dues
- Moving expenses
- Political donations
- Accounting fees
- Medical expenses
- Investment counsel fees
- Interest paid on loans used to purchase investments
- Tuition fees



- ✓ CHOICE OF THREE LEVELS OF BENEFIT PROTECTION
- ✓ FLEXIBLE SHARED CONTRIBUTION PERCENTAGES FOR THE BUSINESS OWNER
- ✓ GUARANTEED ACCEPTANCE



Tax Loss Selling

Consider selling investments in your portfolio that have accrued losses to offset capital gains that you may have realized on other investments during the year. The losses can also be used to offset capital gains realized in the 3 previous years. Of course, we are referring to investments held outside of an RRSP. However, you must be careful of the superficial loss rules preventing you from claiming a capital loss on an identical asset that you reacquired 30 days before or after the sale date.

Other Tax Planning Issues

- Consider a Registered Education Savings Plan (RESP) for your children.
- Set up a Tax Free Savings Account (TFSA).
- Review your December income tax installment.
- Make a low interest loan to your spouse. If you have previously set one up, remember to pay the interest by January 30, 2019.
- Repay outstanding shareholder loans and pay interest on employee loans.
- Contribute to your spouse's or common-law partner's RRSP to the extent of your RRSP deduction limit for 2019. This doubles the amount a couple can withdraw for the Home Buyer's Plan.
- Consider a Registered Disability Savings Plan for a child with a severe disability.
- Pay reasonable salaries to family members in 2019.
- Convert non-deductible debt to deductible interest.
- Review your will every five years.
- Split pension income with spouse.
- Home buyer's tax credit for first time home buyer.

Consult your Padgett Business Services representative to obtain additional tax planning ideas.

PADGETT BUSINESS SERVICES

WHERE YOUR SUCCESS TAKES ROOT



Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.