Wealth Management

the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC WEALTH MANAGEMENT SERVICES

Paul Bola, CFP, CIM, FCSI, FMA
Senior Portfolio Manager
& Wealth Advisor
Tel: 905-450-4143
paul.bola@rbc.com

Bola Wealth Management
of RBC Dominion Securities
44 Peel Centre Drive, Suite 420A
Brampton, ON L6T 0E2
Fax: 905-799-5821
Toll free: 1 800-844-7906
www.paulbola.ca

Tax planning calendar

This article highlights some of the important tax dates during the calendar year and some strategies that may help you eliminate or minimize interest and penalties and maximize tax savings.

January

- Consider making the maximum lump-sum registered retirement savings plan (RRSP) contribution for the current year to maximize tax-deferred growth on your investments.

- Consider making the maximum contribution to a tax-free savings account (TFSA) to maximize tax-free growth in your account for the year.

- Review your personal financial plan, including your estate plan, to ensure it's still appropriate in light of any circumstances that may have changed during the past year.

- Consider purchasing mutual funds that you delayed purchasing last year to avoid the year-end distributions.

- If you sold securities at a loss at the end of the previous year and wish to repurchase those securities, consider waiting 30 days after the sale settlement date to ensure you do not trigger the superficial loss rules.

  To avoid a superficial loss, you or a person "affiliated" with you **must not**:

  i) Acquire the identical property that you sold at a loss during the period that begins 30 days before and ends 30 days after the settlement date of the disposition; and

  ii) Own or have the right to acquire the identical property on the 30th day after the settlement date.

- **30th** – If you've set up a spousal loan or made a prescribed rate loan to a family trust, ensure that the borrower makes the annual interest payment by January 30th in order to avoid the attribution rules.

February

- **28th** – (Feb. 29th in a leap year) Deadline for employers (even for those employing a nanny or babysitter) to give T4 slips to their employees and file the T4 summary with the Canada Revenue Agency (CRA).

- **28th** – (Feb. 29th in a leap year) Deadline for someone making investment income payments to send out T5 slips to income recipients and file the T5 information return with the CRA. This includes a family trust that was funded by a prescribed rate loan. The trustee of the family trust may need to report the interest paid to the lender by providing a T5 slip and file the T5 information return.

- **28th** – (Feb. 29th in a leap year) Generally, all corporation taxes are due two months after the corporation's year-end. (This due date assumes a December 31st corporate year-end). Taxes are due three months after the corporation's year-end if the corporation is a Canadian-controlled private corporation (CCPC) throughout the tax year and certain other criteria are met.

- February to June is generally the time when federal and provincial/territorial governments introduce new budgets. Consider the impact of new budget proposals on your personal finances and discuss any changes to your financial plan with your qualified tax advisor.

March

- **1st** – (Feb 29th in a leap year) The RRSP contribution deadline is the 60th day of the taxation year if you would like to deduct the contribution for the previous year. This deadline applies to regular RRSP contributions, contributions of an eligible retiring allowance and repayments under the Home Buyers' Plan and the Lifelong Learning Plan.

- **1st** – (Feb 29th in a leap year) Deadline for purchasing Labour-Sponsored Venture Capital Corporation (LSVCC) shares if you would like to claim the tax credit for the previous year.

- **15th** – Due date for first quarterly Canadian tax instalment, if required.

- **31st** – (March 30th in a leap year) Due date for filing the T1-OVP and paying the penalty if you have over-contributed to your RRSP.

- **31st** – (March 30th in a leap year) Deadline for filing a trust tax return and sending the T3 slips to the beneficiaries of the trust.

> If you're expecting a tax refund, consider filing your personal tax return early to expedite receipt of your refund.

April

- If you're expecting a tax refund, consider filing your personal tax return early to expedite receipt of your refund. Ensure that you've received all necessary tax slips and tax filing information before you file your tax return. You can access and check for missing slips using the CRA's "My Account" portal.

- **15th** – Deadline for filing a U.S. resident tax return and payment of any balance of taxes owing. An extension for the filing deadline is available in some cases.

- **30th** – Deadline to file your Canadian personal tax return (if neither you nor your spouse earns self-employment income) and pay any balance owing to avoid interest or late filing penalties.

- **30th** – Deadline to pay taxes owing to avoid interest or late filing penalties if you or your spouse earns self-employment income. If you or your spouse earns self-employment income, the filing deadline for your tax return is June 15th.

- **30th** – Deadline to file and pay the balance owing on a final tax return of a deceased individual if the death occurred between January 1st and October 31st of the previous year. If the death occurred between November 1st and December 31st of the previous year, the deadline is six months after the date of death.

June

- **15th** – Deadline for second quarterly Canadian tax instalment, if required.

- **15th** – Deadline for filing your Canadian tax return if you or your spouse earns self-employment income. If you have taxes owing, you must pay the tax by April 30th to avoid interest charges.

- **30th** – Deadline for filing your corporate tax return if the corporate year-end is December 31st. If the corporate year-end is not the calendar year-end, the deadline is six months after the corporate year-end.

- **30th** – Deadline for filing the RC243, Tax-Free Savings Account (TFSA) Return, and payment of any taxes or penalties owing if you made over-contributions to your TFSA or have taxes payable on your TFSA for the previous year.

September

- **15th** – Deadline for third quarterly Canadian tax instalment, if required.

October

- If you expect to have significant tax deductions on your tax return next year, consider applying to the CRA now for a tax waiver on Form T1213 to reduce withholding taxes at source on your employment income.

November

- If you have surplus assets and have a high amount of taxable income, consider purchasing an investment tax shelter to reduce your taxes payable for the current year. Speak with your qualified investment advisor to see if this strategy makes sense for you.

December

- **15th** – Deadline for fourth quarterly Canadian tax instalment, if required.

- **31st** – Deadline to open, contribute to and apply for matching bond and grant for a registered disability savings plan (RDSP).

- **31st** – Deadline to open, contribute to and apply for matching bond and grant for a registered education savings plan (RESP) account.

- Consider selling securities on which you have accrued losses and which no longer meet your investment objectives. You can use these capital losses to offset capital gains you've realized during the year. You should ensure that the trades settle in the current calendar year if you would like to use the loss for this year. Also, you should be aware of the superficial loss rules. Due to the superficial loss rules, if you would like to use the capital loss for the current year, consider waiting 30 days after the settlement date before repurchasing the security.

- Pay your deductible expenses and make charitable donations before the end of the year if you wish to obtain a tax deduction or charitable donation tax credit for the current taxation year.

- If you plan to make a large charitable donation to reduce your tax liability this year, consider making an in-kind donation of securities that have an accrued capital gain. You may be able to eliminate the taxable capital gain and get a donation tax credit to apply against taxes owing on other income. If you plan on donating securities in-kind and want to use the donation tax credit for the year, due to the administration involved in processing an in-kind donation, ensure that you start this process well in advance of the year-end.

If you turn age 71 during the year, make your final RRSP contribution before the end of the year. You cannot make contributions to your RRSP after the end of the year in which you turn age 71, as you must choose a maturity option by the end of the year.

- You may be able to reduce your employment benefit when you exercise employee stock options. To take advantage of this opportunity, you must donate the securities to a qualifying charity in the same year in which you exercised the options and within 30 days of the exercise date. You will receive a donation tax receipt for the fair market value of the donated securities.

- If you turn age 71 during the year, make your final RRSP contribution before the end of the year. You cannot make contributions to your RRSP after the end of the year in which you turn age 71, as you must choose a maturity option by the end of the year.

- If you're still working and will turn age 71 during the year, consider making an RRSP contribution in December before you have to convert your RRSP to a registered retirement income fund (RRIF). Your contribution should be for the amount of RRSP room you would receive in January of the following year. You will be over-contributed for 1 month and need to pay a 1% penalty on the funds you over-contributed, but the benefit of tax-deferral and compounding growth in the RRIF may outweigh the penalty.

- If you are over age 71 and have unused RRSP contribution room, you can contribute to a spousal RRSP, without penalty, if your spouse is age 71 or younger.

- If you're considering purchasing new mutual funds, consider waiting until after the funds' distribution date to avoid paying tax on year-end distributions.

Weekends or holidays

For certain payments or filing dates, if the deadline falls on a weekend or a public holiday recognized by the CRA, your payment or the filing will be considered to have been made on time if the CRA receives it or it is postmarked on the next business day. For more information, visit the CRA website.

Summary

This article covers some common tax and financial planning strategies and highlights important dates that occur during the calendar year. Consult with your qualified tax advisor to determine whether the strategies outlined in this article apply to your particular circumstances.

This article may contain strategies, not all of which will apply to your particular financial circumstances. The information in this article is not intended to provide legal, tax or insurance advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax, legal and/or insurance advisor before acting on any of the information in this article.

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