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2016 Year-end Personal Tax Planning Tips

INVESTMENT STRATEGIES

1. Tax Loss Selling
Consider crystallizing capital losses to offset any capital gains that arose in the year or to carry back to the previous three years where you had capital gains. Superficial loss rules limit the deductibility of a loss if the same or identical securities are acquired by you or an affiliated person within 30 days before and after the disposition. Where you do not have capital losses available to offset capital gains in 2016, consider postponing the sale of assets with accrued gains until early 2017.

2. Turning 71 in 2016
You must mature your RRSP into cash, an annuity or a Registered Retirement Income Fund by December 31, 2016. Accordingly, if you have RRSP contribution room in 2016, you can still make one final tax deductible RRSP contribution as long as it is made before December 31, 2016.

3. Small Business Deferral
If you have sold an eligible small business investment and you use some or all of the proceeds to purchase another eligible small business investment, the taxation of some or all of the capital gain on the sale can be deferred. Certain criteria must be met to qualify for the deferral of tax.

4. Income-splitting Family Loans
For the fourth quarter of 2016, the CRA the prescribed interest rate for low-interest loans to split income with family members is 1%. By locking in a loan at 1% and by having the family member invest the lent funds at a higher rate, you can shift investment income to the lower income spouse or family member.

5. Gift Securities to Your Children
If you have securities with accrued capital losses, you may consider giving them to a child. This will allow you to trigger a capital loss that you can claim, transfer any future growth to your child, and reduce probate fees upon death. You will, however, give up control over the assets.

6. Registered Education Savings Plan
Make an RESP contribution before year-end to get the Canada Education Savings Grant (maximum of $500 or 20 per cent of your contribution up to $2,500) for 2016. Additional grants are available for lower income families.

SELF-EMPLOYMENT STRATEGIES

1. Salaries to Family Members

If you have family members that work for you, especially if their marginal tax rate is lower than yours, consider paying them a reasonable salary. This will also provide them with earned income for RRSP purposes. A record should be kept of the time spent and the particular services performed.

2. Timing of Acquisitions and Dispositions of Capital Property

In general, capital assets should be acquired before the end of the fiscal year. As long as the asset is "available for use" you will be able to claim one-half of the full year's capital cost allowance (i.e. tax depreciation) in the year of acquisition. On the other hand, you should dispose of an asset at the beginning of the next fiscal year if the disposition will give rise to a capital gain and/or recapture. Delaying the disposition will provide you a tax deferral as well as enabling you to claim capital cost allowance for one more year.

DATES AND DEADLINES

- **December 15:** Final instalment for 2016 is due.
- **December 31:** Payments eligible for 2016 tax savings:
  - Charitable donations
  - Medical expenses
  - Union and professional fees
  - Investment and interest expenses
  - Child care expenses
  - RESP contributions
  - Moving expenses
  - Political contributions
  - Deductible legal fees
  - Tuition fees
  - Alimony and maintenance payments
- **January 30:** Interest payable on employee loans due in order to reduce employee taxable benefits.
- **February 28:** Due date for T4, T4A and T5 Information Returns.
- **March 1:** RRSP deadline for 2016 contributions (maximum contribution of $25,370 for 2016)
- **April 30:** Personal tax return due (except self-employed individuals) and final taxes payable.
- **June 15:** Personal tax return due for self-employed individuals.

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