TAX

Planning Letter

Midyear 2015
Ying Yang, Chartered Professional Account, Inc.
info@yangaccounting.ca

For favourable tax results in 2015,

----------schedule a midyear planning review

Midyear Tax Planning--Part IV

SECTION #4 To itemize or not: that is the question

----focus on individuals

Generally, there are two basic types of taxpayers: those who only claim the standard deduction according to the T4 or other slips and those who itemize.

Which type are you? Your answer may change from year to year, because in the normal course of events you should choose the method that gives you the larger deduction. Here's a refresher of how the deduction work.

The standard deduction is a flat amount that is indexed annually, For 2014, the federal basic personal amount is $11,138. There is no recordkeeping involved. All you have to do is claim the standard deduction on your federal income tax return. You would miss all the non-refundable in 2014 tax return, and part of refundable tax credit HST.

In contrast, for itemized deductions you must keep official records and attach adequate schedule to your return as there is itemized deductions as well as medic expenses, interest paid for loan.

I will classify the family tax return into three groups based on the different needs and relevant tax credits that may be non-refund or refund, but some issues may mix between these three groups due to the complicated nature of tax.

Non-refundable tax credits are subtracted from federal tax. If a taxpayer misses these credits in their eligible year, they would be missed forever. To the extent that these credits exceed federal tax, the excess is not refundable and, therefore, is of no value to the taxpayer.

Refundable tax credits are refundable and , here, are subtracted last. For example, the GST/HST credit involves a calculation of an amount that is deemed to be tax-paid and result in a "refund" of the deemed tax.

Normal Family

This kind of family have an average personal income between \$20,000---\$60,000 with dependents or college students. The married credit for it should be up to \$3,341 or \$3,650 if eligible for the family caregiver amount in 2014, which would not be missed normally. The others (some has already introduced in other parts of this letter), which needs the valid records, will be introduced as follows :

- Child amount --the child resides together with the child's parents throughout the year, either of those parents may claim the credit.

- Family caregiver tax credit--This is an enhanced tax credit administered through the dependency-related credits, up to \$2,058

- Adoption expenses tax credit --The Act provides a non-refundable tax of up \$2,250 in the year in which an adoption is completed. The relevant expenses should be recorded and eligible.

- Public transit pass credit -- taxpayer, spouse and dependent who has not reached 19 before the end of the tax year, can claim the eligible public transit pass with the valid records.

- children's fitness credit --child under the age of 16 who registered in an eligible program can claim this credit with valid records.

- First-time home buyers' credit --this is a non-refundable credit of 15% of $5,000 for the purchase of qualifying home by a first-time home buyer. Some factors should be considered in order the requirements of CRA

- Tuition, Education, and Textbook credits --The Act provides for a tax credit in respect of tuition fees paid to an educational institution in Canada. Tuition fees are classified as full-time or part-time. T202 is the essential record for this credits.

- transfer of unused credits to spouse or common-law partner--certain unused tax credits may be transferred to a spouse or common-law partner. keep the valid records for this transfer.

High Income Family

Federal dividend tax credit --this is a non-refundable tax credit. There are two rates of dividend tax credit depending on the source of the dividends: one(a rate of 13/18 of the gross-up) is CCPC --Canadian Controlled Private Corporation; another a rate of 6/11 of the gross-up) is public corporation resident in Canada. The records such as T3 or financial statements from the financial institutions are necessary for the credits

- Other dividend tax credit -- or tax treaty credits, which should be claimed as the taxpayer received overseas dividends in order to reduce the double taxation. That base on the Canada's tax conventions with other countries.

- T1135-- CRA requires taxpayer report the property outsider Canada if the cost amount is over $100,000. Kindly reminding the relevant documents should be recorded and confirm if it is qualified to meet the definition of the cost amount.

- Medical Expense Credit --Not all medical and health care costs are fully covered by a provincial health insurance plan or by a private health services plan. Expenses that must be borne by the taxpayer may qualify for the non-refundable medical expense credit. So keep the records of receipts and must be claimed within any 12-month period ending in the year unless the individual dies in the year.

Senior Family

Usually as individuals reach 65, they start to receive the senior benefits from different lever of governments or have pension income instead of T4 slips. Therefore the tax planning is more important than other groups. Specifically the age credit will be introduced as follows:

- Age credit--is a non-refundable tax credit that computed on a base for $6,916 for 2014. However, this age credit is reduced by 15% of the excess of the individual's income $34,873 and will be eliminated completely as the net income exceeds $80,980.

- Ontario healthy homes renovation tax credit --if you meet the conditions of this credit, you are able to claim the lesser of $10,000 and the amount of eligible expenses.

In Summary, it is no double that itemizing your tax issues will minimizing your tax. For help deciding whether you are qualified for some credits ; how to keep the relevant records, please give us a call. We'll help you plan so you can maximize the tax benefits on your tax return lifelong.

NOTE:
This newsletter is published first to provide you with information about minimizing your taxes and maximizing your return. Do not apply this general information to your specific situation without additional details that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact with us.
yy@yangaccounting.ca
289-291-3924
647-989-1276