

# “LOOPHOLES”™

## 2024 - 2025



“A tax planning checklist  
for all taxpayers”



**Rossworn Henderson LLP**  
*Chartered Professional Accountants  
Tax Consultants*



*“Tax Planning Professionals”*

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“Loopholes” is a tool that can be used to reduce the overall taxes that you pay. This is not an exhaustive list of tax planning ideas but is simply a summary of the more significant savings and planning opportunities available today in British Columbia. Professional advice should be sought to ensure that a particular idea is applicable to your personal situation.

**Please review the checklist, and if any of the items seem to relate to your situation, please do not hesitate to call.**

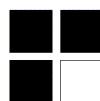
*A fine is a tax for  
doing wrong.*

*A tax is a fine for  
doing well.*



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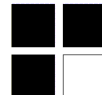
HOW TO USE THIS TAX PLANNING GUIDE:

This “Loopholes” tax planning guide has been divided into the following sections:

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1. Read each section that applies to you. Check the  box of each “loophole” that could be used in your circumstance.
2. **BE SURE TO TAKE NOTE OF THE MANY NEW TAX RULES FOR THIS YEAR, WHICH HAVE BEEN UNDERLINED.**
3. Bring this booklet with you when we are tax planning for you or preparing your income tax return and we will show you how to get the maximum benefit from those planning points. If you miss out on available deductions or planning points, it may cost you thousands of dollars.
4. These “loopholes” represent various methods to use existing tax laws to your greatest advantage. **As a taxpayer, you should always look at the tax rules from different angles and structure your tax planning in a way that will result in a benefit for you and your family.**
5. For further information regarding your tax issues, please contact our offices at:  
Armstrong: 250-546-8665                      Enderby: 250-838-7337  
Sorrento: 250-675-3440                      Out of town (toll free): 1-888-818-FARM

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**QUICK REFERENCE TAX FACTS**

**2025 COMBINED FEDERAL & BC TAX BRACKETS:**

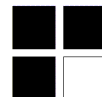
		Regular Income (%)	Eligible Dividends (%)	Ineligible Dividends (%)	Capital Gains (%)
\$ -	\$ 16,129	-	-	-	-
16,129	49,279	20.06	-9.60	10.43	10.03
49,279	57,375	22.70	-5.96	13.47	11.35
57,375	98,560	28.20	1.63	19.80	14.10
98,560	113,158	31.00	5.49	23.02	15.50
113,158	114,750	32.79	7.96	25.07	16.40
114,750	137,407	38.29	15.55	31.40	19.15
137,407	177,882	40.70	18.88	34.17	20.35
177,882	186,309	44.02	23.46	37.99	22.01
186,309	253,414	46.12	26.36	40.41	23.06
253,414	259,829	49.80	31.44	44.64	24.90
Over \$259,829		53.50	36.54	48.89	26.75

**2025 EMPLOYEE WITHHOLDINGS:**

	CPP	CPP 2	EI
Maximum annual earnings	\$71,300.00	\$81,200.00	\$65,700.00
Employee rate	5.95%	4.00%	1.64%
Employer rate	5.95%	4.00%	2.296%
Maximum contribution (employee)	\$4,034.10	\$396.00	\$1,077.48
Maximum contribution (employer)	\$4,034.10	\$396.00	\$1,508.47

**2025 SOCIAL BENEFIT/CLAWBACK LIMITS:**

Guaranteed Income Supplement (GIS)	Annual income		
	Max. benefit		No benefit
Single	\$0	to	\$21,624
Family, if both spouses receive OAS	\$0	to	\$28,560
Family, if only one spouse receives OAS	\$0	to	\$51,840
Old Age Security clawback	\$93,454	to	\$151,668



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**2024 TAX CREDITS:**

**Approx. tax savings**

Basic personal	\$2,992
Maximum age amount – age 65	\$1,604
Firefighter or search and rescue volunteer	\$602
Disability	\$1,958
Child disability (<18)	\$1,142
First time home buyers’ amount	\$1,500
Canada employment amount	\$215
Pension income amount	\$351
Adoption expenses	\$3,825
Charitable donations:	
First \$200	20%
Amount greater than \$200	up to 54%
Married and equivalent to spouse	20% of eligible amount
Medical expenses	20% of amount in excess of 3% of net income (max \$2,759)
Tuition	20% of amount paid
Student loan interest	20% of amount paid
Canada caregiver amount	20% of eligible amount
Home renovation tax credit for seniors & persons with disabilities	15% of eligible expenses to a max. of a \$3,000 credit per household
Canada Workers Benefit (“CWB”)	\$1,590 single credit \$2,739 couple or family
CWB Disability Supplement (if both have a disability)	\$2,411 single credit \$3,560 couple or family



*“LOOPHOLES”*

**2025 MILEAGE RATES:**

Non-taxable mileage allowance

First 5,000 km	\$0.72 / km
Remainder	0.66 / km

**IMPORTANT DEADLINES for 2025:**

**March 1**

- last day for RRSP contributions

**March 31**

- due date for trust returns
- due date for speculation and vacancy tax annual declarations

**April 15**

- due date for filing US tax returns

**April 30**

- due date for general income tax returns
- due date to pay taxes owing to avoid interest

**June 15**

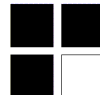
- due date for income tax returns if self-employed

**December 31**

- due date for one-time instalment for personal tax instalment if you are a farmer



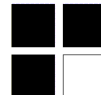
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Tax Law

Planning Point

- ❑ Your province of residence on December 31 will determine which provincial tax rate you will pay for the year.
- ❑ The late filing penalty is 5% of the balance owing, plus 1% for each full month that your return is late, to a maximum of 12 months. If you have incurred late-filing penalties in any of the three preceding taxation years, your late filing penalties are doubled.
- ❑ Canada Revenue Agency (“CRA”) has severe penalties for income tax evasion for taxpayers and their advisors. **There are severe penalties for repeated failure to report income. If possible, you should submit a Voluntary Disclosure Program application form when filing any late tax forms.**
- ❑ You have a legal right to request adjustments for the last 3 years to your tax return. The taxpayer relief provisions allow you to go back 10 years in some circumstances.
- ❑ CRA is bound by law to give your situation a fair hearing and apply the relevant tax law equitably.
- Consider stepping up your move to take advantage of a lower tax rate province or deferring your move to the next year if going to a higher rate province.
- Even if you can't afford to pay the income tax that you owe, you should file your tax return by the annual deadline to avoid any late filing penalties.
- Be sure that your tax planning is compliant with current tax law. Claim every legally available deduction or credit and arrange your affairs to reduce your income taxes as far as legally possible. Make sure all T-slips and other income are reported each year. If you are assessed repeated non-reporting penalties and have reasons why you have missed reporting income, apply under the taxpayer relief provisions.
- If you have missed deductions or credits in prior years, try to re-file back as far as possible.
- If you disagree with a CRA assessment, you must file a Notice of Objection within 90 days of the assessment. If CRA is delaying assessments unduly, or you have complaints about CRA staff, you can file a service complaint. Our experience is that you get very rapid responses to these formal complaints. Also, consider an application to the Office of the Taxpayers’ Ombudsperson.



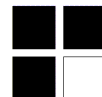
## “LOOPHOLES”

### Tax Law

- ❑ CRA has the authority to review any claims for deductions or revenues that you have reported. Generally, CRA is restricted to the most recent 3 years of filings. However, in some cases, they can look back up to 7 years.
- ❑ If you have not filed tax returns for an extended period of time or have missed reporting income, an application under the Voluntary Disclosure Program may reduce penalties.
- ❑ CRA can apply a refund from one agency towards a debt owing in another. For example, CRA can withhold a GST refund to pay for outstanding taxes, EI, child tax, or student loan.
- ❑ If you owed more than \$3,000 personally in either of the two preceding tax years, CRA may require you to make instalments next taxation year. CRA charges interest if you do not make these instalments but does not pay interest if they are unnecessary.
- ❑ Effective January 1, 2024, if you have to make payments to CRA over \$10,000, you must make the payment electronically.
- ❑ Protect yourself against fraudsters claiming to be CRA. Many people have received emails or phone calls in recent years from someone claiming to be from CRA.

### Planning Point

- Keep good documentation of all transactions. You might consider having us review your documentation prior to sending it to CRA to ensure you have not provided potentially incriminating information that was not requested. Only send to CRA what they ask for, nothing more.
- This is only available if CRA has not requested any filings, and you have not used the Voluntary Disclosure Program in the past.
- CRA commences these collections immediately upon issuance of a Notice of Assessment. If you do not agree, you can file a Notice of Objection.
- If your taxable situation is expected to differ significantly from that estimated by CRA, your instalments can be adjusted to ensure you do not overpay or underpay.
- You will be subject to a penalty of \$100 per payment if you fail to pay electronically for payments over \$10,000.
- CRA will never request payments by credit card and will not send an email with a link or ask you to divulge personal or financial information.





**Tax Law**

**Planning Point**

- ❑ There are mandatory disclosure rules for transactions occurring after June 21, 2023.

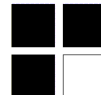
Reportable transactions include transactions where one of the main purposes is to obtain a tax benefit and there are contingent fees or confidential/contractual protection.

Notifiable transactions are those designated by the CRA, which they have determined are abusive or otherwise of interest.

- ❑ Many tax credits are non-refundable and do not carry forward to future periods.
- ❑ Tax rules for taxpayers leaving or coming into Canada from another country are very complex and may result in a significant tax liability.
- ❑ If you are a **US Citizen**, severe penalties exist for not filing a US tax return, regardless of whether you live in the US or not.
- ❑ Individuals spending 183 days or more in the US may be considered a US resident and may be required to file a tax return with the IRS reporting their worldwide income.
- ❑ Certain trusts are required to disclose trustees, beneficiaries, settlors, and protectors.

**For tax years ending after December 30, 2025, this includes certain bare trusts.**

- When engaged in tax planning, you should consider if you have a reportable or notifiable transaction. Your tax advisors, lawyers, or other advisors on the transaction may also have reporting requirements. You have 90 days to report a reportable or notifiable transaction to the CRA.
- If possible, increase income or postpone deductions to avoid losing them.
- Obtain proper advice to ensure you plan your emigration or immigration from or to Canada.
- Specialized advice may be necessary as the US/Canada rules are complicated.
- Be cautious, it may be possible to fall into this US tax trap with less than 183 days. Snowbirds should consider filing a Form 8840 – Closer Connection Exemption Statement.
- Failure to report will see penalties attached that are similar to information returns (\$25 a day for late filed schedules, \$100 minimum penalty, \$2,500 maximum).

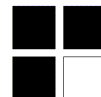


**Tax Law**

- ❑ There is a Registered Disability Savings Plan (“RDSP”) for taxpayers eligible for the Disability Tax Credit (“DTC”). To assist, the government may provide a grant based on your contributions. A parent’s or grandparent’s RRSP can be rolled into an RDSP at their date of death.
- ❑ Beneficiaries of RDSPs with shortened life expectancies of 5 years or less can withdraw up to \$10,000 per year without penalty.
- ❑ If the RDSP is primarily government-assisted, the maximum annual withdrawal limit will be increased.
- ❑ **Starting in 2024, Alternative Minimum Tax (AMT) is being modified to target higher income earners. The AMT tax rate will be raised from 15% to 20.5%, but to offset, the basic income exemption will increase from \$40,000 to \$173,205. Additionally, there are increases to the percentage of capital gains and other amounts included in taxable income for AMT purposes.**
- ❑ The Federal Home Accessibility Tax Credit allows a senior or an individual who is eligible to claim the disability tax credit to claim a 15% credit of up to \$20,000 of expenses per year for costs incurred to improve the mobility of the person in and around their principal residence.

**Planning Point**

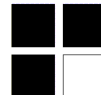
- To receive the maximum government grant of \$3,500 per year, you need to contribute \$1,500 annually. If the disabled taxpayer has low-income, the government may deposit an additional bond of up to \$1,000 to his/her RDSP. By putting \$1,500 in you may end up with \$6,000 in an account for the disabled person.
- Make sure you obtain the proper approval prior to doing this.
- There is a calculation available for these types of plans. If this applies to your situation, please contact our office.
- If you plan to utilize your capital gains exemption during the year, consider if you will have a significant AMT bill and set aside a portion of the proceeds to cover the AMT.  
  
AMT paid can be recovered over the next 7 years if you have sufficient taxable income.
- Certain “supporting individuals” may also qualify. Expenses qualify if they are of an enduring nature and integral to the dwelling of certain supporting individuals. If there are two qualifying individuals in the same principal residence, the maximum is \$20,000 related to that principal residence.



**Tax Law**

**Planning Point**

- ❑ The First Home Savings Account (FHSA) allows certain first-time home buyers to save up to \$40,000 toward a home purchase, with a maximum annual contribution of \$8,000 over five years. Contributions to the FHSA are tax-deductible and withdrawals to purchase a home are tax-free.
  - ❑ If you rented for at least 6 months and your family income is less than \$83,000 you may be eligible for a BC tax credit of up to \$400, with a reduction to the credit for those with family income over \$63,000.
  - ❑ If you are a volunteer firefighter, CRA offers a \$1,000 tax-free allowance to offset this income, or a 15% non-refundable credit based on an amount of \$6,000 federally.
  - ❑ Search and Rescue Volunteers are also entitled to a 15% non-refundable credit based on an amount of \$6,000.
  - ❑ An adoption tax credit is available for eligible adoption expenses. For 2025, the maximum claim is \$19,580, for the completed adoption of a child under 18.
  - ❑ The Canada Workers Benefit (“CWB”) refundable tax credit is available to low-income taxpayers that are 19 or older in the year. A British Columbian couple can receive a refund of \$2,739. If both taxpayers qualify for the disability tax credit, a couple could receive a refund of up to \$3,560.
- If you plan to purchase a qualifying home, consider taking advantage of this tax deduction. If amounts contributed are not used to purchase a home, they can be transferred to an RRSP/RRIF tax-free.
  - Only one partner of a cohabitating couple can claim the credit. To be eligible, you cannot be renting from a relative.
  - Be sure that your T4 takes the tax-free allowance into account. There is no requirement to prepare a T4A for the first \$1,000 of contribution.
  - Don’t miss this opportunity to save up to \$900 in taxes.
  - Allowable expenses include adoption agency fees, court and legal fees, foreign agency fees, travel, and meals.
  - File a tax return even if you did not make more than the personal limit, as this tax credit can result in a tax refund. If you have control over your income, you can plan into this and receive a cheque from CRA or have CRA pay into your CPP for you.



**Tax Law**

**Planning Point**

- ❑ You may receive advance payments of one-half of the Canada Workers Benefit to which you are entitled for the year, based on the prior year tax return.
  - ❑ Qualifying expenditures paid between February 22, 2022, and April 1, 2025, to improve the energy efficiency of eligible buildings may be eligible for the BC Clean Buildings Tax Credit of 5% of expenditures.
  - ❑ The BC climate action tax credit (BCCATC) are non-taxable payments which you are eligible to receive if you are 19 years of age, have a spouse or common law partner or are a parent who resides with your child. The credit is reduced based on family net income.
  - ❑ Individuals automatically accumulate \$250 towards their Canada training credit limit. Each individual is able to accumulate a maximum of \$5,000. In order to meet the criteria, you must be between 26 and 65 years of age, must be a resident of Canada and must report at least \$10,000 of personal earnings from employment, self-employment, or certain other sources and cannot be in the top income tax bracket.
  - ❑ Persons with disabilities who own or lease a vehicle may be eligible for a BC fuel tax refund of up to \$500 per year and a 25% discount off your ICBC basic Autoplan insurance.
- The prepayments will be received in January, July and October and reduce the amount you are paid when you file your return. If you receive more than you are entitled to for the current year, the excess does not need to be repaid.
  - Eligible buildings include certain commercial and multi-unit residential buildings. The retrofit must be certified by the Ministry of Finance before March 31, 2027.
  - You do not need to apply for this credit. CRA will determine your eligibility when you file your income tax return. The credit is combined with the GST/HST credits that individuals receive quarterly.
  - The accumulated dollars can be claimed as a refundable tax credit by the individual to cover half of the eligible tuition fees.
  - If you are eligible, keep your fuel receipts as they are required to apply for the refund.

To receive this refund, you must first register online or using form FIN 119. You will then receive a registration confirmation letter. After this you must complete form FIN 472 and mail it to the BC government along with your original fuel receipts.



**Tax Law**

- ❑ To be eligible for the Canadian Dental Care Plan, you must not have access to dental insurance, have family net income under \$90,000, be a Canadian resident, and have filed your previous year tax return. Based on family income, the plan will cover either 100%, 60% or 40% of eligible oral health care service costs.

**Planning Point**

- You must apply to be eligible. Applications are now open for:
  - Adults 65 or older;
  - Adults with a valid Disability Tax Credit certificate for 2023;
  - Children under 18;
- Applications open in 2025 for all others.

**IF YOU ARE AN EMPLOYEE**

**Tax Law**

- ❑ It may be possible to be both a shareholder and an employee, thereby entitling you to non-taxable allowances and benefits that are permitted by CRA to employees.
- ❑ Employers are permitted to provide non-cash gifts totaling up to \$500 annually for each arms-length employee. The employees can also receive up to \$500 every 5 years as a years of service award. CRA will now accept certain gift cards to be non-cash and eligible to be a non-taxable benefit provided certain criteria are met.
- ❑ An employer may pay money into a retiring allowance in recognition of long service. This also includes severance packages.
- ❑ An employer can make loans to an employee for purchasing a house, a car, or shares in the company.

**Planning Point**

- CRA usually considers a benefit to be in the capacity of employment if other employees or others in the industry receive similar benefits.
- Be sure and take advantage of these non-taxable awards and gifts. Beware that gift certificates are usually considered cash, so do not qualify, unless:
  - it can only be used to purchase goods or services from a single retailer or a group of retailers;
  - it cannot be converted into cash; and
  - you keep a detailed log of such gifts.
- There is a limit of \$3,500 per year of service up to 1989, \$2,000 per year from 1989 to 1996. The eligible amount of the retiring allowance can be transferred to an RRSP on a tax deferred basis and does not affect your RRSP contribution room.
- Loans must be at a prescribed rate of interest as determined by CRA. For the first quarter of 2025, this rate is 4%.

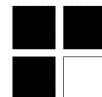


## “LOOPHOLES”

### Tax Law

### Planning Point

- ❑ An employer can grant an employee a stock option plan. ➤ The tax consequences can be deferred to the date the options are exercised (as opposed to when the option is granted).
- ❑ There is a \$200,000 limit on the fair market value of stock options that may vest to an employee in a year while qualifying for a deduction of 50% of the benefit. Canadian-Controlled Private Corporations (CCPCs) issuing stock options are not subject to the new rules. ➤ Employers subject to this rule will be able to choose whether to grant employee options that are eligible for the deduction, up to the \$200,000 limit per employee, or to grant options not eligible for the deduction. Employers must notify employees in writing if stock options will not be eligible for the deduction.
- ❑ You can request a reduction of the withholdings on your payroll cheques if you are expecting to get refunds at the end of the year because of RRSPs, alimony and maintenance deductions or other items not found on your TD1 Form. ➤ CRA does not pay interest on withholdings paid, so it is better to have use of the money over the year, as opposed to waiting for a large refund when you file your tax return.
- ❑ An employee pays CPP on all sources of employment income, and also all forms of “other employment income” and self-employment income. ➤ This would include tips, casual employment, or under-remitted income from working for more than one employer.
- ❑ If you have an employee between the ages of 65 and 70 who wants to stop contributing to the Canada Pension Plan (CPP), they must file an election form, even when they are collecting CPP. ➤ The employee must be collecting CPP and needs to fill out a CPT30 form that must be forwarded to CRA (and a copy kept with the employer payroll records).
- ❑ Disability insurance premiums paid by employers are taxable benefits to the employee. ➤ Employees should pay their own disability insurance premiums, because then any benefits to the employee from the insurance in the future will be tax-free.
- ❑ If you are required to use your vehicle, purchase supplies, or provide office space for your employment, the expenses are deductible against the employment income. ➤ Have your employer sign the T2200, TL2 or other prescribed forms so you can deduct these expenses. Also, claim back the GST on the eligible employment expenses.



**Tax Law**

- ❑ Employers can pay employees a non-taxable traveling allowance (including meals and vehicle use). **For 2025, the rate in BC is \$0.72/km for the first 5,000 kilometers and \$0.66/km thereafter. Also, overtime meals & allowance of \$23 per day are tax free to employees.**
- ❑ Moving expenses are deductible against employment income earned in the new work location. If the moving expenses exceed the income in the new location in the year of move, they can be carried forward until you have income from your new work location. Either spouse can claim moving expenses.
- ❑ Moving expenses are deductible if you move 40 kms closer to your new work location (determined to be by the normal route as opposed to as the crow flies).
- ❑ There are special expense deductions provided to clergy, traveling salespeople, musicians, artists, apprentice mechanics and certain transportation employees.
- ❑ A tradesperson can deduct up to \$1,000 for amounts paid in excess of \$1,433 towards the purchase of “eligible” tools required for their employment. To receive the full deduction, your income from employment as a tradesperson and total cost of eligible tools you bought in 2025 must exceed \$2,433.

**Planning Point**

- If actual vehicle expenses (insurance, repairs, fuel, loan interest, etc.) exceed this rate, actual costs can be claimed. However, receipts must be maintained to support the claim.
- Claim all amounts relating to moving expenses, including:
  - real estate commission
  - mortgage penalty on selling former home
  - costs of maintaining a vacant former residence
  - travel
  - storage costs
  - meals and lodging
  - legal services and property purchase tax on the new home
  - temporary quarters up to 15 days
- A home-based business is considered a work location, so a move of more than 40 km may qualify.
- Consult our office if you fall into any of these professions and we will discuss the specific deductions available to you.
- The tools must be new, and you must have receipts to document the purchase. Your employer must complete Form T2200.



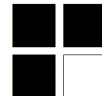
## “LOOPHOLES”

### Tax Law

- ❑ An individual employed as an apprentice mechanic may be able to deduct their tools purchased during the year based on their apprentice employment income.
- ❑ If you reside in a Northern Canadian area on a permanent basis for at least six consecutive months, you are eligible to claim the Northern Residents deduction.
- ❑ Transportation employees that are regularly required to travel away from their home terminal are permitted to claim a deduction for their meals. Meals cannot be claimed unless you are required to be away for at least 12 consecutive hours from the municipality where you typically work.
- ❑ Generally, only 50% of meals are deductible. However, long-haul truckers are eligible for an enhanced deduction of 80%.
- ❑ Some union dues or other dues may have a GST component that can be claimed back.
- ❑ The maximum amount under the “Canada Employment Amount” is \$1,433.

### Planning Point

- Any amounts not deductible in one year can be carried forward and used in future years. GST paid on tool expenses can be recovered.
- Be sure and claim both the residency deduction and the travel deduction for up to 2 personal trips.
- CRA allows 1 meal where the trip length is between 12 to 14 hours, 2 meals where the trip length is between 14 to 16 hours and 3 meals where the trip is between 16 to 24 hours.
- GST may also follow these enhanced deductible percentages. Be sure to update your bookkeeping to make sure you maximize your deductions and GST refund.
- Be sure to identify these amounts as they can be recovered on your personal income tax return.
- If possible, try to ensure all family members have at least this amount of employment income to claim this credit. If you own your own company, consider giving family members who work for the company a reasonable T4, so they can benefit from this credit. It also may help with the Canada Workers Benefit.





## “LOOPHOLES”

### Tax Law

- ❑ Apprentices registered in years 1 to 4 of most trades may be eligible for a cash grant from the BC or Federal Government.
- ❑ Depending on your employment arrangement, consider operating through a company to pay lower tax rates.
- ❑ Self-employed individuals have more deductions than employees.

### Planning Point

- The grant may be taxable to the individual and may be included in income on their tax returns. There is a separate application for some grants. Don't miss the deadlines!
- Care must be taken so that you are not characterized as a personal service corporation, which is taxed at a much higher rate.
- If possible, try to structure your relationship as a contractor instead of employment.

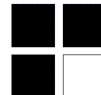
## IF YOU ARE A BUSINESS OWNER

### Tax Law

- ❑ If you or your spouse are self-employed, you have a June 15 deadline for filing tax returns, however, any taxes owed are still due on April 30. CRA may charge interest for unpaid taxes as of April 30.
- ❑ If your company has taxable income below \$500,000, it may qualify to make quarterly corporate tax instalments.
- ❑ The penalty for late filing T4 and T5 returns is approximately \$10 per day. Additionally, if you file five or more of these returns in a calendar year, you will be subject to penalties if you do not file electronically.

### Planning Point

- Consider making a lump-sum instalment before April 30 to cover the estimated taxes owing if you cannot file your return by that date.
- You might consider continuing with monthly instalments so that cash flows stay more manageable and there is less likelihood of forgetting a payment.
- It may be beneficial to pay a small penalty to CRA to enable tax planning.



**Tax Law**

**Planning Point**

- ❑ There are generally three reasons to incorporate a business:
    - You want to limit your personal exposure to lawsuits;
    - You have excess cash and want to pay lower tax; or
    - You intend to sell the business or transition it to your children.
  - ❑ Small business corporations benefit from a preferential tax rate of 11% on profit under \$500,000, as compared to a tax rate of up to 54% for individuals.
  - ❑ There are rules that may force your company to share the small business deduction with family members you conduct business with.
  - ❑ The small business deduction is reduced when investment income in a group of associated CCPCs exceeds \$50,000. For every \$1 of investment income that exceeds \$50,000, the small business deduction is reduced by \$5 in the subsequent year. Once investment income exceeds \$150,000, the small business deduction is eliminated.
  - ❑ The upper limit of taxable capital employed in Canada at which the small business deduction is phased out has been raised from \$15 million to \$50 million.
  - ❑ BC charges Goods and Services Tax (GST) on revenue earned at a rate of 5%.
- Each of these reasons must be examined in relation to your current situation and your expectations for the future. There are additional costs to having an incorporated business, so it is important to ensure the benefits will outweigh these costs.
  - Therefore, you can pay down debt or accumulate assets 43% faster by using a company.
  - These rules do not apply if gross income with those related persons is less than 10% of your gross income. You may want to review your business structure to make sure changes are not required.
  - The definition of investment income for purposes of these rules starts with the normal definition of aggregate investment income, then makes certain specific additions.
  - CCPCs and associated corporations with less than a combined \$50 million taxable capital employed in Canada will be entitled to receive a portion of the small business deduction.
  - Consider using the “quick method” of calculating GST. It may result in paying less GST than using the regular method.

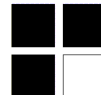


**Tax Law**

**Planning Point**

- ❑ BC also employs a Provincial Sales Tax (“PST”) system. ➤ PST is a retail sales tax that applies when a taxable good is acquired for personal or business use, unless a specific exemption applies.  

If your sales are over \$10,000 per year or you operate from a commercial premise, you may need to register for a PST account, if you have not already done so.
- ❑ PST has several different tax rates for different industries. Make sure you are registered under the right industry. ➤ Please contact our office if you have any questions or you can also visit [www.gov.bc.ca/PST](http://www.gov.bc.ca/PST) for more information.
- ❑ A loan by a corporation to a shareholder may result in a deemed taxable benefit. ➤ Care must be taken in the timing of salary or dividend payments to clear shareholder loans.
- ❑ The tax deferral opportunities that used to be available by staggering partnership yearends have been eliminated. ➤ Ensure your corporations and partnerships have the same year end to avoid “phantom income.”
- ❑ For a private corporation, Refundable Dividend Tax on Hand (RDTOH) is usually only refunded in cases where a private corporation pays an ineligible dividend. ➤ There is an exception to this rule where you build up RDTOH through eligible dividends received or earn active income in excess of the small business deduction limit. In this circumstance, an Eligible RDTOH pool will build up and eligible dividends will trigger the Eligible RDTOH pool to be refunded.
- ❑ Dividends can be paid to one class of share, to the exclusion of another class. ➤ Use different classes of shares for spouses, to allow for income splitting. Consider using a family trust to allocate income amongst family members. But be aware of CRA imposed limitations!



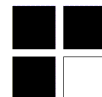
## “LOOPHOLES”

### Tax Law

- ❑ When you receive dividends or certain other income from a private corporation, tax on split income (‘TOSI’) may apply if you are under 18 or the return is not reasonable in relation to your contributions to the corporation. TOSI increases the recipient’s tax rate to 53.5% on the income.
- ❑ An individual can receive about \$34,000 of ineligible dividends or \$71,000 of eligible dividends without having to pay federal tax, assuming no other sources of income.
- ❑ Eligible dividends are taxed at a significantly lower tax rate than regular dividends.
- ❑ An unpaid dividend can be reported on a separate tax return for a deceased taxpayer, effectively providing two low brackets.
- ❑ Pensioners can earn up to \$5,000 of employment or self-employment income before it affects their Guaranteed Income Supplement.
- ❑ Pooled Registered Pension Plans (PRPP) are a kind of deferred income plan designed to provide more options for employees or self-employed individuals who do not have workplace pensions.

### Planning Point

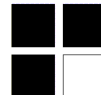
- Avoid paying dividends to someone under 18. For dividend recipients over 18, they are exempt from TOSI if they have worked for the business an average of 20 hours per week in the current year or in 5 previous years.
- Consider both dividends and wages when structuring shareholder remuneration in any given year.
- If your company has active income more than the small business limit, you should review whether paying “eligible dividends” is more tax advantageous than management bonuses. Dividends are often useful when a shareholder is getting CPP or other disability payments as wages often reduce the disability payments (dividends do not).
- If you are elderly or of ill health, consider declaring a dividend in your company, but not paying it. This allows another \$30,000 to the estate tax-free. Also, a \$10,000 death benefit can be deducted by the business & not be taxable to the employee.
- If you are 65 or older, you can consider part-time work or small side jobs without impacting your GIS.
- PRPPs can offer investment and savings opportunities with lower administration costs.



**Tax Law**

**Planning Point**

- ❑ The government has extended optional EI benefits for maternity, parental, sickness, and compassionate care benefits to self-employed individuals.
  - ❑ The CPP base rate is now 5.95%. In 2025, for those making in excess of \$71,300, an additional 4% rate is charged on income up to \$81,200.
  - ❑ Employers are required to provide eligible employees with up to 5 days of paid sick leave in addition to 3 days of unpaid leave.
  - ❑ A company can accrue a bonus at the end of a year to reduce corporate taxes. However, it will not be taxable to the employee until received. CRA requires that the amount be paid within 179 days of being declared.
  - ❑ The federal personal exemption for 2025 is \$16,129 (BC - \$12,932), under which no income tax is paid on earnings.
- Care must be taken when opting into this EI program since if you receive any benefits you may have to contribute if you are self-employed.
  - These changes are designed to allow for higher pension payouts on retirement.
  - Employers must pay employees their regular wages for these days. Ensure to plan for this additional cost.
  - If your company has a year-end of July 31 (or later), the company gets a deduction in one year and the income to you is not taxed until the next year. This helps equalize personal income across years and avoids having income in the high tax brackets. Good documentation is necessary, including how fees were determined, details of services rendered and that the fees vary from year to year.
  - Pay reasonable wages to family members (especially children) to take advantage of these tax-free limits. The wages to kids decrease family income for child tax benefit purposes and other social benefits.



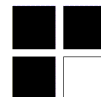
**Tax Law**

- ❑ The Employer Health Tax (“EHT”) is a payroll tax that applies to all employers with payroll in BC greater than **\$1,000,000** (threshold increased from \$500,000 effective January 1, 2024) and will apply to BC employment income and taxable benefits, as defined under the Income Tax Act (Canada). This includes:
  - Salaries;
  - Advances;
  - Casual labour;
  - Bonuses;
  - Vacation time;
  - Gratuities and tips (if paid through employer);
  - Taxable allowances;
  - Director fees;
  - Stock options;
  - Contributions paid to an employee’s RRSP and/or group life insurance premiums;
  - RPP contributions;
  - PHSP contributions;
  - Deferred profit share plan contributions; and
  - Retirement compensation arrangement contributions.

- ❑ A business can pay individuals as subcontractors, saving you the cost of Canada Pension Plan (CPP) and Employment Insurance (EI) remittances.
- ❑ If you are in the construction business, you may be required to report all payments to subcontractors.
- ❑ If your business pays fees or amounts greater than \$500 to subcontractors, you may be required to file T4A forms.

**Planning Point**

- The EHT is not applicable on earnings for employees who go to work at a premise located outside of the BC.  
  
Only the employers with EHT owing are required to file an annual employer health tax return which will have a due date of March 31st of the following calendar year. If you are associated with other employers, you must share the \$1,000,000 exemption.  
  
Instalment payments are required quarterly if your health tax exceeded \$2,925 in the previous calendar year. Your quarterly instalments are based on 25% of the previous year’s tax or 25% of the current year’s estimated tax.
- There are specific criteria to consider if a worker is a subcontractor or an employee. Ultimately, the risk of any additional tax liability resulting from an incorrect assessment falls on you as the business, so be sure before you start.
- Keep good records and file the required T5018 summaries. The penalty is up to \$7,500 for not filing.
- The required T4A’s must be filed on time with CRA. Failure to comply may result in interest and penalties.



**Tax Law**

**Planning Point**

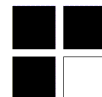
- ❑ CRA allows businesses a deduction for the purchase of equipment, referred to as capital cost allowance. The amounts for different types of equipment are set by CRA and only ½ of claim is permitted in the year of acquisition.
  - ❑ For assets purchased that became available for use between 2024 and 2027, you can claim 2 times the normal first-year capital cost allowance. Effectively, this suspends the half-year rule during this period. This does not apply to assets purchased from a non-arm’s length party or assets transferred through a rollover.
  - ❑ If an asset has had too much CCA claimed on it over the years, the tax value will be lower than the fair market value. When sold, such an asset will result in an income inclusion called “recapture.”
  - ❑ The CCA deduction is claimed in small amounts each year, but recapture is added to income fully in the year you sell an asset.
  - ❑ Tools with a cost less than \$500 are considered Class 12 additions for tax purposes and are fully deductible in the year of purchase.
  - ❑ Certain manufacturing assets and technological equipment can be put into a separate class when acquired so that when disposed of a tax savings can be realized if the selling price is lower than the tax value.
- Make capital purchases close to the end of the year. In this way, you get a half-year claim when only owned for a few days. Wait until the beginning of a new year to dispose of equipment as there is no CCA claim in the year of sale.
  - Be sure to take advantage of these accelerated rates if capital additions are required.
  - Transfer asset classes 2-12 to class 1 to defer the recapture of capital cost allowance when you sell assets. The purchaser, including children, can put the purchase into normal classes.
  - For assets that you expect to increase in value, such as a rental property, consider reducing the CCA claimed to avoid recapture in the year of sale.
  - It is important to ensure these are appropriately recorded, as the alternative is Class 8, which is a deduction of 20% per year.
  - Consider putting these assets into these special classes if you anticipate they will depreciate faster than the CCA rate permitted.



**Tax Law**

**Planning Point**

- ❑ There is currently a CCA rate of 50% on a declining-balance basis for machinery & equipment acquired after 2015 and before 2026 primarily for use in Canada for the manufacturing and processing of goods for sale or lease. The rate has increased to 75% for these assets that became available for use between 2024 and 2025 and 55% for assets between 2026 and 2027. This does not apply to assets purchased from a non-arm’s length party or assets transferred through a rollover.
  - ❑ The portion of expenses that relate to personal use (i.e., inventory that you consume personally) is not deductible by the business.
  - ❑ 50% of meals and entertainment expenses are deductible.
  - ❑ Leasing equipment is an alternative to purchasing, and the lease payments are 100% deductible. There are limits to deducting lease costs for passenger vehicles.
  - ❑ If your worksite is more than 80km from the nearest urban center of at least 1,000 people, meals are 100% deductible. GST input tax credits also follow this rule.
  - ❑ You can deduct home office expenses if you use your home office exclusively to earn business income and it is used on a regular and continuous basis for meeting clients, customers, or patients. A recent tax court case said telephone contact was sufficient for “meeting clients.”
- Ensure manufacturing and processing machinery and equipment is included in the appropriate CCA class to take advantage of this increased deduction. There are enhanced CCA claims for clean energy generators and electrical generators from waste heat.
  - Generally, it is easier to increase the reported income in the business to include sales to yourself. Although you can decrease the expenses if identifiable.
  - Keep good records to support your claim, including who you attended with and for what purpose.
  - Ensure it says “lease” if you want lease treatment. It can be structured just like a loan with a \$1 buyout and still qualify. Be careful as to what the lease rates are. They are often higher than financing costs.
  - Be sure and claim 100% of such expenses if the work site qualifies as a “remote work location”.
  - Keep all home related receipts (hydro, gas, insurance, mortgage interest, property taxes, repairs, etc.). The percentage of these expenditures relating to the home office is generally based on square footage of the office as compared with the remainder of the house.

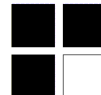




**Tax Law**

**Planning Point**

- ❑ Home office expenses cannot be claimed in a situation where it will increase the loss of a business. However, unclaimed amounts can be carried forward.
  - ❑ Where a website will have a relatively short useful life the costs can be expensed. However, if it is expected to have a long useful life it should be capitalized.
  - ❑ Membership fees and dues to any club providing dining, recreational, or sporting facilities (i.e., golf or yacht club) are non-deductible. However, expenses of entertaining at the club may be deductible if there is a business purpose.
  - ❑ Gym memberships paid on behalf of employees are taxable benefits. It is not sufficient that the membership increases employee morale, health, and efficiency at work.
  - ❑ A business can deduct premiums to private health services plans (PHSP). The plan can be self-administered.
  - ❑ If you use your life insurance policy as collateral for a business loan, you can deduct a portion of the premiums paid.
  - ❑ Interest on loans for capital withdrawals from partnerships or corporations is deductible.
- Always calculate the home office expense and keep a running balance.
  - Ensure to breakout the regular maintenance fees of the website, as those items can be expensed.
  - The standard rate for meals and entertainment is 50%. However, if the purpose of the expenses relates to a charity fundraiser, an office event, or a legitimate networking event, the expenses are then 100% deductible.
  - Instead, you might try showing that your business benefits by securing customers from this membership or that good physical health is necessary for the employee to carry out their duties.
  - It is often more beneficial to deduct these expenses in a business as they are 100% deductible. If claimed personally as a medical expense, they are subject to the 3% of income threshold.
  - The allowable deduction is based on the cost of pure term life insurance with a face value equal to the loan balance.
  - Consider obtaining financing within the business to pay off personal debt. In this way, the interest becomes deductible, where it was previously not.



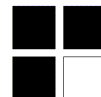
## “LOOPHOLES”

### Tax Law

- ❑ Interest on money borrowed to earn business income is deductible. The purpose of a loan is what determines whether a loan is deductible.
- ❑ For tax years starting on or after October 1, 2023, certain businesses are subject to the Excessive Interest and Financing Expense Limitation (EIFEL), which limits how much interest can be deducted to about 30% of adjusted taxable income.
- ❑ CRA has stated that payments of mixed debt must be split pro-rata based on the personal and business percentages.
- ❑ If a debt is not repaid to creditors, there may be certain amounts included in your income.
- ❑ A business is permitted to deduct education costs for its employees if they provide a benefit to the business.
- ❑ Business losses created on or after 2005 can be carried forward for 20 years, except for those resulting from an Allowable Business Investment Loss.

### Planning Point

- Always structure loans to be for a business purpose to make them deductible. If required, personal assets can still secure the loan. If structured properly a mortgage loan for your house can be tax deductible.
- Businesses are excluded from this limitation if:
  - They are a CCPC with group taxable capital employed in Canada less than \$50,000,000;
  - They have less than \$1,000,000 in group interest and financing expenses; or
  - Substantially all of their group’s activities are in Canada.
- You might consider splitting your financing into two separate loans (business vs. personal) and pay down the personal loan first.
- Ensure that the forgiveness of the debt is structured properly to avoid this income inclusion.
- If you run a business and have children attending school, you may wish to have the business pay for the tuition and other costs. There is a risk that CRA would deem this to be a taxable benefit, unless it can be shown that the program provides skills that are applicable to the business.
- If your business has losses that are about to expire, it may be possible to renew these, so that they are available for another 20 years.



**Tax Law**

- ❑ If you sell assets for a gain within a corporation, or if the company receives life insurance proceeds, and it results in a capital gain, only half of the gain is taxable. The non-taxable portion of the gain goes into a capital dividend account (“CDA”).

**Proposed legislation would increase the capital gains rate to 2/3, effective January 1, 2026. This excludes the first \$250,000 in capital gains for eligible individuals.**

- ❑ If you sell business property (including shares of a company) and replace it with a similar business property, it may be possible to defer the tax on the initial sale until the new property is sold.
- ❑ The lifetime capital gains exemption is available on the sale of shares of qualifying companies, and the sale of qualifying farm/fishing property.
- ❑ The lifetime capital gains exemption available on the sale of shares of qualifying companies and for the sale of qualifying farm/fishing property is \$1,250,000 in 2025.
- ❑ If the value of your business exceeds your capital gains exemption, consider sharing with other family members.

**Planning Point**

- A shareholder can apply to withdraw this amount from the company on a tax-free basis. Capital dividends are tax free to the recipient and a great way to increase shareholder’s loan.
- These replacement property rules are only available on business properties, not rental properties. Generally, there is a 1-year time restriction on the repurchase. Assets purchased in advance of the sale may sometimes be considered replacement assets.
- There are very specific rules for property to qualify. You should review these rules several years ahead of a potential sale to allow for any necessary changes. Ensure you don’t go offside on a “go forward” basis.
- Try and structure your financial affairs to be able to use this huge deduction. It has the possibility of saving an individual up to \$334,375 of taxes on shares of qualifying companies or qualifying farm/fishing property. Try and multiply this deduction so all family members can benefit from it.
- An “estate freeze” can multiply the capital gains exemption. A family trust has many benefits in this situation. But such planning must generally be completed years in advance of an eventual sale.

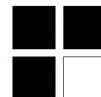


**Tax Law**

- ❑ **For sales of qualifying shares or qualifying farm or fishing property on or after January 1, 2025, the Canadian Entrepreneur Incentive will reduce the capital gains rate to 1/3 for capital gains up to \$400,000, with this limit increasing by \$400,000 per year until it reaches \$2,000,000 in 2029.**
  
- ❑ CRA provides a tax credit to taxpayers who carry out qualifying scientific research and experimental development. Your business must do something that is a “technological advancement.”
  
- ❑ There is a tax credit for salaries paid by a film or video company.
  
- ❑ A business in BC that employs a registered apprentice in the first two years of their apprenticeship in most trades is eligible for a tax credit equal to 20% of salaries paid to a maximum of \$4,000 per year per apprentice until December 31, 2027.

**Planning Point**

- Some property that qualifies for the capital gains exemption may also qualify for the Canadian Entrepreneur Incentive. If your capital gain exceeds your capital gains exemption limit, this incentive could significantly reduce your tax bill.
  
- Many businesses are excluded from this incentive, including professional practices, businesses whose principal asset is the reputation, knowledge or skill of their employees, consulting services, business related to sale or rental real property and recreational services.
  
- Apply if you think you could be eligible. Almost any area of technological advancement qualifies.
  
- Try to have as much of your salary shown as “production salary” as possible.
  
- To claim this credit, you will require the appropriate trade code and apprenticeship contract # for your employee.

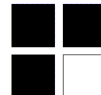


IF YOU USE A VEHICLE FOR BUSINESS

Tax Law

Planning Point

- ❑ Expenses relating to a vehicle used for business purposes are deductible based on the percentage of kilometers driven for business purposes, which must be supported by a travel log. CRA auditors have stated that if a log is not available, they consider the vehicle to be 100% for personal use, and no deductions are available. CRA may allow a simplified logbook based on a sample period of time.
- ❑ Employers are permitted to deduct a traveling allowance paid to employees for vehicle use, which is non-taxable to the employees. For 2025, the rate in BC is \$0.72/km for the first 5,000 kilometers and \$0.66/km thereafter.
- ❑ If an employee uses a business vehicle for personal use, the employer is required to calculate an “operating benefit” and a “standby charge” based on the number of personal kilometers and include these amounts on the employee’s T4. For 2025, the “operating benefit” rate is \$0.34/km. The “standby charge” is 2/3 of the annual lease cost or 24% of the original cost.
- ❑ CRA regards travel to and from work as personal use. However, tax court cases have determined that a home office can be considered a work location. Therefore, travel between your home office and your other office may be 100% deductible.
- Receipts must be kept supporting the expenses claimed. If you are audited and do not have a log, you may be able to prepare a log after the fact based on timesheets, appointment books, or other means, and appeal the re-assessment. Also, GPS logbooks are now available to help automate the logbook process.
- If actual vehicle expenses (insurance, repairs, fuel, loan interest, etc.) exceed this rate, actual costs can be claimed. However, receipts and a mileage log must be maintained to support the claim.
- The “standby charge” is reduced if personal use is less than 50% and less than 20,004 km/year in total. Because the standby charge is so onerous, a vehicle should generally only be owned by a business if it is used more than 90% for business use and personal use will be less than 1,000 km/month.
- If you do not have a home office but make a reasonable stop at a client or supplier’s location for business purposes on your way to your office, the trip may become 100% deductible.

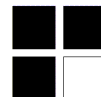


**Tax Law**

- ❑ An employer can loan money to an employee for the purchase of a car. These loans must bear interest at the prescribed rate of interest at the time the loan is made. For the first quarter of 2025, the prescribed rate is 4%.
  
- ❑ A vehicle defined as a “passenger vehicle” by CRA has special rules that reduce the allowable deductions for depreciation, lease costs, recapture, and interest. For 2024, the maximum cost for depreciation is \$38,000 (before GST and PST), the maximum lease cost is \$1,100/month, and the maximum interest is \$350/month. If not determined to be a “passenger vehicle,” the full expenses are deductible.
  
  
  
  
  
  
  
  
  
  
- ❑ There are accelerated tax deductions available for purchase of zero-emission vehicles purchased on or after March 19, 2019, and made available for use before 2028. The classes allow enhanced deductions in the year of purchase. The deduction is 75% of cost for 2024-2025 and 55% for 2026-2027. The write-off of zero-emission passenger vehicles is subject to a cap of \$61,000 (before GST and PST).

**Planning Point**

- There is no requirement to increase this interest rate once the loan is made; therefore, this allows for a non-taxable benefit to the employee if the market interest rate later exceeds the prescribed interest rate.
  
- A vehicle is not a “passenger vehicle” if one of the following applies:
  - It is a van, pick-up truck or similar vehicle that seats 3 or fewer people and is used more than 50% to transport goods or equipment in the course of producing income; or
  - It is a van, pick-up truck or similar vehicle that is used more than 90% for the transport of goods, equipment, or passengers in the course of producing income.These tests only apply in the year of acquisition. Acquire new vehicles just prior to the end of the year and ensure they meet the test for this short period. There are special rules for the disposition of a “passenger vehicle.”
  
- Consider taking advantage of the increased tax write-offs for zero emission vehicles.



IF YOU ARE A FARMER

Tax Law

Planning Point

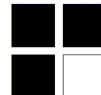
- ❑ There are several tax rules designed solely for farmers, many of which are very complex.
- See our separate booklet titled “**LOOPHOLES FOR FARMERS**” for a review of these specific tax planning points.

IF YOU OWN INVESTMENTS

Tax Law

Planning Point

- ❑ All Canadian residents must report on Form T1135 “specified foreign assets” that have a combined cost over \$100,000. CRA is enforcing this requirement by assessing penalties of up to \$2,500 for absent or late-filed forms. Corporations and trusts that have investments must also report on form T1135.
  - This includes shares in foreign companies, even if purchased through a Canadian broker. It does not include active businesses (which are reported on a T1134), foreign property held by a Canadian mutual fund, or property held in an RRSP or personal use property such as vacation homes used personally.
  - ❑ If you own property in the US, you may have to include any gain on its sale on your Canadian tax return. You may also have to file a US tax return and pay taxes in the US.
  - US taxation is very different from Canadian taxation and requires specialized advice. If you do pay US taxes, you may be eligible for a foreign tax credit on your Canadian return.
  - ❑ In 1994, CRA permitted all taxpayers to make a special election to utilize up to \$100,000 of their lifetime capital gains exemption. This may result in an increased cost base for that item, which may reduce the taxes when it is sold.
  - If you are selling any investments (including property) that were owned prior to 1994, always refer to your 1994 tax return to determine if there is an increase to the cost base.
  - ❑ Capital gains are taxed at 50% as compared to income, which is taxed at 100%. However, capital losses are only deductible against capital gains as compared to income losses, which are deductible against all sources of income.
  - If you have a gain on the disposition of property, try and have it classified as a capital property. However, if you have a loss, try, and have it classified as a business loss. The main factors that CRA looks at include:
    - period of ownership
    - frequency of transactions
    - amount of improvements
    - reason for the sale
    - intention at time of purchase.
- It is proposed that capital gains will be taxed at 66.67% starting in 2026.**



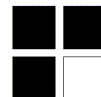
## “LOOPHOLES”

### Tax Law

- ❑ If you sell a capital asset for a gain but don't get all the proceeds immediately, a reserve can be claimed to spread the gain over a maximum of 5 years.
- ❑ If you sell an investment for a loss, you must wait 30 days before reacquiring the investment otherwise the loss is classified as a “superficial loss” and may be denied by CRA.
- ❑ Reinvested distributions from mutual funds are added to the cost base of the mutual fund.
- ❑ Return of capital distributions from mutual funds are reductions to the cost base of the mutual fund.
- ❑ If you are investing in marketable securities, you can claim them as capital gains or business income. Capital gains are taxed at a reduced rate compared to business income. However, capital losses provide a reduced benefit compared to a business loss.
- ❑ If you sell investments within a corporation and it results in a capital gain, only part of the gain is taxable. The non-taxable portion of the gain goes into a capital dividend account (CDA).

### Planning Point

- For sale of property and small business corporation shares this reserve can be extended to 10 years in some circumstances.
- In some cases, the superficial loss rules can be used to shift capital losses to a spouse where they can be used.
- Be sure to add the distributions to the adjusted cost base to reduce the resulting gain.
- The cost base of a mutual fund can become negative, which is taxed as a capital gain in that year.
- CRA permits a taxpayer to file an election treating all future dispositions of marketable securities as capital in nature. This is irrevocable and applies to all future years. The election is not available if you are a registered stockbroker.
- A shareholder can apply to withdraw this amount from the company on a tax-free basis. Capital dividends are tax free to the recipient and a great way to increase shareholder's loan.





## “LOOPHOLES”

### Tax Law

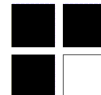
- ❑ Capital losses can be carried forward indefinitely.
- ❑ Investment losses (both capital and non-capital) can be carried back 3 years.
- ❑ If you have invested money into a business and don't have any chance of getting it back, you can claim an “allowable business investment loss” (ABIL). An ABIL can be used to reduce income from other sources and is not restricted to capital gains.
- ❑ Rental income from property held within a corporation is taxed at a higher rate than business property. However, CRA regards any property that employs more than 5 full time employees to be an active business, thereby eligible for the low-rate tax.
- ❑ **Effective January 1, 2024, a short-term rental property that is non-compliant with provincial or municipal registration, licensing, and permit requirements is not allowed to deduct any expenses related to the non-compliant property.**

### Planning Point

- To take advantage of capital losses carrying forward, you should consider selling some of your well-performing securities to trigger a gain. You can then repurchase those assets immediately if they fit your investment goals.

If you have realized capital gains in the year, consider selling some investments that have accumulated losses to offset the gains. If you do so, wait 30 days before rebuying those same assets, so the superficial loss rules don't apply.

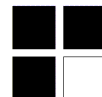
- If your investments are suffering a decline in value, consider selling to recover taxes paid on gains in the previous 3 years.
- If you have previously claimed a capital gains exemption, the ABIL may be reduced by that amount.
- If possible, try and structure your rental as an active business. Don't forget to pay your spouse and children reasonable wages for work performed.
- Ensure that your rental properties are properly registered and licensed to avoid a potentially significant increase in taxes.



**Tax Law**

**Planning Point**

- ❑ **Starting in 2024, in certain municipalities, BC has limited short-term rentals to**
    - **the home where the host lives for a longer period than any other place during the year; and**
    - **one secondary suite on the same property.**
  
  - ❑ Although investment income is initially taxed at a very high rate, it is possible to recover a portion of that tax by paying out dividends.
  
  - ❑ Eligible dividends are taxed at a significantly lower tax rate than regular dividends.
  
  - ❑ Mutual fund distributions are taxable when received.
  
  - ❑ Investment in a venture capital corporation can allow a 30% tax credit, up to \$120,000. These same investments may also qualify to invest in an RRSP, RRIF, or TFSA account.
  
  - ❑ Interest on loans for investment purposes is tax deductible. Interest on loans for RRSPs and other registered plans is not deductible because the investment income is not taxed.
  
  - ❑ Fees for investment counseling and portfolio management are deductible against investment income.
- Affected municipalities include Coldstream, Kamloops, Kelowna, Lake Country, Penticton, Salmon Arm, Summerland, and Vernon, among others.
  
  - For every \$3 of dividends paid, you can recover 38 1/3% of the dividend pool. However, be cautious of the effect it will have on your personal tax return.
  
  - Most dividends from Canadian public companies may be eligible dividends. These may be reported separately on your T5 that is received from these companies.
  
  - Most funds distribute in late December. If you purchase a fund in early December, you may pay tax on those distributed earnings even though they were earned by someone else.
  
  - If you invest \$5,000 in a venture capital corporation through an RRSP, you could get up to a \$4,175 tax reduction. However, beware that the adjusted cost basis of the shares will be reduced, which will increase your capital gains in the future!
  
  - If possible, borrow for new investments and use old investments for personal acquisitions such as vehicles. It may also be possible to restructure existing debts to make it deductible.
  
  - If your accountant is giving you investment advice, it may also qualify as a write-off.



**Tax Law**

**Planning Point**

- ❑ Transfers and gifts of property to children, parents and siblings must be at fair market value. If a transaction is not at fair market value, CRA can adjust the transaction.
  - ❑ If money is gifted to other family members to invest, the income generated may be attributed back to the gifter. However, if it is loaned at a prescribed rate, no attribution occurs.
  - ❑ There are many tax shelters that are designed to give immediate tax relief, including mineral and oil and gas flow through shares, Canadian films, and venture capital plans.
  - ❑ Taxpayers can register for a Tax-Free Savings Account (TFSA). This is not a tax deduction like an RRSP. However, both the investment growth and the withdrawal are tax-free. Shares of privately held companies in which you own less than 10% can be put into a TFSA. The yearly contribution limit has changed since its inception. For 2025 it is \$7,000, however, you can “catch up” on any missed prior years’ amounts. If you were 18 or older in 2009 and have made no TFSA contributions to date, you can contribute up to \$102,000 to a TFSA.
  - ❑ Life insurance policies accumulate free of tax and are not subject to tax on death.
- Double taxation can occur because CRA may only adjust one side of the sale. To avoid this, property can be gifted so CRA is forced to adjust both sides.
  - It is very important that the interest is paid by January 31 of each year and T5s must be issued. If one year is missed, the entire plan is offside. There is no attribution of active business earnings.
  - You should only make an investment in a tax shelter if there is a reasonable expectation of profit. There is no point in losing \$100 to save \$50 of tax. Also, make sure the tax shelter has the appropriate designation from CRA.
  - You might consider using this account for high-risk investments to increase the amount of tax saving if the investment does well. If you withdraw from the TFSA that amount can be replaced BUT you can’t put the money back until the following calendar year. Beware of TFSA investments doing poorly as they may limit future contributions.
  - You can borrow against this policy to create cash flow during your lifetime.



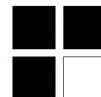
IF YOU OWN RRSPs/RESPs/RDSPs

Tax Law

Planning Point

- ❑ RRSPs, RESPs, RDSPs and RPPs allow investments to grow on a tax-free basis until withdrawn from the plan. In BC, registered plans may provide some form of creditor protection.
  - ❑ RRSP contributions made in the first 60 days of the year are deductible in that year or the preceding year. Unused deduction room can be carried forward for use in subsequent years.
  - ❑ An RRSP purchase results in a tax reduction, giving a guaranteed rate of return between 20% and 54% in the first year, based on your tax bracket.
  - ❑ RRSP contribution room is calculated as 18% of your earned income in the previous year. This is aggregated over your lifetime.
  - ❑ **The maximum RRSP contribution limit has been increased to \$32,490 for 2025 and \$33,810 for 2026. To reach the maximum contribution limit in 2025 you will need earned income of approximately \$180,500.**
  - ❑ You can withdraw RRSPs, however, the issuer is required to withhold tax at the following rates:

\$5,000 or less	10%
\$5,001 - \$15,000	20%
over \$15,000	30%
- Maximize contributions to registered plans before investing in non-registered investments. Individual pension plans offer high income taxpayers’ additional shelters of taxable income.
  - If you are at low rates of tax one year and high rates the next year, it is better to deduct the RRSP in the high-income year. It can still be purchased in the low-income year, just don’t deduct it.
  - When the RRSP is withdrawn, you may pay tax, however, you may likely be in a lower tax bracket so may have saved tax. Be cautious of making RRSP contributions when you expect to retire at a higher tax bracket as you may end up paying more tax in the long run.
  - If a child has any earned income, a tax return should be filed even if non-taxable, if only to increase future RRSP contribution room.
  - Your ability to contribute to an RRSP is based on earned income. Interest, investment, and property income do not qualify as earned income. To increase these earnings, you might consider moving your investments to a corporation and paying yourself a wage.
  - Make several smaller withdrawals to lessen the withholding rate. Don’t draw out RRSP in a high-income year as it is taxed at the high tax rate in that year. When you file your return, the actual tax payable from the RRSP cash out will be determined.



**Tax Law**

**Planning Point**

- ❑ The maximum age at which you can contribute to an RRSP is 71.
- ❑ The Home Buyers’ Plan (HBP) withdrawal limit is \$60,000. If you have not owned a residence in the last 4 years, you can use the Home Buyers Plan to withdraw from your RRSPs to buy the home without paying the tax on the RRSP withdrawal.

- If you are 71 or older you can still contribute to a spousal RRSP if your spouse is under 71 and if you still have RRSP contribution room.
- You must repay the RRSP (or include the withdrawal in income) over a 15-year period. If you are disabled or are the supporting person of a disabled person you can use the HBP even if you have previously used it or you currently own a home.

**Additionally, for participants who made or will make their first withdrawal between January 1, 2022, and December 31, 2025, repayments can be deferred for an additional 3 years.**

- ❑ A taxpayer can contribute to a spousal RRSP. Provided the spouse waits for 3 years from the date of the last contribution to withdraw from the spousal RRSP, the resulting income is taxed in the spouse’s hands.
- ❑ If you don’t have sufficient cash for your RRSP purchase, you can borrow from the bank to make your RRSP contribution. Interest on the loan is not deductible.
- ❑ In the year you turn 71, you must “mature” your RRSP into a RRIF. The minimum amount that annuitants are required to withdraw from a RRIF increases based on your age, starting at 4% for those 65 at the start of the year to 20% at age 95 or older.

- If a spousal RRSP is purchased on December 31 and is withdrawn on January 1st of the second following year, the spouse can, in effect, withdraw the spousal RRSP in a 2-year period.
- Such a transaction is usually only beneficial if the loan can be repaid within a year or if you are expecting lower taxable income in a future year.
- Be sure not to miss the deadline otherwise all accumulated funds in your RRSP may be added to your taxable income. You can base the withdrawals out of the RRIF on the younger spouse’s age.



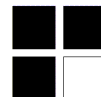
## “LOOPHOLES”

### Tax Law

- ❑ You may be eligible to receive a tax credit up to \$2,000 on your pension income (OAS and CPP are not eligible).
- ❑ A retiring allowance can be rolled directly into an RRSP on a tax-free basis.
- ❑ You can contribute certain qualifying investments, such as shares and mortgages, into your RRSP. Shares of private companies may be qualified investments for RRSP contributions when:
  - You own less than 10% in combination with other non-arm’s length parties; and
  - You deal at arm’s length with the company.
- ❑ You can convert some of your RRSPs into a non-RRSP investment by using the RRSP meltdown strategy.
- ❑ The loss in value of RRSPs or RRIFs after the death of a taxpayer can be applied against the deemed income inclusion reported on final tax return.
- ❑ The lifetime limit for contributions into a RESP is \$50,000. Generally, RESPs can now be transferred between siblings without penalties.

### Planning Point

- For individuals that do not have a pension and are 65, you should consider transferring funds from your RRSPs to a RRIF to benefit from this credit.
- You don’t need any RRSP contribution room to do this.
- You may have a capital gain if the investment has gone up in value. However, a capital loss is denied if the investment has gone down, so you are better off selling the investment at a loss and putting cash into your plans. Severe penalties exist for putting ineligible investments in RRSPs.
- In this strategy, you borrow funds to invest in a non-registered investment. RRSPs are then cashed in, and the interest expense may help offset the RRSP income.
- The RRSP or RRIF must be wound up by December 31st of the year following the year of death.
- To maximize the government top-up, you must contribute \$2,500/year. Spreading out a lump-sum payment is therefore beneficial. There are supplementary government grant programs which match some RESP contributions. These are the Canada Learning Bond, the Canada Education Savings Grant and the BC Training and Education Savings Grant.

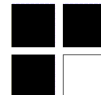


IF YOU MAKE DONATIONS

Tax Law

Planning Point

- ❑ Publicly listed securities and ecologically sensitive land can be donated to a registered charity or private foundation without having to report a capital gain on the appreciation of these assets.
  - ❑ **However, starting in 2024, 30% of the capital gain on donations of publicly listed securities will be included in taxable income for Alternative Minimum Tax ('AMT') purposes. Additionally, only 80% of charitable donation tax credits are deductible for AMT purposes.**
  - ❑ Charitable donations are eligible for a 20% credit on the first \$200 donated and up to a 53.5% credit on the remainder.
  - ❑ Charitable donations are limited to 75% of taxable income.
  - ❑ A donation made but not claimed can be carried forward for 5 years.
  - ❑ In the case of a deceased person, the limit on charitable donations is increased from 75% to 100% of net income. Any unused donations can be carried back to the prior year or used by a spouse.
  - ❑ It is generally more advantageous to make donations personally rather than through a corporation due to higher personal charitable tax credit rates.
- Instead of selling these assets and donating the cash to a charity, donate the assets directly. This translates into a larger donation receipt for you and more money to the charity or foundation.
  - When making donations of publicly listed securities, consider if the capital gain on the securities will create AMT in excess of your regular income taxes payable.
  - Combine your charitable donations with your spouse to have a larger balance over the low-rate threshold. If your net income is greater than \$252,752, you may be eligible for a 53.5% credit on the remainder.
  - Claim donations on the higher income spouse's return to increase the maximum allowable contribution limit. Split the contributions between spouses only if over this limit.
  - Consider accumulating the donations for two or more years to have a larger balance over the low-rate threshold.
  - You can now name a charity as a beneficiary of a life insurance policy or RRSP as part of your estate planning to reduce taxes on death.
  - Ensure that donations are paid by personal funds and that the donation receipt is in your personal name.



## “LOOPHOLES”

### Tax Law

- ❑ Contributions to a registered political party or an officially nominated candidate result in a tax credit of 75% for the first \$400; 50% for the next \$350; and 33 1/3% for the next \$525. There is no credit for contributions beyond \$1,275.

### Planning Point

- The tax savings from political contributions exceed that of charitable donations but are more limited in the amount you can claim. Consider a mixture of both to maximize your tax return and your personal objectives.

## IF YOU OWN A HOME

### Tax Law

- ❑ CRA allows a taxpayer to sell their home on a tax-free basis using the “principal residence exemption.” The principal residence exemption is generally limited to the home and the ½ hectare (1.24 acres) that it is situated on.

### Planning Point

- Tax court decisions have allowed significantly more than the standard ½ hectare of land for the principal residence. If you have more than ½ hectare, talk to our office to see what needs to be done to qualify. As a senior you can opt to postpone property tax payments to when you sell your house.

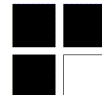
Be cautious of having more than 1 dwelling on the same property, as the principal residence exemption only applies to 1 dwelling.

- ❑ CRA requires you to report the sale of your principal residence on your tax return.

- You may not have to pay tax on any gain from the sale. But you will still need to report basic information such as date of acquisition, proceeds of disposition and description of property.

- ❑ You can only claim the principal residence exemption on 1 house per family per year. If you have more than one residence (i.e., a home and a cottage), you can designate different homes as your principal residence for different periods. You do not need to live in a residence on a continuous basis over the year. CRA only requires that it is “ordinarily inhabited” for a period each year.

- Prior to January 1, 1982, you and your spouse could each own a principal residence (“PR”). Designate the residence with the greatest increase in value as the PR to minimize the taxes. When acquiring a second property, obtain a current valuation of the first property as well to aid in the above determination. Keep a record of the adjusted cost base of each property to be able to calculate the gain.



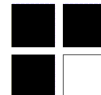


**Tax Law**

- ❑ If you leave your house on a temporary basis, you can maintain its principal residence status for a period of 4 years after you have left it.
- ❑ If you own a rental property and subsequently move into this property, you can elect to have it treated as your principal residence.
- ❑ If you rent part of your house out or use it for business purposes, you can still claim principal residence on the whole house, unless the part rented out is considered a separate housing unit, such as a self-contained secondary suite.
- ❑ The federal government has imposed anti-flipping rules that apply to the disposition of residential property held for less than a year.

**Planning Point**

- During the years that you rent your principal residence, you may deduct various costs and expenses but not capital cost allowance.
- If you make this election, you can designate the property as your principal residence for up to 4 years before you occupy the residence however you cannot have claimed CCA during this period.
- Be sure and claim less than 40% of common expenses, don't make structural changes, and don't claim CCA.
- If you meet the criteria, the taxpayer is deemed to carry on a business in respect to the sale and the sale is reported as business income rather than capital. There are minimal exceptions to these new rules.



**Tax Law**

**Planning Point**

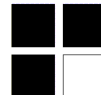
- ❑ **Residential properties in BC sold after January 1, 2025, will be subject to a home flipping tax of up to 20% if they were owned for less than 730 days, unless you qualify for an exemption. You must file a BC home flipping tax return within 90 days of the sale if you are subject to the tax.**
  - ❑ A First-Time Home Buyer’s Tax Credit of \$10,000 is available for first time home buyers who acquire an eligible home. This saves \$1,500 on your tax return.
  - ❑ The BC Home Owner Grant is phased out where the assessed property value exceeds \$2,175,000 for 2025.
  - ❑ Property transfer tax may be reduced or eliminated for eligible residential property under the First-Time Home Buyers’ Program. The property must be valued at most \$835,000 for a full exemption or between \$835,000 and \$860,000 for a partial exemption, effective April 1, 2024.
- Several exemptions require you to file a tax return, including:
    - Life circumstances, such as death, illness, or marriage breakdown;
    - You are a business in the building or development industry; or
    - The buyer and seller are directly related.
  - Exemptions that don’t require you to file a tax return include:
    - The property is located on a reserve;
    - You are a registered charity or other exempt entity;
    - You acquired the property as a beneficiary of a real estate investment trust; or
    - You used the property exclusively for commercial purposes.
  - This credit is available to anyone who has not owned a home in the last 4 years. If you qualify for the disability tax credit, you do not have to meet the 4-year test.
  - For properties assessed above the threshold, the grant is reduced by \$5 for every \$1,000 of assessed value in excess of the threshold.
  - This allows eligible first-time home buyers to save up to \$8,000 in property transfer tax on the purchase of their home. To qualify, you must have never owned an interest in a principal residence anywhere in the world at any time.



**Tax Law**

**Planning Point**

- ❑ For residential property sold, the property transfer tax is
    - 1% on the value up to \$200,000;
    - 2% on the value between \$200,000 and \$2,000,000;
    - 3% on the value between \$2,000,000 and \$3,000,000; and
    - 5% on the value in excess of \$3,000,000.
  - ❑ There is a speculation and vacancy tax on residential properties in BC. This tax targets both foreign and domestic homeowners who do not pay income taxes in BC. Households with high worldwide income but who pay a small amount of tax in BC may also be liable to pay the tax.
  - ❑ The Underused Housing Tax is an annual 1% tax on the ownership of vacant or underused housing in Canada. The tax usually applies to non-resident, non-Canadian owners. In some situations, however, it also applies to Canadian owners.
  - ❑ On certain residential properties, BC Hydro is offering rebates up to \$5,000 on eligible grid-connected solar panels and up to \$5,000 for battery storage systems.
- The property transfer tax rate tops out at 3% for commercial land, which are exempt from the high rate. Properties classified as residential and farm, or that is residential mixed class (i.e.: residential and commercial) are not exempt from the high rate.
  - This tax is administered by the Province of British Columbia but falls outside of the normal property tax system and property tax cycle. Designated taxable areas of BC include Coldstream, Kamloops, Kelowna, Lake Country, Peachland, Penticton, Salmon Arm, Summerland, Vernon, and West Kelowna, among others. All residential property owners in a designated taxable area must complete an annual declaration to claim any relevant exemptions – either by phone or online. The information you will need to register your property declaration will be mailed by mid-February to all owners of residential property within the taxable areas. The declaration must be completed by March 31.
  - There are significant penalties if you fail to file an Underused Housing Tax return when it is due. Consult a tax professional if you believe you may need to file this return.
  - Visit BC Hydro’s website for details on eligibility and applications. <https://www.bchydro.com/powersmart/residential/rebates-programs/solar-battery.html>.

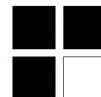


**IF YOU HAVE (HAD) A SPOUSE**

**Tax Law**

**Planning Point**

- ❑ If you are legally married (or living common law) you can claim a tax credit for a low-income spouse.
  - ❑ Several credits can be transferred to a spouse if certain conditions are met.
  - ❑ Dividends can be reported on a spouse’s tax return in certain circumstances when you have insufficient income to utilize the dividend tax credit.
  - ❑ A CPP retirement benefit can be shared with your spouse.
  - ❑ A taxpayer can transfer up to 50% of their pension income to their spouse.
  - ❑ Each spouse is taxed on his/her own income in Canada. Less tax is paid if both spouse’s income is equal as opposed to one spouse having the bulk of the income.
  - ❑ A testamentary trust is a trust that arises as a consequence of an individual’s death and initially use preferential graduated tax rates. Testamentary trusts lose their ability to use graduated tax rates after 36 months.
- Common-law partners cohabitating for a 12-month period, or longer, are subject to the same rules as legally married spouses. However, if you are separated for more than a 90-day period during the year then you may not be considered common law for tax purposes or can be separated (for legally married couples).
  - These credits include: the pension amount, age amount, disability amount, amount for children or tuition.
  - Calculate whether it’s best for you or your spouse to report the dividends.
  - If your tax rate is higher than your spouse’s, contact Service Canada to have the CPP benefit shared to reduce overall family taxes.
  - At the very least, \$2,000 of pension income should be reported by both spouses to take advantage of the pension income tax credit.
  - Have the higher income spouse pay for all living expenses and have the lower income spouse put their earnings into investments may help to equalize earnings over time.
  - To avoid high-rate tax, try to have graduated rate estate trusts wound up in 36 months.



## “LOOPHOLES”

### Tax Law

- ❑ Each family is allowed one principal residence exemption, but each separated person is allowed his or her own principal residence exemption.
- ❑ After a marriage breakdown, some attribution rules no longer apply. All RRSPs and RRIFs can usually be transferred to your ex-spouse without any immediate tax. Spousal RRSPs can be cashed in without adverse tax consequences to the contributing spouse.
- ❑ Child support payments based on post May 1, 1997 settlement agreements are not deductible to the payor and are not included in the recipient’s income.
- ❑ Alimony and spousal maintenance payments are deductible to the payor and taxable to the recipient.
- ❑ Legal fees to collect spousal support have been allowed as a tax deduction by recent tax courts. Legal costs of child support issues have also been deductible.

### Planning Point

- When the family owns more than one property at time of separation, it might be beneficial to give each spouse one property.
- In a marriage breakdown situation, try and work with your ex-spouse to reduce the overall tax bite of RRSPs and RRIFs. Ensure that CRA does not determine that part of the RRSP/RRIF split is in lieu of child support. If they do, that amount may be taxable.
- Where the payor and recipient jointly elect with CRA they can use the new rules even if their agreement was effective before May 1, 1997.
- Alimony agreements can result in the shifting of income from a higher income to a lower income spouse resulting in an overall tax saving.
- Make sure that your lawyer clearly breaks out these costs in their invoices so they can be deducted.

## IF YOU HAVE CHILDREN

### Tax Law

- ❑ The Canada Child Benefit is available for eligible families to help with the cost of raising children under 18.

### Planning Point

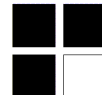
- The basic tax-free benefit for July 2025 to June 2026 is \$7,997 per year for each eligible child under the age of six and \$6,748 per year for each eligible child aged 6 to 17 years of age. This amount is reduced when your family net income is over \$37,487.



**Tax Law**

**Planning Point**

- ❑ CRA permits the Canada Child Benefit payments to be held in a child’s name without attribution of the income back to the parents.
  - ❑ Parents with children in participating licensed care are eligible for fee reductions of up to \$900 per child per month under the BC Child Care Fee Reduction Initiative. The benefits will be paid directly to eligible licensed service providers and will replace the existing childcare subsidy.
  - ❑ The BC Family Benefit provides tax free monthly payments of up to \$182 for the first child, \$114 for the second child, and \$94 for each subsequent child under the age of 18.
  - ❑ If you are single but support a family member (such as a child) in your home, you are eligible to claim the eligible dependent tax credit.
  - ❑ The BC Training and Education Savings Grant provides a grant of \$1,200 per child born on or after January 1, 2007.
  - ❑ The Child Disability Benefit is \$3,322 per child for each child eligible for the Disability Tax Credit (“DTC”) that is under 18 years of age. This is in addition to the regular DTC.
- You should open separate bank or investment accounts for your children so that the Canada Child Benefit is taxed in their hands.
  - Providers who have been approved for the childcare fee reduction initiative are required to inform families with children in their care that their facility has been approved. Parents who are unsure about their provider's opt-in status are encouraged to look up their provider's opt-in status at: <https://www2.gov.bc.ca/gov/content/family-social-supports/caring-for-young-children/running-daycare-preschool/child-care-operating-funding/child-care-fee-reduction-initiative-provider-opt-in-status#find-provider>.
  - Family net income exceeding \$35,902 will grind the benefit paid. Ensure that you have applied for this benefit if you meet the criteria.
  - This credit gives you the same benefit as having a low-income spouse. This can also benefit spouses that have separated during the year and have had no support from their spouse during the separation.
  - No matching or additional contributions are required. However, you need to open an RESP account at your bank and apply when the child is at least 6, but younger than 9.
  - You will need to have a doctor complete the necessary forms and file these with CRA if you have not already done so.



**Tax Law**

**Planning Point**

- ❑ The maximum amount of the child care expense deduction is \$8,000 for each child under 7 and \$5,000 for each child between 7 and 17. In cases where a child of any age claims the disability tax credit, the maximum is \$11,000.
  - ❑ If your children are grown and have their own minor children, consider bequeathing funds in your will to your grandchildren in a trust.
  - ❑ RRSPs and RRIFs can be left to financially dependent children and grandchildren or to their RDSP.
  - ❑ The government provides the Canadian Education Savings Grant of up to \$600 per year based on contributions into a Registered Education Savings Plan (RESP). If the child does not go to post-secondary school, up to \$50,000 (lifetime limit) of the RESP can be transferred to your RRSP.
  - ❑ You can sell shares of a small business corporation to your children. Future growth in the company may then be taxed in the hands of the children but you can still control the company until your death.
- Be sure to claim all childcare expenses including babysitters, boarding schools, summer camps, sports camps and wages paid to other children 18 or older for looking after your children who are 16 or younger.
  - On your death, the funds will go in trusts with your children as trustees and the grandchildren as beneficiaries. The grandchildren’s income will be taxed in the child’s name.
  - Doing so may eliminate any taxes that would otherwise be payable when cashing in the RRSPs or RRIFs.
  - If possible, ensure you contribute at least \$2,500 to each child’s RESP to capitalize on the government grant. The effective return on this investment is 20%. If a beneficiary didn’t receive the maximum grant in a previous year and there are unused amounts, the maximum grant payment is \$1,100.
  - This “estate freeze” is a very effective way of transferring future income and capital gains to children.

**IF YOU ARE A SENIOR**

**Tax Law**

**Planning Point**

- ❑ You may have the option to defer receiving your OAS pension for up to 5 years. In exchange, you may receive a higher monthly amount (0.6% every month delayed to a maximum of 36% at age 70).
- Based on your family history, if you think you may live longer than the average you might want to consider deferring your OAS to benefit from higher monthly payments. Also, if you are in a high tax bracket and your OAS may be clawed back then you should consider deferring your OAS.



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**Tax Law**

- ❑ OAS is “clawed back” by 15 % of an individual’s net income over \$90,997 for the period of July 2025 to July 2026 (\$93,454 for the period of July 2026 to June 2027). The “age amount” is also reduced if your income exceeds \$44,325. These claw backs result in a large hidden tax.
- ❑ If you are receiving Old Age Security, you may be eligible for Guaranteed Income Supplement (GIS), depending on your income.
- ❑ If you are employed or self-employed and between the ages of 65 and 70, and you want to stop contributing to the Canada Pension Plan (CPP), you must file an election form, if you are collecting CPP.
- ❑ CPP does not qualify for pension splitting like other pensions on an annual basis for tax purposes.
- ❑ If you stayed home to care for children born after 1958, you may be eligible to have a credit applied to your CPP contributions in lieu of this time spent away from the work force.

**Planning Point**

- Try to restructure your holdings to split income with your spouse and/or limit remuneration from your company. Also, consider delaying deducting your RRSP contribution in the last 2 years before retirement, which can be carried forward to reduce your future taxable income in those years.
- An application must be filed to receive this GIS – it is not done automatically when you file a tax return.
- The election form required is called a CPT30 form. It must be forwarded to CRA, and a copy should be kept with your records. You must be a recipient of CPP to make this election.
- If you are over 60, you can apply to have your CPP benefits shared between you and your spouse to reduce taxable income. You can apply to share CPP by completing a CPP Pension Sharing form (either online with My Service Canada Account or with a paper application) and then mailing or taking the certified true copies to a Service Canada office.
- You may need to complete the CPP Child Rearing Drop-out Provision at the same time as you apply for your CPP benefits. If you are already collecting CPP and did not know about this opportunity, we may be able to get this increase to your CPP amounts paid retroactively.

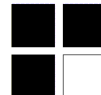




**Tax Law**

**Planning Point**

- ❑ A disability tax credit is available if you have a prolonged mental or physical impairment that is certified by a medical professional. Unused disability credit can be transferred to related persons. The criteria to qualify for the disability tax credit has been expanded in the areas of mental functions and life-sustaining therapy.
  - ❑ If you incurred any renovation costs that were necessary to help you stay in your home, you may be eligible for the Seniors Home Renovation Tax Credit. The tax credit would be 10% of the eligible renovation expenses to a maximum of \$1,000 per year.
  - ❑ Attendant care expenses are a deductible medical expense.
  - ❑ A \$2,000 pension tax credit is available for retirees who have qualifying pension income.
  - ❑ “Eligible” dividends are taxed at a significantly lower tax rate than regular dividends.
  - ❑ If you receive a German pension, you may have to file a German tax return.
- If this condition existed over the last 10 years, you should re-file back until that time. In some cases, this can result in refund of almost \$18,000 in income taxes.
  - This includes the addition of such items as handrails, walk-in bathtubs, ramps, etc. This is available for either rental units or houses that are owned. This credit is available to either the senior or a family member sharing their home to a senior.
  - Be sure to keep receipts as they may be required by CRA.
  - If you are over 65, consider converting RRSP funds into a RRIF or term deposits into qualifying annuities. This may permit you to receive \$2,000 of income from these investments on a tax-free basis.
  - Although taxed at a lower rate, eligible dividends have a higher gross-up resulting in higher taxable income. This may result in a reduction in your GIS or OAS payments. This should be considered if you have the choice between eligible and ineligible dividends.
  - If this applies to your situation and you require further assistance, please contact our office.



## “LOOPHOLES”

### Tax Law

- ❑ Probate fees may be eliminated using gifting, setting up trusts, named beneficiaries, joint tenancy, etc.

### Planning Point

- Be careful not to generate immediate income taxes when doing probate planning. Also, consider creditor and family law issues. Serious consideration should be given before putting assets in joint tenancy with intended beneficiaries. Legal advice should be sought in this regard.

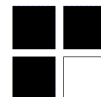
## IF YOU CARE FOR YOUR PARENTS

### Tax Law

- ❑ If you are single but support a family member (such as a parent) in your home, you are eligible to claim the equivalent to spouse tax credit. Also, if the parents are disabled, you can transfer the disability tax certificate to yourself.
- ❑ If you have a dependent with an impairment in physical or mental functions, you may be eligible to claim an additional tax credit for the family caregiver amount.
- ❑ If you renovate your home to create a secondary dwelling to permit eligible persons to move in with you, you may qualify for the Multigenerational Home Renovation Tax Credit.

### Planning Point

- You may also be eligible to claim the caregiver tax credit if you are residing with a parent over 65 or a dependent relative who has a mental or physical infirmity.
- An additional credit of \$2,616 may be claimed for the Family Caregiver Amount for an infirm dependent (including a spouse or an eligible dependent). CRA may ask for a statement from the doctor to verify when the impairment began and the expected duration.
- A 15% credit can be claimed on eligible expenses up to \$50,000. Ensure you keep receipts regarding any potential renovations made.



IF YOU ARE PAYING FOR MEDICAL EXPENSES

Tax Law

Planning Point

- ❑ Medical expenses paid over 3% of your net income or above the annual threshold entitle you to a tax credit. Some allowable expenditures include:
    - payments to doctors, dentists, chiropractors, etc.,
    - glasses, hearing aids, dentures,
    - prescription drugs,
    - premiums paid for extended medical or dental plans,
    - equipment purchases and renovations for handicapped access of residence,
    - institutional care or home care
    - travel expenses to obtain medical care not available in your area,
    - medical services,
    - cosmetic surgery is **NOT** a medical expense in most cases.
  - ❑ Medical expenses are eligible if paid in a 12-month period ending in the taxation year (on a date of death return, this can go back 24 months).
  - ❑ If you are a low-income individual with high medical costs, you may be able to recover some of these costs even if you would not otherwise pay tax.
  - ❑ Be sure and claim all medical expenses relating to your well-being, including travel expenses and construction expenses on your home for enabling better access. This includes moving expenses of up to \$2,000 and the purchase of a vehicle modified for a disabled person of up to \$5,000.
- Claim medical expenses on the lower income spouse’s return to decrease the level of the 3% threshold.

Travel expenses can be calculated using the simplified method, meaning CRA permits a standard mileage and meal allowance for medical trips. However, claims for lodging, parking, etc., must be supported by receipts.

You may deduct amounts paid for you, your spouse, dependent children, and any other family member that you support (i.e., parent or grandparent).

Choose your own 12-month period to include the highest total medical expenditures (for example March to February).
  - You may need receipts to document this claim. The refundable medical expense supplement can get you approximately \$1,400 back from CRA. Consider splitting medical expenses with a spouse, as each of them are eligible for the refundable credit.
  - Keep good records of all your medical expenses and be sure they get deducted.
  - The tax savings that result from claiming the disability tax credit are substantial. If there is any possibility that you may qualify, you should consider the process of making this claim.



**Tax Law**

- ❑ A disability tax credit is available if you have a prolonged mental or physical impairment that has been certified by a medical professional. Unused disability credit can be transferred to related persons.

**Planning Point**

- If you have a relative with little income the disability tax credit could be transferred to you, saving approximately \$1,900 in taxes per year.

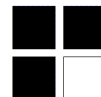
**IF YOU ARE GOING TO SCHOOL**

**Tax Law**

- ❑ All scholarships and bursaries (elementary, secondary, and post-secondary) are non-taxable if you have a T2202 in the current or prior year.
- ❑ Using the Lifelong Learning Plan (“LLP”), an individual can withdraw up to \$10,000 per year over 4 years, to a maximum of \$20,000, from an RRSP on a tax-free basis to fund their education.
- ❑ If a student has borrowed money on the Canada Student Loan program, the student can get a tax credit for the interest paid on the loan. There are many provincial government grants for students. Most provinces have a grant portion of the loan that does not have to be repaid.

**Planning Point**

- If you run a business and have children attending school, you may wish to offer a scholarship to your child. This would be deductible to the business and non-taxable to your child. There is a risk that CRA would deem this to be a taxable benefit to yourself, but this is reduced if the scholarship is available to all employees and selection is based on a defined set of criteria.
- The amount withdrawn must be repaid (or reported as income) over a 10-year period.
- The student should always pay off non-deductible loans first, to maximize tax interest tax credit. If the loan is refinanced outside the Canada Student Loan program, interest may no longer be deductible. If parents are employing their children who are students, they might want to consider the income tested grants and bursaries before paying taxable wages to the children.



**Tax Law**

**Planning Point**

- ❑ If you have moved to study full time at a university or college, you may be eligible to claim moving expenses.
- Your new home must be at least 40km closer to the educational institution. The moving expenses are only deductible against taxable scholarships, fellowships, bursaries, certain prizes, or research grants.
- ❑ Individuals automatically accumulate \$250 towards their Canada training credit limit. Each individual is able to accumulate a maximum of \$5,000. In order to meet the criteria, you must be between 26 and 65 years of age, must be a resident of Canada and must report at least \$10,000 of personal earnings from employment, self-employment, or certain other sources and cannot be in the top income tax bracket.
- The accumulated dollars can be claimed as a refundable tax credit by the individual to cover half of the eligible tuition fees.

**GST & PST**

**Tax Law**

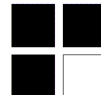
**Planning Point**

**PERSONAL**

- ❑ The GST/HST credit is determined based on your family income and your family structure, including number of children and whether you are single or a married/common-law couple.
- For example, you are eligible for the GST/HST credit if you are single with no children and have income less than \$54,704, or you are married with 2 children and have family income less than \$65,084.
- ❑ Personal GST credits are changed every quarter if your family circumstances change.
- If you turn 19, have a birth in your family or have a change in your marital status, supply the information to CRA as the GST is adjusted quarterly.

**BUSINESS**

- ❑ If you are registered for GST, input tax credits (ITCs) can be claimed for GST paid out to earn taxable revenue. Businesses with taxable sales over \$30,000 are required to register for GST.
- A “notional” ITC can be claimed in many cases if you bring personal equipment or automotive equipment into a registered business.

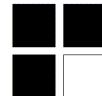


## “LOOPHOLES”

### Tax Law

### Planning Point

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| <ul style="list-style-type: none"><li>❑ You are required to file GST at regular intervals.</li><li>❑ Beginning in 2024, businesses must file their GST returns electronically.</li><li>❑ When you cancel your GST registration for a business, you must pay GST on any assets kept by you personally.</li><li>❑ CRA permits small businesses with less than \$400,000 of revenue to report GST using the “quick method”. This gives the business the benefit of claiming ITCs at a specific percentage of taxable sales regardless of the type of expense incurred to earn those sales.</li><li>❑ When you trade-in a vehicle and purchase a new vehicle, you should only pay GST on the difference.</li><li>❑ The GST on real estate transactions is quite complicated.</li><li>❑ Tangible goods brought, sent, or delivered to BC may be subject to PST.</li><li>❑ PST has several different tax rates for different industries. Make sure you are registered under the right industry.</li></ul> | <ul style="list-style-type: none"><li>➤ Be sure to file on time. Most CRA income tax audits occur because of poor compliance with GST.</li><li>➤ If you fail to file your GST return electronically, you will be subject to a penalty of \$100 for the first failure and \$250 per following failure.</li><li>➤ Careful consideration should be given to closing your GST account and the valuation of assets that you hold. This is an “audit point” for CRA.</li><li>➤ In cases where the primary expense to the business is wages or some other non-taxable supply, the “quick method” may likely result in smaller GST remittances. Please note that ITCs on capital purchases can be recovered under the quick method.</li><li>➤ Be sure that your final purchase agreement reflects this.</li><li>➤ If you are planning to purchase property, determine the GST obligation in advance and take steps to mitigate this liability. It may be too late to take advantage of certain tax strategies after the fact. If an error is made, the amount of the error is usually quite significant.</li><li>➤ You may be required to self-assess on your PST return for that period.</li><li>➤ Please contact our office if you have any questions or you can also visit <a href="http://www.gov.bc.ca/PST">www.gov.bc.ca/PST</a> for more information.</li></ul> |
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PRIVACY POLICY

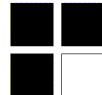
- ❑ Federal and Provincial Privacy Legislation require that a firm or financial institution maintain the privacy of personal information in its possession or control. A Privacy Policy sets out the principles and procedures that the firm follows in meeting its privacy commitments to its clients and to comply with privacy legislation.
- You should ensure that your financial institution has advised you of its Privacy Policy. If you are in doubt, contact the Privacy Officer at the institution for more information. Our privacy officer can be reached at [ch@rhllp.ca](mailto:ch@rhllp.ca).



NOTES:



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**NOTICE TO USERS:** This information is of a general nature. We try to ensure its accuracy and timeliness. No one should act on it without appropriate professional advice after a thorough examination of the facts of a particular situation. Information in this booklet is current to January 31, 2025. Changes after that date are **NOT INCLUDED**.