

## Income tax strategies for 2011

Every Canadian tax payer has the right to pay as little income tax as *legally* possible, known as **tax avoidance**. The Canada Revenue Agency (CRA) has a very long and detailed list of rules, known as the Income Tax Act, which specifies what you can do to accomplish this. Straying outside these rules is called **tax evasion** and has severe consequences.

It is up to each individual tax payer to claim all their tax deductions and credits. If you miss any, CRA may not advise you. However, if you miss claiming any of your income, they will certainly let you know and then collect the taxes. Remember, you have the right to arrange your financial affairs in the most tax-efficient manner possible. Consider:

**Pension Income Tax Credit** - Daphne has continued working after age 65 and postponed her pension and RRSP income until she retires. To take advantage of the Pension Credit, she converted just enough of her RRSP into a RRIF to generate \$2,000 per year of income. This federal tax credit makes the income tax-free, so she deposits the money to her Tax Free Savings Plan (TFSA). This helps Daphne reduce her taxable income a little more when she does retire.

**Make Monthly RRSP Deposits** - Many Canadians find it difficult to come up with a lump-sum to deposit to their RRSP each year. Ben decided to make regular monthly deposits directly from his bank account. He also submitted a Form T1213 to CRA for approval to have his employer deduct his RRSP contributions from his income before calculating his taxes. This gives Ben an instant, ongoing tax break.

**Children's Fitness Amount** - You may be able to claim up to \$500 per child for fees paid that relate to the cost of registering a child in a prescribed program

of physical activity. The child must have been under 16 years of age (under age 18 if eligible for the disability amount) at the beginning of the year in which an eligible fitness expense was paid.

**Public Transit Amount** - You can claim the total amount paid for public transit passes, or for the cost of passes for multiple transit systems. This includes the cost of monthly passes or of longer duration such as an annual pass for travel on public transit. There is specific criteria required to support your claim.

**Canada Employment Amount** - If you reported employment income, you can claim the lesser of \$1,051 and the total of the employment income you reported. The Canada employment amount provides recognition for work-related expenses such as home computers, uniforms and supplies. Sorry, self-employed individuals are not eligible for this amount.

**Home Buyers' Amount** - You can claim \$5,000 for the Home Buyers' Tax Credit (HBTC) if:

- you or your spouse or common-law partner acquired a qualifying home; **and**
- you did not live in another home owned by you or your spouse or common-law partner in the year of acquisition, or in any of the four preceding years (first-time home buyer).

**Tradesperson's Tools Deduction** - You may be able to deduct the cost of eligible tools you bought to earn employment income as a tradesperson (including apprentice mechanics). This cost includes any GST and provincial sales tax, or HST, you paid. You may be able to get a rebate of the GST/HST you paid. Certain conditions apply.

*Not intended as specific income tax advice. Rules may change, so please consult with your tax advisor.*

**Minimize The Taxes You Pay - because it's the right thing to do. Call today!**



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