2009 Tax Tips

Did you know about?

- Home Buyers Plan (HBP) – a first time home buyer can now withdraw up to $25,000 from their RRSP (an increase of $5,000 from the 2008 limit).

- Registered Disability Savings Plan (RDSP) – contributions to an RDSP are not tax deductible, however, income earned on the contributions is tax sheltered until withdrawn by the beneficiary. As well, a RDSP may receive funds from federal programs, namely the Canada Disability Savings Grant and Canada Disability Savings Bond in conjunction with contributions. RDSPs do not have an annual contribution limit, but a maximum lifetime contribution of $200,000 per beneficiary exists. Contributions to a RDSP can be made up until the beneficiary turns 59. RDSPs provide significant tax deferral and savings opportunities for beneficiaries and their families.

- Do you have a child that turned 18 in 2009? Have them file a 2009 personal tax return even if they have no reportable income or tax owing. Filing a nil 2009 tax return will generate contribution room for TFSAs and RRSPs, and potentially the GST/HST tax credit.

Income-splitting possibilities:

- Prescribed rate loan – with interest rates at record lows, a prescribed rate loan at 1% provides a significant, legitimate income-splitting opportunity; a taxpayer with a lower marginal tax rate reports investment income earned from the loaned proceeds. Interest on the loan must be paid annually by January 30 of the following year.

- Pension income – allocate 50% of your eligible pension income to your spouse, which potentially generates additional tax credits and real savings.

- Spousal RRSP - though the advantages of a spousal RRSP have been reduced because of pension income, opportunities still exist where a spousal RRSP is useful. If an individual turns 71 during the year and has RRSP contribution room carry forward, the individual can still make a spousal RRSP contribution providing his or her spouse is under the age of 71.

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