



We take your taxes personally!

# Ten Ways to Cut Your Tax Bill

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# Ten Ways to Cut Your Tax Bill

**A**re you among the many Canadians who feel they are paying too much tax? Did you know you pay almost 50% of your income to the various levels of government? If you gross \$40,000, that would be almost \$20,000! What can you do about this sky-high bill? At PTC Canada, we offer a variety of free resources to help you, and this handout is a sample. This short list of ways you can cut your tax bill is based on years of helping our clients legally reduce their tax liability. We trust you will find it as useful as others have!

## 1. Use your RRSP deduction.

Regardless of what you may have heard, this is still a good tax deduction. Even if you contribute as little as \$20 per week, you can get as much as a \$400 in tax breaks at the end of the year while your money compounds tax-free. Also, you may be eligible to participate in spousal contributions, depending on your marital status. If you haven't started a plan, today is a great day to do so. I recommend opening up an account the day you start earning income. Always find out your RRSP limit. You can do this by contacting CRA at 1-800-959-8281 or [My Account](#).

## 2. Donations

In Canada, there are many charities to give to. As long as the charity has a charitable number assigned by CRA, you qualify for a tax credit of up to 29% for all cash and goods donated for which receipts have been issued. This is a good opportunity to clean house of things you don't want but others can use. Depending on what you give, you may be able to get a receipt for the fair market value. For example, your donation of \$1,000 worth of old furniture to your church can give you a \$290 tax break. As a bonus, you can save your receipts for up to five years. Suppose you donated \$1,000 of furniture each year for five years. That would give you a \$1,450 tax break for cleaning your house and helping someone out! For foreign donations (including U.S.), contact the tax office to make sure the organization qualifies.

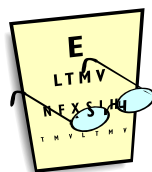


### 3. Education

Have you thought of upgrading your skills or taking a course? Depending on the educational institution you attend, you may qualify for the tuition credit, provided the course is post-secondary, vocational, or job related. As a bonus, you will get the time credit for each part- or full-time month you attend. Suppose you took a \$500 part-time evening course for three months. Your tax break would be as much \$286, or a 26% tax credit (depending on the province). Now suppose you went full-time for that same semester and your tuition was \$2,000. Your break would be \$832. Tuition can also be carried forward to future tax years, if that would be more beneficial. It can also be transferred between spouses and dependants.

### 4. Private health care plans

Do you have a lot of medical expenses, dental work, or prescription drugs? While many of these expenses are tax deductible, it may still be cheaper to buy a health care plan than to pay them and then deduct them. Suppose your medical expenses are \$2,000 for the year. Your tax break would be 26%, or \$520, so you are still out of pocket \$1,480. Now, suppose you buy a plan for \$500 per year with a 20% deductible (this varies, of course). You would pay the \$500 premium, plus \$400 deductible, for a total of \$900. Not bad, as you are ahead \$580. Here's the bonus: both the premium and deductible are tax credits of 26%, so you get a break of \$234 for a net out-of-pocket of \$666, a saving of \$814. As an extra bonus, most plans reimburse within a short time (except direct payment upon purchase), so you don't have to wait to file your income tax before the cash reaches your pocket.



### 5. Start an investment portfolio.

In addition to your RRSP, put your invested money into a tax-friendly vehicle, such as dividend- and capital-gains-oriented investments. CRA taxes these at a lower rate than ordinary investment income earned on your bank account, T-bills, bonds, GICs, etc. For example, the taxes on \$100,000 of capital gains, dividend, and interest are as follows (assuming normal deductions, in 2001 in Alberta, under 65 years of age): \$11,764.96, \$9,589.30, \$29,322.60. A big difference for sure! Also, as an investor, you are entitled to additional deductions, such as interest on money borrowed to fund your investments,

professional consulting/accounting fees, disposition costs, and more, over and above your personal deductions. Get PTC Canada's *Investment Tax Booklet* for tax strategies and recommendations, as well as tips on how to get started with little or no money or education!

## 6. Start a business.

This is one of the most lucrative tax opportunities around. Not only is it tax-smart, but it is also the in-thing to do these days. In Canada, almost a million businesses are started each year, so you may be missing the boat. People nowadays want the freedom to market their talents, and many find that difficult to do while working for someone else. If you've got something to offer for which people will pay, why haven't you started? There are many discovery courses and books out there to help you find out what you want to do. Or consider a proven franchise or direct marketing program. Be sure to have a business consultant take an objective look at the proposal before you invest. Take the banker's approach and examine the current financial statements and past two years' tax returns with notices of assessment. If the business looks profitable and makes sense to you, you're likely onto something. But if it shows a negative cash flow and doesn't make sense, move on. Don't settle for the line, "Oh, we're new at this and it'll take a few years to turn around." If the sellers sound like they don't know what they're talking about, they probably don't. I recommend PTC Canada's *Small Unincorporated Business Tax Booklet* for lots of insight into this.

## 7. Consider rental income.

More and more Canadians are using rental income as a side-revenue opportunity. Why? Because rental property is fairly easy to get into and has tax advantages. If done right (and there are several ways to do it), rental properties can become your main source of passive income within a few years. Generally, all expenses incurred to earn taxable rental income are deductible, and net losses can be used to offset income from other sources, like employment, etc.

I recommend three ways to get started: First, rent a portion of your home as a border or section of the house, depending on local zoning laws. Even if you are a renter yourself, you can do this and qualify. Second, buy property and do everything yourself. This can be a stretch for many people, especially when it comes to management, but once you've learned how, it can be lucrative. Third, buy a managed rental property. This is attractive to many people because you have professionals doing the legwork. But you need to make sure the management company is reputable and working in your interests. PTC

Canada's *Rental Property Tax Booklet* has many suggestions on how to approach rental income realistically, including tips on acquiring rental property with little or no experience.

#### **8. See if expenses on your job are deductible.**

Do you earn commissions as part of your wages? Do you have expenses on the job that are not reimbursed and are considered over and above normal? For instance, if you drive to and from work, that's considered a normal, personal expense that is not deductible. But if you use your vehicle on the job to travel between calls, meet clients, etc., the expenses are deductible. The same is true if you use part of your home, a cell phone, internet, office expenses, supplies, travel, meals, and more. Get PTC Canada's *Employment and Commission Expense Tax Booklet* to see what applies to you. It contains many strategies to help you qualify for this deduction.



#### **9. Consider giving assets to lower-earning dependants and/or associates.**

Do you have substantial income-earning assets and dependants with low net income? Suppose you hold a bond worth \$10,000, and it earns 10%, or \$1,000, interest per year. You can pay as much as \$390 tax on this. Depending on your relationship with your dependants and your respective incomes, you may be able to reduce your tax burden.

Here are two examples: First, suppose you have \$50,000 in bonds that pay 10% simple interest per year, or \$5,000. If you are in the top tax bracket, you will pay \$1,950 in tax. Your sixteen-year-old daughter is in high school and earns \$2,500 per year from her part-time job. You decide to give her an endowment (sometimes called an early inheritance) and transfer the bonds into her name, moving taxable income to her. Because her net income is under \$7,600, she would have no tax liability, and the net savings between the two of you would be \$1,950 for that year. Second, you have elderly parents over 65, with net income of \$10,000 for the husband and zero for the wife. You transfer the \$50,000 in bonds into the wife's (your mother's) name as a "care fund," and she carries the tax liability. She would not be taxed, as she has enough credits to be tax-free.

Now, here are a few points to keep in mind before considering these strategies. From CRA's point of view, the amount of the transfer must be reasonable and the motive behind it must be believable. If CRA feels you are trying to hide your money, they will use the attribution rules to tax you. These two scenarios are fairly common and should be acceptable to CRA. Also, the giver and receiver must understand and trust each other, as the onus is on the giver, not the receiver, to justify the transfer. I saw a situation once where the receiver decided to spend the money freely, upsetting the giver. When the giver tried to hold the receiver responsible, the receiver turned the giver into CRA (out of revenge). The giver was shocked to find that CRA had ruled against him and adjusted his returns six years back. (CRA is within their rights to go back that far.) Imagine how the giver felt when he got a \$10,000 tax bill on top of losing his savings! This is why the strategy must be well thought out and genuine. Otherwise, it may backfire on the poor giver, while the receiver walks away scot-free.

You can use a power of attorney to ensure you have emergency direction of the money, but be careful, as that can weaken your case. A power of attorney is usually reserved for cases of incapacity or other extenuating circumstances. It is not usually used to control the money under normal circumstances.

#### **10. Consult your tax professional.**

With our complicated tax laws becoming more complicated by the day, it's hard to stay on top. More and more Canadians are seeking professional help to stay informed and maximize what's available. I recommend shopping for a professional that meets your needs. PTC Canada's *Canadian Tax Secrets Guide* will show you how to narrow the search.

Look for someone who can grasp your situation quickly and give you an assessment, recommendation, or action plan. Ask them what they specialize in and what the majority of their work consists of. PTC Canada offers all tax services by full-time certified professionals, but we excel in small businesses, rental properties, employment expenses, investments, and, most of all, late filers. Thanks to technology, it's no longer necessary to meet face to face. PTC Canada's Zero Stop Taxes services clients and taxpayers anytime around the world through e-mail, mail, fax, and telephone. In theory, you never have to leave the comfort of your favourite spot to have all your tax needs met promptly and with excellence.

Currently, over 50% of PTC Canada's clients are serviced this way, and the numbers grow every year. Consultations range from \$100 to \$500, depending on your situation. PTC Canada continues to give a complimentary first-time consultation for most situations. However, a paid session might well be worth it. The fees are deductible, and \$500 (\$305 with the tax break) can save you \$1,000 per year after taxes. That's over 100% return on the first year and \$1,000 compounding every year after that. Hard to beat!

We also suggest you have previous returns reviewed. You can go back ten years and claim unrealized deductions, sometimes with interest. CRA has billions of unclaimed dollars in their account, and most of it will stay there because people don't know or don't care to look into it. I have found tens of thousands of dollars for clients. This could be you.

PTC Canada believes in helping the taxpayer whenever we can, because we work for you and nobody else. This free handout, which will save you thousands of dollars, is just a sample of our business philosophy. We are very hands-off in our marketing and hands-on in our work for you. Our clients like us because of the results we achieve and the top-notch service we give. Join our free mailing list today to receive updates on tax events and unique products and services to ease your tax burden. On the following pages, you will find a list of free resources and services. Then you can find out for yourself why PTC (Personal Tax Consultants) Canada *takes your taxes personally!*

Sincerely,  
*Neel*

Neel Roberts  
President & Founder

P.S. Tell us your success story. It means a lot to me and my clients!

*Since 1998, PTC Canada has helped thousands of Canadian taxpayers and clients around the world achieve optimal results with innovative tax preparation, planning, and consulting.*

## Free Tax Booklets

We offer other tax booklets, worksheets, and information that may be helpful to you. These include booklets for:

1. [Canadian Tax Secrets Guide](#)
2. [Employment and Commission Expense Tax Booklet](#)
3. [Investment Tax Booklet](#)
4. [Rental Property Tax Booklet](#)
5. [Small Unincorporated Business Tax Booklet](#)
6. [Farming Income](#)
7. [Personal Tax Organization Checklist](#) (Everyone can use this.)

You can download these and much more from our website ([www.ptccanada.com](http://www.ptccanada.com) under Resources) or we can arrange to have them sent to you.

## Our Free Services

1. Tax booklets, guides, worksheets, and preparation assistance
2. Seminars and information meetings
3. Investment opportunities
4. Mail and e-mail updates
5. 24/7 support via phone, fax, e-mail, courier, and mail
6. Internet filing and interactive website
7. Mobile tax services in certain areas
8. First consultation and personal assessment



**Tip:** If you are not a client but want regular updates, you can join our complimentary update service. Contact us and we'll start you today. There is no cost or obligation, and we love giving away free stuff!

## Other Services by PTC Canada

At PTC Canada, we are a network of Canadian tax and financial professionals who are specialists in our fields. We are committed to providing you with tax and financial expertise and assistance if you are affected by CRA (formerly Revenue Canada). Our goal is to provide insight and help to the taxpayer so that our clients can make informed decisions. Our philosophy is commitment to integrity and win/win solutions. Our services now consist of:

1. All types of tax preparation, planning, and consulting
2. Corporate tax returns
3. General accounting
4. Book and record keeping
5. Financial planning and investment services
6. U.S. and Quebec tax returns
7. Bankruptcy and debt consultation
8. Legal tax matters
9. Client representation to CRA
10. Overseas taxes and relocation assistance
11. Later-filer preparation
12. Previous years' corrections and adjustments up to 15 years

## Reference Books and Guides

I always recommend getting free stuff first and hope this booklet and other PTC Canada publications have been helpful. CRA also publishes a variety of [Tax Guides and Pamphlets](#) every year, which you can get by mail by calling the Forms Centre at 1-800-959-2221. You can also access their list of [forms and publications](#).

Here are a few more things worth looking into:

1. PTC Canada has a free *Canadian Tax Secrets Guide* that you can download from our website at [www.ptccanada.com](http://www.ptccanada.com), or contact us and we will send it to you.
2. I also recommend Tim Cestnick's *Winning the Tax Game 20\_\_* (for whatever year you are doing), available at your local bookstore or [www.chapters.ca](http://www.chapters.ca) for about \$25. The cost is deductible, and I believe you will find more than enough information to recover your investment of time and money. Go to [Tim's website](#), or contact Tim at [tim@timcestnick.com](mailto:tim@timcestnick.com) if you wish to discuss his work or other strategies.
3. Another book for about the same price is *The 30-Minute Tax Solution* by tax expert Evelyn Jacks of the [Knowledge Bureau](#). You can get it at your local bookstore or by calling Evelyn at 1-866-953-4769.

## Contact Information

In this booklet, I have given you some contact information that may interest you. Below is my contact information, as well as CRA's. If you are looking for something else, please contact me.

### **My contact information:**

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Website: [www.ptccanada.com](http://www.ptccanada.com)



## CRA Contacts

Service	Toll Free Number
General Services	1-800-959-8281
Refund Enquiries	1-800-959-1956
Business Number Enquiries	1-800-959-5525
Child Tax Benefits	1-800-387-1193
GST Credit-Personal	1-800-959-1953
Forms	1-800-959-2221
Collections	1-800-332-1312
All other Government of Canada Services	1-800-622-6232
Alberta Family Employment Tax Credit	1-800-959-2809
Fax Number-Depending on your location	Call General Services
Web Site	<a href="http://www.cra-arc.gc.ca">www.cra-arc.gc.ca</a>
Overseas Tax Services-Ottawa	1-800-267-5177
Overseas Tax Services-Outside Canada	Collect 613-952-3741
Local Tax Center	Call General Services

✓ **Note: Toll free numbers work across Canada.**