

March 2024

## TAX PLANNING SUGGESTIONS

### INCOME SPLITTING

#### Consider:

1. Lending funds at prescribed interest rates (currently 6% per annum) to your spouse or common-law partner, and/or child (ren) aged 18 or over for investment purposes, provided that the interest is paid within 30 days following the end of each year.
2. Gifting funds or assets to your child (ren) aged 18 or over or to a trust for your child(ren), to generate business income, capital gains or other income in certain circumstances.
3. Hiring your spouse or common-law partner, and/or child (ren) to perform services which would otherwise be performed by you or other employees.
4. Reorganizing the family business to introduce other family members directly or through a trust(s) as shareholders, beneficiaries or partners.
5. Investing in a Tax-Free savings account ("TFSA") for you and your spouse or common-law partner, and/or child (ren) aged 18 or over.
6. Contributing to a Registered Disability Savings Plan for a disabled child (ren), grandchild (ren) or other relative.
7. Investing the Canada Child Benefit payments in designated investments for the benefit of child (ren).

### DEFERRED INCOME PLANS

#### Consider contributions:

1. To a Registered Education Savings Plan for your child (ren), grandchild (ren) or other young relatives.
2. To your own and/or to a Spousal Registered Retirement Savings Plan.

3. To your 2024 RRSP immediately rather than waiting until 2025. If you are not a member of a Registered Pension Plan or a Deferred Profit Sharing Plan, you may contribute for 2024 the lesser of 18% of your 2023 earned income and \$31,560, plus your unused RRSP deduction limit, less any remaining over contribution from prior years in excess of \$2,000. You can maintain a \$2,000 over contribution without penalty provided that the over contribution can be utilized in a subsequent year.

4. To a Tax Free Savings Plan. The TFSA contribution limit for 2024 is \$7,000. You can also carry forward any unused contribution room from previous years. The annual contribution limit was \$5,000 from 2009 to 2012, \$5,500 from 2013 to 2014, \$10,000 for 2015, \$5,500 from 2016 to 2018, \$6,000 for 2019 to 2022, and \$6,500 for 2023.

5. To a First Home Savings Account (FHSA) if you have not owned a home since December 31, 2019. The FHSA contribution limit for 2024 is \$8,000, with a \$40,000 lifetime contribution limit.

#### Consider:

1. Receiving at least \$181,000 of 2024 earned income to be eligible for the maximum RRSP contribution for 2025.
2. Withdrawing funds from your RRSP by December 31, 2024 if your 2024 income is unusually low.
3. Purchasing with part of your RRSP funds, an annuity of \$2,000 per year which is eligible for the pension income tax credit, if you are between 65 and 70 in 2024 and neither you or your spouse are in receipt of Pension Income.
4. That you must annuitize your RRSP before December 31, 2024, if you will be 71 in 2024.

5. Withdrawing up to \$10,000 per year (cumulative \$20,000) from your RRSP to finance full-time training or education of you and/or your spouse or common-law partner.

6. For first-time home buyers, and for previous home owners who have not owned a home since December 31, 2019, and have repaid, in full, any previous Home Buyer's Plan withdrawals, and for certain disabled persons, withdrawing up to the lesser of \$35,000 and their RRSP balances as of 90 days prior to the withdrawal, to fund the acquisition of a "principal place of residence". Ensure that no RRSP contributions are made within the 89 day period preceding the withdrawal. The home must be purchased by October 1 of the year following the year of withdrawal. First-time home buyers are eligible for a non-refundable tax credit of up to \$1,500.

7. Filing income tax and benefit returns for your spouse or common-law partner and/or child (ren) who earn employment income but are not required to file, in order to accumulate RRSP deduction room.

8. Consider designating your spouse, common-law partner or financially dependent child as a beneficiary of your RRSP or TFSA at your death.

## **OTHER**

### **Consider:**

1. Applying for Old Age Pension and Canada Pension Plan Benefits if you were born in 1959 or earlier.

2. Filing Form CTP30 to elect to stop contributing to the Canada Pension Plan on your 65<sup>th</sup> birthday if you are an employee who collects CPP benefits (Self-employed persons make the election on their income tax return).

3. Deducting automobile expenses if you are in receipt of automobile allowances or expense reimbursements which are less than the business portion of your automobile expenses.

4. Keeping a record separating personal and business mileage, if automobile expenses or allowances for employment or business purposes are being deducted through your corporation, or on your

income tax return. Personal driving includes driving to and from a regular workplace. However, if one drives from home to a point of call other than a regular workplace, or returns from such a locale, the driving is deemed to be business driving. The tax consequences can be very serious if this record is not maintained.

5. Paying amounts such as donations, borrowing costs, medical, dental, and similar items prior to December 31, 2024.

6. Gifting securities that are capital properties (such as shares, mutual/trust funds, bonds, warrants, and futures) to registered charities or private foundations.

7. Paying down debt on which interest is not deductible before paying down debt on which interest payments provide tax relief.

8. If you have investment assets and are paying non-deductible interest, refinancing your investment assets to achieve interest deductibility.

9. Making permanent improvements to a senior's principal residence to improve the accessibility, functionality, or safety of the residence to the senior, aged 65 and older, with an impairment.

10. Renovating your home to accommodate a relative 65 years or older, or 18 years or older and eligible for the disability tax credit.

10. Planning for the impact of Family Law, Ontario Estate Administration Tax (formerly Probate fees) and other fees, and possible changes in income and capital gains taxes.

11. Reviewing and updating your estate planning, will, and Powers of Attorney for property and personal care.

We recommend that you consult with us before acting on these suggestions.

Yours very truly,



Chartered Professional Accountants  
Licensed Public Accountants