

Tax Saving Idea for 2005 Personal Income Tax

The 2005 tax reporting season is coming up. Individuals should report their personal income taxes before end of April 30, 2006 to avoid interest and penalty. Self employed businesses can file their returns before June 15, but should remember to pay taxes due before end of April to avoid interest assessments.

Check the following to see if they applies to you for reducing your taxes:

- Make your interest and other investment expenses deductible. However, you cannot claim deduction for interest expenses on money borrowed for personal use. Make a clear distinction.
- Be careful in claiming your tax losses before 2002. The tax inclusion rate has been changed in claims on capital gains or losses. If there are capital losses, apply it to the year with the highest tax inclusion rate first.
- The income tax rate is declining. If you can defer your income for another year, you not only can benefit from the

value of time money. You have actual tax savings from reduced income tax rates.

- Losses from real property can be classified as non-capital losses against all other income. Remember to separate your investment in land from the building and claim the appropriate portion.
- Moving expenses, including those expenses relating to work overseas are deductible, as long as some criteria are fulfilled. Check the tax rules.
- Medical credit for the family can be deducted under one taxpayer. It can cover up to 365 days in one taxation year. If you have disability, or dependents with disabilities, check to see if the claim on Attendant care is more beneficial.
- Remember to claim equivalent-to-spouse tax credit. This applies to unmarried and separated persons supporting qualified dependents at home.
- Do not forget to claim the credit on caregiver amount on your parents or grandparents of yourself or your spouse who is 65 or older. You can claim the credit for each qualified dependent. If two or more taxpayers want to claim on the same person, they have to share the credit.
- If you dispose of a share or a debt in a small business corporation, you may be able to deduct the allowable portion of this loss from your income against any sources. Just remember, Canada Revenue Agency has very stringent means of assessing this claim and be prepared to give supporting documents for this claim.
- Only 50% of the expenditures incurred on meals and entertainment consumed during the year is deductible. However, 50% rules disallowance does not apply to charity events, and food, beverages or entertainment generally available to employees of the payor. While membership fees to golf clubs and fitness clubs are generally not deductible to a business, we can now claim deduction on meals at golf clubs.
- When you sell your house unit where you resided, you should claim the exemption as a "principal residence" if you do not have another house that has a higher increase in value per year than this one sold. Remember to file the election form T2091.