

## 2010 TAX INFORMATION

### **Tax Reminders and TIPS**

#### RRSP Limits - Deadline for Contribution March 1, 2011

The limit for a year is 18% of your prior year's earned income up to the following maximum limits:

2010	-	22,000	2012	-	Indexed
2011	-	22,450			

Your unused contribution amounts can be determined by reference to your notice of assessment, or by contacting CRA – Tips Hotline at 1-800-267-6999. They will require basic personal information along with your total income reported on line 150 of your 2009 tax return as originally filed. You can also access this information through “My Account” on CRA’s website at [www.cra.gc.ca](http://www.cra.gc.ca). In order to access “My Account” you are first required to register for a Government of Canada epass at [www.cra-arc.gc.ca/eservices/tax/individuals/myaccount](http://www.cra-arc.gc.ca/eservices/tax/individuals/myaccount).

#### Medical Expense Claims

You may claim as non-refundable tax credits medical expenses for yourself, spouse and children born in 1993 or later. You may also claim medical expenses for children and grandchildren born before 1993 and parents and close relatives if they were dependent upon you for support.

For 2010 the medical expenses have to be more than 3% of your net income or \$2,024 whichever is less.

#### Charitable Donations

Donations up to \$200 will give you a federal tax credit of 15% over \$200 - 29%. Spouses can pool their donations and claim them on one return.

Donations may be claimed in the year or carried forward for up to five years.

#### Be an Informed Donor

Gather as much information as possible on the charity, ask for background documents, annual reports and budget information. Find out how much will be used for charitable activities.

Never provide personal information. Only charities registered under the Income Tax Act can issue official donation receipts. To verify if a charity is registered and to access its annual information return visit the charities directorate web page.

#### Investment Carrying Charges

You may be able to claim certain carrying charges and interest expenses with respect to your investments. Carrying charges include interest on money borrowed to acquire investments, safety deposit box fee, investment advice fees and certain accounting charges.

## **Recent Changes**

### *Tax Free Savings Account*

Beginning in 2009, all Canadians 18 and over can contribute up to \$5,000 per year to a Tax Free Savings Account (TFSA). Investment income earned in your TFSA is tax free throughout your lifetime. Income and principal can be withdrawn at any time without tax and any withdrawal amount will be added to your contribution room for the following year. In addition, any unused contribution room is available to carry forward to future years. Contributions are not tax deductible.

### *Registered Disability Savings Plan*

Beginning in 2008, the RDSP is a plan intended to help parents save for the long term financial security of a child with a disability on a tax free basis until withdrawal. The RDSP is available to anyone who is eligible for the Disability Tax Credit or a parent/legal representative of anyone eligible for the Tax Credit. Contributions are limited to a lifetime maximum of \$200,000 per child with no annual limit and can be made up to the end of the year in which the child turns 59. Upon withdrawal, the funds are taxed in the hands of the beneficiary. The plan also includes government grants of up to \$3,500 depending on the net income of the beneficiary's family.

### *Children's Fitness Tax Credit*

Under this credit, introduced in 2007, a parent may claim a credit of up to \$500 to register a child under 16 at any time during the year in an eligible program or physical activity.

### *Pension Income Splitting*

Introduced in 2007, you can allocate up to 50% of your eligible pension income (i.e. income that qualifies for the pension income tax credit) to a lower-income spouse or common-law partner. Examples of eligible pension income include: annuity income from a Registered Pension Plan, RRSP, or RRIF. Old Age Security and CPP payments would not be eligible pension income. For many taxpayers, this would result in reduced total family taxes payable.

**Throughout the year the Canada Revenue Agency issues a number of taxpayer alerts.**

### *Schemes that promote big tax losses or deductions are not worth the risk*

The Canada Revenue Agency (CRA) is warning taxpayers about investing in schemes that provide inflated or unsubstantiated tax losses or deductions. This type of business arrangement may be an "unregistered tax shelter," and participating in it puts taxpayers at risk of losing their entire investment, as well as any tax refunds they may receive as a result of making a claim on their tax return. Interest and penalties may apply.

*Investing in schemes that promise you tax-free withdrawals from RRSPs and RRIFs could result in you losing your retirement savings.*