2015 YEAR-END TAX PLANNING CHECKLIST

Financial planning is time sensitive. While the following list is not exhaustive, here are some items that must be considered, incurred or paid prior to year-end in order to be included in your 2015 tax return.

Knowing the results of our most recent federal election, we should take a look at what our new government might have in store for taxpayers. During the election, the Liberal party platform had several initiatives and promises that affected taxpayers. Specifically, they promised to:

- Reduce the TFSA annual contribution limit from $10,000 to $5,500;
- Increase the federal tax rate by 4% for individuals with taxable income over $200,000;
- Effect a 1.5% decrease in the federal tax rate for individuals with taxable income between $44,701 and $89,401, the middle class tax cut;
- Eliminate the family tax cut as introduced in 2014;
- Replace the Universal Child Care Benefit which was introduced in 2015 with a new income tested Child Tax Credit;
- Cap the stock option deduction;
- Decrease the federal tax rate for small business by 2%.

The timing of these changes is not known. However, individuals may want to do some planning in 2015 if they anticipate the changes will be made in 2016. Look for specific suggestions in this article which are highlighted by a double asterisk(**).

Richardson GMP's Tax & Estate Planning team will keep abreast of any changes as they are introduced in the coming months.

Prior to December 24, 2015:

- [ ] Put tax loss selling strategies to work by following these steps:
  1. Calculate the capital gains that you have realized for 2015.
  2. Identify and sell investments that are in a loss position. Trades entered by December 24th will settle funds in the account prior to December 31st.
  3. Net your capital losses against capital gains on your 2015 tax return.

  Note: If your spouse has unrealized capital losses, extra steps can be taken to incorporate them in your tax planning. *In all cases, you should be aware of the superficial loss rules when employing these strategies.*

Prior to December 31, 2015:

- ❑ ** Contribute the maximum amount possible to your TFSA to ensure the 2015 maximum of $10,000 is not lost by future changes.
- ❑ Make charitable donations. Donating qualifying securities instead of cash can increase your tax savings.
- ❑ Contribute to your child's RESP/RDSP.
- ❑ Withdraw funds from a TFSA, if needed. Any withdrawals will increase your contribution room in 2016.
- ❑ Withdraw funds from your RRSP if you are in a low tax rate for the 2015 tax year.
- ❑ If you are age 71 this year, you must convert your RRSP to a RRIF. Consider the following:
  - Use your younger spouse's age for minimum payment calculations.
  - Make an advance contribution to your RRSP for earned income from this year.
- ❑ Pay all tax deductible expenses.
- ❑ If you are a trustee of a testamentary trust, consider triggering income (like capital gains) before the end of the year as income retained inside the trust will be taxed at the highest marginal tax rate starting in 2016.
- ❑ ** Exercise stock options in 2015 if you feel the new cap will apply to you.

For Corporations:

- ❑ ** Pay bonuses earlier than normal so that they fall within the employee or manager's 2015 tax year.
- ❑ ** Pay discretionary dividends early so that they fall within the shareholder's 2015 tax year.
- ❑ ** Maximize discretionary deductions for your small business so as to defer active business income to next year.
- ❑ Consider paying an employee a non-cash gift or award of up to $500. This amount may be deductible to you and non-taxable to the employee.

For January 2016:

- ❑ Remember to pay interest on prescribed rate loans (e.g. spousal loans) prior to January 30th.

For March 2016:

- ❑ You have until March 1st, 2016 to make your RRSP or a spousal RRSP contribution, and deduct the amount on your 2015 (subject to your RRSP contribution limits) tax return.

Ongoing reporting obligations:

- ❑ **If you hold foreign property with a cost base greater than $100,000**, file the Foreign Income Verification Statement
  (CRA Form T1135). As of June 2014, new rules apply to disclosure of this information.
- ❑ **If you are a U.S. Person for tax purposes**, understand your IRS reporting requirements. U.S. Persons (even those who are resident in Canada) have tax reporting requirements in the U.S. For example, U.S. persons are required to report any holdings in Passive Foreign Investment Companies (PFICs).

  Note: Beginning in 2014, Canadian financial institutions are required to report certain information on U.S. persons as a result of the U.S. Foreign Account Tax Compliance Act (FATCA).

Tax measures previously introduced for the 2015 tax year:

- ❑ **Family Tax Cut – Income Splitting**
  - In the October 2014 Federal Tax Update a new non-refundable tax credit of up to $2,000 was introduced for eligible couples with minor children. The new credit will be effective for the 2014 and 2015 tax years.
- ❑ **Child Care Expenses and The Universal Child Care Benefit**
  - Effective 2015 there will be an increase in the Child Care deduction by $1,000. The Universal Child Care Benefit (UCCB) will also increase to $160 per month for children under the age of six, and $100 per month for those ages six to sixteen. As a result of the UCCB changes, the Child Amount Tax Credit is being repealed in 2015.

We recommend you discuss these strategies with your professional investment, tax and legal advisors prior to implementation to ensure they fit within your overall wealth plan.