
YEAR END TAX PLANNING

Some 2006 year-end tax planning tips include:

1. If the following *expenditures* are made by *individuals* by **December 31, 2006** they may be eligible for 2006 tax deductions: moving expenses, child care expenses, safety deposit box fees, charitable donations, political contributions, medical expenses, and alimony.

2. **2006 eligible Registered Retirement Savings Plan (RRSP) contribution** amounts are noted on the 2005 *personal income tax return assessment notices*. You have until **March 1, 2007** to make tax deductible RRSP contributions for the 2006 year.

Consider contributing to a *spousal RRSP* to achieve income splitting in the future.

3. Persons turning **age 69 in 2006** must *mature* their RRSP into cash, an annuity or a Registered Retirement Income Fund by December 31, 2006.
4. If you own a business, consider paying a *reasonable salary* to family members for services rendered to the business.
5. An individual whose **2006 net income** exceeds \$62,144 will lose all, or part, of their *old age security*.

Senior citizens will begin to lose their income tax age *credit* if net income exceeds \$30,270.

Contact your professional advisors for assistance in *managing* 2006 personal income.

6. Consider purchasing assets eligible for *capital cost allowance* before the year-end. For example, *employees* may be able

to claim capital cost allowance on *automobiles* required for their employment.

7. If you had taxable capital gains in the *year*, or any of the *preceding three years*, consider selling capital properties with an *underlying capital loss* prior to the year-end. This capital loss may be offset against the capital gains.

8. *Registered Education Savings Plan (RESP)*

A *Canada Education Savings Grant* (CESG) for RESP contributions will be permitted equal to 20% of annual contributions for children (maximum \$400 per child per year).

9. *Health and dental premiums for the self-employed*.

Individuals will be allowed to *deduct* amounts payable in respect of the year for *Private Health Service Plan* coverage in computing *business income* provided they meet certain criteria.

10. *Eligible tools* acquired after May 2, 2006 in excess of \$1,000 may be eligible for a tax deduction to a maximum of \$500.
11. Eligible *public transit passes* acquired after July 1, 2006 may be eligible for a tax credit.
12. A *refund of Employment Insurance* paid for non-arm's length employees *may* be available upon application to CRA.
13. Taxpayers that receive "*eligible*" dividends from private and public corporations will have a significantly lower tax rate on those dividends.

