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TAX MATTERS

Ten often-forgotten tax filing tips

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My son Michael is in university, and I'm always amazed at the things he's learning. Last weekend, for example, he explained wave-particle duality, which suggests that electrons are both particles and waves at the same time. Not to be outdone, I taught him that owls are the only birds that can see the colour blue, and that the 1985 Boise, Idaho, mayoral election saw Mr. Potato Head receive four write-in votes (thank goodness for my Uncle John's Bathroom Reader, or I'd have nothing to teach my kids).

I went on to share with Michael the top 10 often-forgotten tax filing tips – some of which apply to him. Let me share these tips with you now.

1. Ensure your child files a tax return. If you have a child who earned any income at all, make sure they file a tax return. Your child won't pay any tax if their income is below the basic personal amount of $14,398 for 2022, but filing a return will create RRSP contribution room that can be used to save tax later. And if your child is 19 or older, they'll be entitled to a GST/HST credit of up to $467 and a climate action incentive payment of between $373 and $550 if they live in Alberta, Saskatchewan, Manitoba or Ontario.

2. Report business activities even if you earned no income. If you started a business in 2022 and incurred any expenses related to that business, make sure you report those expenses on Form T2125, even if you earned no income. You'll have a loss to report in this case, which can offset other income you might have earned in the year such as employment or investment income.

3. Defer your RRSP deduction in some situations. If you contributed to your RRSP for 2022 and are entitled to an RRSP deduction, it could make sense to hold off claiming that deduction until next year, or even the year after, if you'll be in a higher tax bracket then. The deduction will save you more tax this way.

4. Consider reporting your car allowance as income. If you received a non-taxable car allowance from work but have incurred significant car expenses in 2022, you have the option of including that allowance in your income (on Line 10400) and claiming a portion of your actual car expenses (using Form T777). This could save you tax where the expenses claimed are greater than the allowance you received.

5. Don't forget your GST/HST rebate. If you report employment expenses on Form T777 for 2022, don't forget to claim a rebate for the GST/HST related to those expenses. You can claim this rebate on Form GST370. Your employer must be a GST/HST registrant and not be exempt from these taxes for you to be eligible.

6. Don't attach childcare costs to specific children. If you're eligible to claim childcare costs that you incurred to earn income, there are dollar limits depending on the age of your kids at the end of 2022. For those age six or under the limit is $8,000; ages seven to 17, $5,000; and children of any age with a disability, $11,000. If you spent over the limit on one child and under the limit on another, no problem. You can add up your total expense entitlement for all children and, as long as the total claimed doesn't exceed the total entitlement for all children combined, you'll be able to deduct all the costs.

7. Claim medical expenses and donations on one return. You'll save more tax if you claim all medical expenses on the lower-income spouse's tax return, since only expenses that exceed 3 per cent of income can be claimed, or $2,479 (for 2022), whichever is less. As for donations, to maximize your tax credit, claim them all on one spouse's return rather than splitting them.

8. Transfer credits to a family member. If your spouse can't use certain credits, they can be transferred to you, including the age, caregiver, pension, disability and tuition amounts. Also, up to $5,000 of tuition and the disability amount can be transferred from your child if they don't need the credits.

9. Split pension income with your spouse. Don't forget that you can transfer up to one half of eligible pension income to your spouse. This can allow your spouse to take advantage of the pension credit to shelter some of that income from tax.

10. Audit your own tax return. Check your return to see what might look new or different from prior years and make sure all information is complete. Make sure you understand why things might look different this year and be prepared to explain and substantiate your claims. This will avoid problems with the CRA later.

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