CESTNICK

TAX MATTERS

There is still time for employees to reduce taxes before year-end

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Two down, one to go. I'm talking about my kids graduating from university. My two oldest are now working full-time and I'm enjoying our conversations about it. "Dad, my boss is a fitness fanatic," my son explained. "He told us that he's going to fire the person with the worst posture. I have a hunch – it might be me." Yes, a bad dad joke of his own. He'll be a fine father one day.

My daughter, when looking at her pay, couldn't believe how much tax was deducted. When the kids were younger, I tried to explain the concept of taxes by buying them ice cream, then eating a third of it myself. But those lessons have been forgotten. So, last weekend, we talked about the things that employees can do before year-end to save taxes. Consider these ideas.

1. Reduce source deductions. If you expect a tax refund each year, perhaps because of tax deductions or non-refundable tax credits (such as RRSP contributions, child-care expenses, support payments, carrying charges) you should consider filing Form T1213, Request to Reduce Tax Deductions at Source, in November (required annually), to request a reduction of 2024 payroll income tax withholdings. This will provide you with more take-home pay throughout 2024.

2. Claim home-office expenses. If you've continued to work from home more than half the time in 2023 then you can claim a deduction for home-office expenses. If you're short of the "half-the-time" test, then see if you can work from home more before year-end to qualify. Have your employer sign Form T2200 certifying your work-from-home arrangement and start gathering up your records and receipts to support the costs you'll be claiming. Sorry, but the simplified flat-rate method of claiming up to $500 for your home office is no longer available starting in 2023.

3. Buy assets for work. If you use your vehicle or other assets (such as aircraft or musical instruments) in your work you may be entitled to deduct capital cost allowance (CCA, or depreciation for tax purposes) on those assets. If you're planning to buy new assets, consider doing this before year-end to increase your CCA deduction for 2023. And tradespersons and apprentice mechanics should consider purchasing eligible tools before year-end to qualify for a tax deduction.

4. Time your income. You should consider deferring the receipt of certain employment income to 2024, where possible, if your personal marginal tax rate will be lower in 2024 than this year, or consider accelerating the receipt of certain income in 2023 where your tax rate will be substantially lower this year than next.

5. Ask for courses and scholarships. Ask your employer to pay for job-related courses, which are a tax-free benefit to you. Hey, you might also ask your employer to set up a program that can provide tax-free scholarships to the children of employees. Finally, you may be able to claim the new Canada training credit in 2023 on tuition fees paid by year-end if you're between the ages of 25 and 65.

6. Consider employee loans. If you need to borrow money, consider asking your employer for a loan. You'll avoid a taxable benefit provided your interest cost is at or above the prescribed rate, which is currently 5 per cent (much less than prime rate), and provided that you pay any 2023 interest on a loan on or before Jan. 30, 2024.

7. Watch employer-provided vehicles. If your employer provides you with a vehicle, consider ways to reduce the taxable operating cost benefit and standby charge benefit. You can do this by reimbursing your employer for some or all of the personal-use portion of the operating costs if business use of the vehicle is less than 50 per cent, or reduce your personal use to less than 50 per cent. To reduce the standby charge benefit, consider reducing the number of days the car is available to you, or decrease your personal use of the vehicle.

8. Claim specific employment credits. Tradespersons and apprentices in the construction industry may be able to claim a "labour mobility deduction" of up to $4,000 a year for certain travel and relocation expenses incurred. And teachers and early childhood educators should consider purchasing eligible school supplies before the end of 2023, in order to claim the eligible educator school supply tax credit for this year.

9. Watch the limits on stock options. If you have stock options, don't forget about the new rules that can limit your stock option deduction if you exercise more than $200,000 of options in the year. You may want to time the exercise of options to fall under this limit. The limit doesn't apply to stock options granted by Canadian-controlled private corporations or corporations with annual gross revenue not exceeding $500-million.

Tim Cestnick, FCPA, FCA, CPA(IL), CFP, TEP, is an author, and co-founder and CEO of Our Family Office Inc. He can be reached at tim@ourfamilyoffice.ca