THE GLOBE AND MAIL

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TAX MATTERS

Ten moves for employees to save tax before year-end

SPECIAL TO THE GLOBE AND MAIL
PUBLISHED OCTOBER 29, 2026

I was asking my son, Win, how his work is going. “I just bought a guy at work a ‘Get better soon’ card” he told me. “Oh, is he sick?” I asked. “No, I just think he could be doing a better job,” Win explained. When it comes to doing a better job, most employees could be doing more to save themselves tax each year. Here are some year-end tax ideas to consider if you’re an employee.

1. **Make working from home profitable.** If your desk at home serves as an office and your employer requires you to work from home more than half the time, you can generally deduct a portion of eligible housing costs. Part of your rent, utilities, repairs and maintenance, supplies and internet access can qualify (based on the percentage of your home used for work). Mortgage interest generally won’t be included (unless you’re self-employed). Ask your employer for a signed Form T2200 and keep proof of your expenses because the Canada Revenue Agency is keen these days to review home-office claims.
2. **Look beyond the tax deduction.** Here’s a tax break employees often miss. If you’re entitled to deduct employment expenses, you might also recover GST or HST paid on those expenses using Form GST370. Your employer must be registered for GST/HST and not be a listed financial institution.
3. **Put your vehicle to work.** If your job requires you to use your own vehicle and you pay the costs, some expenses might be deductible. The conditions of employment matter, so get your employer to sign Form T2200. Keep a log of business kilometres, including the purpose of each trip, along with receipts for fuel, repairs, maintenance and insurance. Driving from home to your usual workplace is normally personal travel, not business driving.
4. **Think about when your bonus is paid.** If your income will be lower in 2027 (because of a parental leave, sabbatical or retirement, for example), ask your employer to pay a December bonus in January. A bonus

generally has to be paid within six months of year end to be deductible to the business. Alternatively, having the bonus paid directly into your RRSP, up to available room, can avoid withholding tax.

5. **Make a move that pays.** Changing jobs or locations? If you move at least 40 kilometres closer to a new work location, measured using the shortest normal public route, eligible moving expenses could be deductible against income earned at the new location. Costs can include transportation, movers and certain temporary living expenses. Remember, your province of residence generally determines on Dec. 31 which provincial income tax rates apply for the year.
6. **Claim a credit for job training.** Thinking of upgrading your skills? Consider applying for the Canada Training Credit, which applies to eligible courses or professional exams paid for on or before Dec. 31. It allows qualifying Canadians aged 26 to 65 to claim a refundable credit equal to 50 per cent of eligible fees, up to their available credit limit. You can accumulate $250 of credit room annually, to a lifetime maximum of $5,000. Check your latest notice of assessment for your available room. Even the taxman wants you to learn something new.
7. **Claim new relief for 2026.** There's good news for tradespeople: The spring economic update proposed to amend the labour mobility deduction. Effective for 2026, the maximum amount of eligible temporary relocation expenses deductible annually has increased from $4,000 to $10,000. There's also a new refundable tax credit for personal support workers worth 5 per cent of eligible earnings to a maximum of $1,100.
8. **Stock options: The one-half deduction survives.** The proposed hike in the capital-gains inclusion rate was cancelled in 2025, so the employee stock-option deduction has stayed at 50 per cent rather than dropping to 33 per cent. Consider spreading the exercise of your options over 2026 and 2027 to avoid higher taxable income in either year. Remember the $200,000 annual vesting limit for options from large employers. For Canadian-controlled private corporations, the income inclusion is deferred until an employee disposes of the shares.
9. **Stop lending Ottawa your money.** Do you receive a sizeable tax refund every spring because of registered retirement savings plan contributions or other recurring deductions? Instead of waiting for a refund, consider requesting reduced payroll withholding taxes using Form T1213. CRA approval is generally required. It doesn't reduce your actual tax bill, but it can improve monthly cash flow. Apply now for 2027, long before the first paycheque.
10. **Get full value from workplace perks.** Be sure to top up group RRSP contributions to capture any unclaimed employer matching before the plan year closes. And use any health spending account balances that lapse at year end. By the way, your employer can still give non-

cash gifts and awards worth up to $500 a year, tax free, to each employee. (So if you manage people, consider this when rewarding employees.)

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