

## Year End Tax Planning

Summer is ending and it's time to plan to reduce taxes. Here are 10 ways that you can reduce your taxable income and save taxes.

### For the Individual

1. **Registered Education Savings Plan.** Contributions to an RESP are not deductible but any income earned will be taxed on the child's tax return when the money is withdrawn. Not only does this lower the overall tax payable it defers the taxes for years. The Canadian government also gives a 20% grant each year. But the deposit must be done by December 31<sup>st</sup>.
2. **RRSPs.** Ok, there may not be a deadline but the sooner you contribute the better. Beat the rush, contribute. Better yet, use a spousal RRSP to give income to the lower income spouse.
3. **Realize Capital Losses.** Still sitting on Nortel shares you bought at \$100. If you have capital gains this year, or in the previous three years, you should consider selling shares that have lost money so you can reduce your taxable income.
4. **Medical Expenses.** If you can time medical expenses it is better to incur the cost before the end of the year than after. This can increase your tax credit.
5. **Donations.** Donations made before the end of the year will reduce your taxes payable for this year.

### For the Business Person

1. **Hire a spouse or child.** Income splitting (and tax savings) can be achieved by hiring a family member to do some work for you if you have a business. For example, your child could be hired to do filing. They would likely pay no tax while you get the deduction.
2. **Incorporate.** There can be some great tax savings by incorporating. The rules are complicated but it is possible that by incorporating in the latter part of the year you could substantially reduce the taxes payable for 2003.
3. **Salary or Dividend?** Now is the time to make final adjustments to your compensation. Delay and it is too late.
4. **Buy Assets.** If you are considering buying assets for your business (or a new vehicle) buy it before year end to start claiming Capital Cost Allowance.
5. **Work with a Professional.** The tax rules are complex and change every year. Working with a professional can ensure that you minimize all taxes payable.

By careful planning, record keeping and professional assistance you can reduce your taxes and maximize your income.

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