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2019 year-end tax planning checklist

TAX & FINANCIAL PLANNING

RICHARDSON GMP

Effective wealth planning takes place throughout the year. However, you can take some key steps before the end of the year and early in the new year that can make a positive impact on your overall finances, particularly from a tax perspective.

While the following list is not exhaustive, here are some time-sensitive items to look at now for your 2019 tax return.

Before December 15, 2019

If you owed more than $3,000 in tax upon filing your personal tax return for 2018, you may have received a notification from the Canada Revenue Agency (CRA) requiring you to pay tax instalments for 2019. If you have not made these instalments and will owe tax after your withholding taxes on salary are accounted for, you should make a payment by December 15. This will reduce or avoid instalment interest and penalties being charged.

Before December 27, 2019

☐ **Put tax-loss selling strategies to work**

1. Calculate the capital gains you have realized for 2019.
2. Identify and sell investments that are in a loss position. Trades entered by December 27 will settle funds in the account prior to December 31.
3. Net your capital losses against capital gains on your 2019 tax return.

Note: It is important that any tax-loss selling strategies you use account for the "superficial loss" rules, which will deny any capital losses if the investments are repurchased in a specified time period. More advanced planning can be used where a spouse has unrealized capital losses. Please refer to our "Advanced Tax Loss Selling" education article for more details. Should tax-loss selling between spouses be considered, it will be important to start the required steps at least 30 calendar days before December 27, 2019.

Before December 31, 2019

☐ **Tax-Free Savings Account (TFSA)**:

- Contribute to your TFSA. The TFSA limit for 2019 is $6,000. Keep in mind that TFSA contribution room accumulates if not used, so you may be able to top up your TFSA if prior contributions were missed. Check with the CRA to verify your unused contribution room.

- Withdraw funds from your TFSA, rather than waiting until 2020, since a withdrawal in 2019 will be added back to your TFSA contribution room at the beginning of 2020.

☐ **Registered Retirement Savings Plan (RRSP)**:

- Consider withdrawing funds from your RRSP by year-end if you are in a low tax bracket for the 2019 tax year, or to take advantage of the $2,000 pension tax credit for individuals that are at least age 65.
- If you are age 71 this year, you must convert your RRSP to a RRIF by December 31 and begin taking minimum withdrawals next year. Consider the following:
  - Using your younger spouse's age for minimum payment calculations.
  - Making an advance contribution to your RRSP by December 31 for earned income from this year, as you are still allowed to make a deductible contribution in the year you turn 71.

☐ **Make charitable donations.** Donating qualifying securities instead of cash can increase your tax savings.

☐ **Contribute to your child's Registered Education Savings Plan (RESP) or Registered Disability Savings Plan (RDSP).**

☐ **Pay all tax-deductible expenses** (e.g., investment management fees, child care expenses, medical expenses).

☐ Consider whether you wish to enter into an income-splitting loan prior to this date in order to take advantage of the CRA's 2% prescribed rate. The CRA's prescribed rate is revised quarterly and will stay at 2% until December 31, 2019.

Before January 30, 2020

☐ Remember to pay the interest on any prescribed rate loans outstanding (e.g., spousal income-splitting loans) prior to January 30 to avoid the income attribution rules from applying.

Before March 1, 2020

☐ A RRSP or a spousal RRSP contribution made prior to this date will be deductible on your 2019 tax return, subject to your RRSP contribution limit. The RRSP dollar limit for 2019 is $26,500.

☐ If you have an outstanding balance under the Home Buyers' Plan or Lifelong Learning Plan, the minimum annual repayment has to be made by this date. Otherwise, it will be taxable on your 2019 personal tax return.

Additional considerations

We recommend that you work with a tax planning professional to ensure all income, deductions, and credits are accounted for and filing requirements are fulfilled prior to the filing deadlines for your 2019 personal and corporate tax returns.

If you are an incorporated business owner, items to consider in addition to the above include but are not limited to:

- Reasonable salary and dividend mix for the year to yourself and family members. Note that dividends paid to related persons from a private corporation may be caught under the "tax on split income" (TOSI) rules.
- Planning for investments held within the corporation, particularly if it or any other associated corporation benefits from the "small business deduction" (SBD) on active business profits, due to tax rules phasing out the deduction limit once passive income exceeds $50,000.
- Repaying shareholder loans to the corporation to avoid potential inclusion of a taxable benefit.

We recommend you discuss these strategies with your professional investment, tax and legal advisors prior to implementation to ensure they fit within your overall wealth plan.

Contact your Richardson GMP Advisor for more information on these topics.