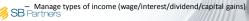


## 4. Understand the OAS Clawback

- An individual receiving Old Age Security benefit loses a portion of the benefit when their income is in excess of \$70K
- The impact to a taxpayer of the clawback is that it effectively raises their tax rate to 43% (Fed/Prov combined) for any income over \$70K
- Thus, pension splitting and CPP sharing can be significantly beneficial in cases where one spouse has over \$70K in income and the other less than \$70K
- Other considerations to manage the clawback:
  - Defer sales of portfolio investments at year-end if it will cause income to rise above \$70K
  - Defer withdrawals (if possible) of excess RRSP and RRIF amounts to next year if it will cause income to rise above \$70K



#### 5. Understand Non-Refundable Credits

- All Canadian residents are eligible for a variety of nonrefundable credits
- These credits reduce taxes payable by 20% of the credit amount (15% Fed; 5% Prov)
- If credits reduce taxes to nil, any excess credit does not create a refund
- If one spouse has nil taxes, some credits can be transferred to a spouse (or relative) to reduce taxes on their return



## 6. Understand Specific Credits

- Examples of credits include (all of which reduce tax by 20% of the credit)
  - Basic Personal Amount \$10.5K
  - Age Amount (65 and over) \$6.5K, reduced by 15% of net income over \$33K
  - Pension Credit \$2K, if received pension income (not CPP or OAS)
  - Caregiver Credit \$4K for individuals residing with and providing in-home care for a parent or grandparent age 65 or over – limited application as credit not available if dependant has over \$19K of income



### 7. Understand Medical Credits

- May be claimed by either spouse
- May be claimed for relatives that are dependant on you during the year
- Medical expenses must exceed lower of \$2K or 3% of net income for the year
- Medical expenses can be claimed for any twelve month period ending within the calendar year



## 8. Understand Disability Credits

- The disability deduction is available to persons who have a "severe and prolonged" mental or physical impairment
- Canada Revenue Agency's position is that severe means that "an individual's ability to perform the basic activity of daily living is markedly restricted
- Disability period should be in excess of 12 months
- Requires Form T2201 (CRA) requiring a doctors certification
- Credit is \$7,500 at 20%, reduces taxes by \$1,500 and can be transferred to a spouse or relative (assuming the individual was dependant on them)
- Credit can be applied retroactively up to 10 years



### 9. Understand Unusual Items

- Involuntary Separation where one spouse is forced to move into a separate residence (senior/nursing home), a special form can be filed to obtain Ontario Trillium Benefit (credit for occupancy costs) for each spouse – based on form, income calculation for credits is limited to individual (not both spouses)
- Guaranteed Income Supplement where individual's income is significantly low, OAS program provides "top up" amount to provide additional income support – contact Service Canada for qualification
- Ontario Healthy Homes Credit 15% refundable credit to individuals over 65 completing renovation work to make your home safer and more accessible – for more information call 1-866-ONT-TAXS (668-8297)



## 10. Review Available Publications through CRA

- CRA and Service Canada have numerous publications/webpages available to assist in understanding various considerations for tax and income planning including:
  - "When You Retire" (P119 CRA)

  - "Medical and Disability Related Information" (RC4064 CRA)
    "RRSPs and Other Registered Plans for Retirement (T4040 CRA)
  - "Canada Pension Plan (CPP) and Old Age Security (OAS) Connecting to Life's Events" – Service Canada
  - Guaranteed Income Supplement Service Canada
  - Involuntary Separation Service Canada



# In Closing

- Pension Splitting
- CPP Sharing
- OAS Clawback
- Medical Credits
- Disability Credits

