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CHARTERED ACCOUNTANT
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Newsletter

December, 2013 1/2

*Well, it is that time of the year again, so this month's Newsletter is going to be all about how to save taxes. This message is especially important though, because the opportunity to use these saving options will **expire** at year end! I do hope that you find these ideas useful and maybe, just maybe, you can save some of those hard earned tax dollars next year!*

2013 Tax Savings that expire on December 31^{st}

In order to leverage available tax savings in 2013 you must do certain things by December 31^{st}. Here are a few ideas to start you thinking.

But … act now if you think these might work for you.

1. First Year (FDSC) Charitable Gifts – Additional 25% tax credit may be available

2013 is the first year the First-time Donor's Super Credit (FDSC) has been made available. You may be able to claim this credit if neither you nor your spouse or common-law partner has claimed the charitable donations tax credit in any of the five preceding tax years (2008 to 2012).

There are a few rules though. This credit can be claimed only once, between the 2013 and 2017 tax years. If you qualify, you can claim an additional 25% tax credit on total donations made after March 20^{th}, 2013 up to a maximum of $1,000.

This is where if gets interesting because when you add the regular federal charitable donations tax credit to the FDSC, tax savings would be 40% for total donations up to $200 and 54% for total donations between $200 and $1000. And, of course, Provincial charitable donations credits are still available to further increase tax savings.

Remember though, the last day you can make a donation and get a tax receipt for the current tax year is December 31^{st}.

2. Investment Expenses

This may sound counterintuitive, but if investment related expenses (such as interest on money borrowed for investment purposes) are paid by December 31^{st} 2013, you can deduct them on your 2013 tax return. *(Just a footnote here, 2013 will be the last year a deduction can be claimed for Safety Deposit Boxes.)*

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3. Tax Loss Selling could save you money

If you have securities or fund units with accrued losses, you may want to consider selling them before year-end to offset capital gains in 2013, thus reducing your 2013 tax bill. To the extent the capital losses exceed capital gains in 2013 they could be carried back to a previous year to trigger a refund.

Once again, though rules apply. Publicly traded securities must be sold by **December 24th** for settlement by **December 31st, 2013**. But, if you plan to repurchase them, you must wait at least **30 days** in order to avoid the "Superficial Loss" rules which may prevent you from claiming a capital loss until the property is sold again.

4. Conversion of an RRSP to a RRIF at Age 71

If you are turning 71 in 2013 you can still make final contributions to an RRSP up to December 31st before converting it into a RRIF (Registered Retirement Income Fund) or Registered Annuity.

If you have earned income in 2013 you may want to consider over-contributing to an RRSP in December before conversion. While you will pay a penalty tax of 1% on the over contribution for December, new RRSP room will open up on January 1st, 2014 so you can deduct the over contribution on the next year's tax return.

5. Defer Mutual fund purchases

Defer the purchase of mutual funds in taxable accounts until the new year to avoid paying tax on undistributed income that the fund allocates to unit holders.

The information presented is only of a general nature, may omit many details and special rules, is current only as of its published date, and accordingly cannot be regarded as legal or tax advice. Please contact our office for more information on this subject and how it pertains to your specific tax or financial situation.