

Easy Money:

Make sure you don't miss out on the latest tax credits

With the myriad of tax change announced in 2006 it is easy to lose some of the less noted ones in the shuffle. Most Canadians are aware of the obvious ones like the GST cut from 7% to 6% along with the newly introduced Universal Child Care Benefit (UCCB). Here's a review of the five most common yet mostly unknown tax credits.

1) The Universal Child Care Benefit (UCCB): Perhaps the most significant benefit announced in 2006 for Canadians with young children was the new UCCB. The UCCB was designed to assist Canadian families as they seek to balance work and family life by supporting their child care choices through direct financial support.

Many Canadians are not aware of this benefit which means that they are missing out on the \$100 per month per child under the age of six. To receive the UCCB you must have applied by completing the Canada Child Tax Benefit (CCTB) application form. If you currently receive the CCTB you don't have to re-apply and should be receiving UCCB payments.

Forms for the CCTB can be downloaded from the CRA website (www.universalchildcare.ca), our website (www.perlerfinancial.com) under the links & resources section, or call our office and we'll send one out to you!

The UCCB is considered taxable income and is reportable by the lower income spouse or partner (regardless of which spouse or

partner actually received the payments) on Line 117 of the 2006 tax return. You should have received the new RC62, Statement of Universal Child Care Benefit information slip sent by the CRA to all 2006 UCCB recipients last month.

Finally, note that the UCCB will be excluded as income when calculating the CCTB and the Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit "in order to maximize the benefits payable to low- and modest income earners."

2) Canada Employment Credit (CEC) Only 10% of Canadians that were employed full-time in 2006 and thus qualify for the CEC intended to claim this credit on their 2006 returns. Prior to the introduction of the CEC, there was a huge inequity between employees and the self-employed when it comes to writing off work-related expenses. The current rules treat the self-employed or "independent contractor" much more favorable from a tax point of view since a self-employed business person can take advantage of numerous tax deductions which are severely restricted for employees.

For example, consider the employee who purchases a home computer used exclusively in the evenings and on weekends to check email, conduct internet research and prepare reports. Because of his employee status, he would not be entitled to any capital cost deductions associated with the computer since, under the current rules, employees are only allowed to depreciate automobiles or airplanes.

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The government introduced the CEC in recognition of this as it “gives Canadians a break on what it costs to work, recognizing expenses for things such as home computers, uniforms and supplies.”

The good news is that no receipts are required to justify any actual employment-related expenses. In fact, no expenditures actually need to be made. Instead for 2006, the new credit simply provides tax relief on the lesser of \$250 and an individual’s employment income for the year. For this year and beyond, the amount on which the credit is calculated is \$1000. Beginning next year, the amount will be fully indexed to inflation.

The CEC is claimed on Line 363 of Schedule 1 of the federal 2006 return and is worth 15.25% on a maximum of \$250 for 2006 and 15.5% on a maximum of \$1000 for this year and beyond.

3) Tax Credit for Public Transit Passes

The May 2006 budget also introduced the new tax credit for public transit “to encourage individuals to use public transit, ease traffic congestion in urban areas and improve the environment.”

The new non-refundable tax credit was equal to 15.25% for 2006 (now 15.5%) multiplied by the cost of monthly (or longer) public transportation passes. The credit applies to transit passes valid for travel on or after July 1, 2006.

To illustrate the potential tax savings, lets say Kari purchases monthly passes costing \$100 per month throughout the year. This year, she will receive about \$180 in federal tax relief (calculated as approximately $\$199 \times 12 \times 15.5\%$).

Nearly all types of public transit are covered, including: subway, commuter train, commuter bus and local ferry. The credit can be claimed by the public transit user for his or her own costs and for costs of his or her spouse or common-law partner’s passes, as well as for any children (under 19 years old). Remember: you need to retain your receipts and/or passes for tax verification purposes.

The new credit is claimed on Line 364 of Schedule 1 of the 2006 federal tax return.

4) Enhance Pension Income Credit

While the new ability for seniors to split pension income only begins this year, the doubling of the pension income credit to \$2000 from \$1000 was announced in last years budget. Yet according to a recent H&R Block survey, only 24% of seniors age 60 and over planned to take advantage of this credit on their 2006 returns.

The credit provides a non-refundable reduction in taxes payable on the first \$2000 of “qualified pension income.” For individu-

als 65 and over, “qualified pension income” includes not only normal pension income coming from a formal, registered pension plan (RPP) but can also include: lifetime annuity payments under a registered retirement savings plan (RRSP); or a deferred profit sharing plan (DPSP); or payments from a registered retirement income fund (RRIF).

For individuals under 65, the definition of “qualified pension income” is much more restrictive in that it includes only regular pension payments and certain other payments received as a result of the death of a spouse or common-law partner.

If you are at least 65, make sure you are receiving at least \$2000 a year from your RRIF so that you can take advantage of this credit. Individuals aged 65 to 68 need not convert their entire RRSP to a RRIF until the year in which they turn 69.

However, should you wish to take advantage of this credit, discuss with your advisor the possibility of transferring some of your RRSP money to a RRIF prior to age 69 so you will be in a position to claim.

5) New Tax Planning For Students

Have clients with kids in full-time post-secondary education? If so you should be aware of two changes: the new textbook tax credit and the scholarship and bursary income exemption.

The textbook credit will assist students to offset the heavy burden often associated with the purchase of textbooks. The tax credit is calculated by multiplying the lowest personal income tax rate (i.e. 15.25% for 2006 and 15.5% for this year) by \$65 for each month the student qualifies for the full-time education tax credit amount, or \$20 for each month the student qualifies for the part-time education tax credit amount.

Just like education and tuition credits, any unused textbook tax credit amounts may be carried forward indefinitely to future years or may be transferred to a spouse, common-law partner, parent, or grandparent.

Finally, the May 2006 budget also exempted all post-secondary scholarship, fellowship or bursary income from tax. The full exemption will only apply to amounts received while the student is enrolled in programs which entitle him or her to claim the education tax credit.

This includes most programs at the post-secondary level as well as programs at education institutions certified by the Minister of Human Resources and Social Development as providing occupational skills.

Please feel free to give me a call with any questions on these newly introduced tax saving strategies!

Important Dates!

There are a number of dates during the year when returns are due to be filed or payments are due to be paid. Also, there are dates when Canada Revenue Agency pays credits or benefits to you. Please see below for some information on these important dates:

Tax Return Filing Due Dates: Generally, your return for 2006 has to be filed **on or before** April 30, 2007. If you file your return after April 30, 2007, your GST/HST credit, Canada Child Tax Benefit (including those payments from certain related provincial or territorial programs), and Old Age Security benefit payments may be delayed.

Self-employed persons: If you or your spouse or common-law partner carried on a business in 2006 (other than a business whose expenditures are primarily in connection with a tax shelter), your return for 2006 has to be filed **on or before June 15, 2007**. However, if you have a balance owing for 2006, you still have to pay it **on or before April 30, 2007**. For details of how to make your payment, see [line 485](#).

Child Tax Benefit: In 2007, the Canada Child Tax Benefit (CCTB) is paid on the following dates: January 19, February 20, March 20, April 20, May 18, June 20, July 20, August 20, September 20, October 19, November 20, December 13. In 2007, the Universal Child Care Benefit (UCCB) is also paid on the above noted dates.

Balance Owing Due Dates: If your total payable ([line 435](#)) is more than your total credits ([line 482](#)), enter the difference on [line 485](#). This amount is your balance owing. Generally, if the difference is \$2 or less for 2006, you do not have to make a payment.

Your balance owing is due no later than [April 30, 2007](#).

For a full list and details on the important tax dates for 2007, please log on to www.cra-arc.gc.ca or contact your Accountant!

Spring Seminar!

Our Annual Spring Seminar will be held on Thursday May 10th, 2007 at the Inlet Theatre in Port Moody. We will have two great speakers to present some interesting and very timely information.

Make sure to "save the date" and expect to see your invitation in the mail in the coming weeks!

Thank You!

A referral from you and your continued business are the highest compliments we could ever receive.

I thank you very much for your confidence in me!
Harry Perler

April 2007 Quarterly Draw Winner!

Congratulations to the winners of our April 2007 Quarterly Draw, Surinder & Kiranjit Brar!

Surinder & Kiranjit are the lucky recipients of a \$100 Gift Certificate to enjoy dinner at Jameson's Newport in Port Moody

Our next draw is July 2007
Good luck!

