What are the 10 Most Missed Tax Deductions The Tax Management Centre

1. Equivalent-To-Spouse Credit

The equivalent-to-spouse credit can be claimed if you are single, divorced or separated. It is calculated the same way as the spousal credit with some restrictions.

- If the dependent is not a child, he or she must be a Canadian resident. If a child is claimed as a dependent, he or she must have been under 18 years of age at least in part of the tax year, unless the child is mentally or physically infirm.
- Only one dependent can be claimed under the equivalent-to-spouse credit.
- Only one claimant is entitled to credit with respect to any particular dependent.
    - The credit cannot be claimed in cases where the taxpayer is subject to court-ordered support obligation.

To be eligible, it is not necessary that the dependant have lived with or been supported by the taxpayer for the entire year.

2. Charitable Donations

The CRA allows a federal tax credit on charitable donations of 15% for the 1st $200 and 29% on amounts over $200 up to a maximum of 75% of net income. The provincial tax credit for Ontario residents is 6.05 per cent of the first $200 and 11.16 per cent of any amount over $200.

Spouses can pool their contributions to maximize the tax break. Furthermore, contributions need not be claimed in the tax year they were made, but can be carried forward for up to five years. Donations under the $200 limit can be accumulated and claimed in later years to qualify for the higher credit allowance.

3. Childcare Expenses

Childcare expenses are deductible from income where both spouses, or spouse, in the case of single parent families, are working or where one spouse is attending school for all or part of the tax year. Childcare expenses can include daycare fees, boarding school, hockey school, or summer camp fees.

If both spouses are working, the lower-income earner must claim the deductions. If the lower income earner is a full-time student, the deduction is available to the higher earner for the number of weeks the spouse attends school.

The maximum you're allowed to claim under the childcare deduction is $7,000 for each child under seven at the end of the year, and $4,000 for each child over seven and under 16. For children with disabilities, you can deduct up to $10,000 starting in year 2000. The deductions cannot exceed two-thirds of your earned income.

4. Medical Expenses

Non-reimbursed medical expenses can be claimed as a non-refundable tax credit. The federal portion of this credit consists of 16 per cent of expenses in excess of the lesser of: $1,755 or three per cent of the individual's net income for the year. The Ontario provincial portion of the medical expense credit is calculated at 6.05 per cent of expenses in excess of the lesser of $1,770 or three per cent of the individual's net income for the year.

Medical expenses may also be claimed for dependants other than a spouse or common-law partner, but the total expenses claimed must be reduced by 4.25 times the dependant's income in excess of $7,756. In Ontario, when medical expenses are claimed for such dependants, the total allowed is reduced by 25.7 per cent of the dependant's income in excess of $7,817.

The expenses eligible for the medical expense credit are quite lengthy. Refer to *IT519R2* or other CRA publications for a complete list. Some of these are:

- Attendant care for the disabled -up to two-thirds of earned income with no maximum;
- Full-time attendant care for individuals with severe and prolonged mental or physical infirmities, no maximum;
- Cost of supervision of an individual eligible for the disability tax credit who is residing in a Canadian group home devoted to the care of people with a severe and prolonged impairment;
- Part-time attendant care - to a maximum of $10,000 federally ($10,810 for the Ontario portion of this credit), increasing to $20,000 ($21,620 in Ontario) if the individual died during the year;
- 50 per cent of the cost of an air conditioner in the case of severe respiratory ailment, to a maximum of $1,000;
- 20 per cent of the cost of a van required for an individual confined to a wheelchair, to a maximum of $5,000 ($5,405 in Ontario);
- Expenses incurred in moving to accessible housing, to a maximum of $2,000 ($2,162 in Ontario);
- Expenses incurred in renovating or adapting a home to provide the patient with added mobility;
- Medical devices to assist with impaired seeing or hearing;
- Tutoring services for individuals with a certified learning or mental impairment;

- A portion of expenses for the construction of a new residence required for a disabled individual to gain access to, or be mobile or functional within that home;

- Expenses for driveway alterations to enable a mobility-impaired individual to access a vehicle;
- Reasonable travel expenses incurred to obtain medical services outside of the vicinity of an individual's home, to the extent these have not been reimbursed by a provincial health plan, or other source.

Married or common-law couples are allowed to pool their claims together. Taxpayers claiming medical expenses should be sure to include all receipts with their returns. You can deduct the premiums you paid for medical coverage, including Blue Cross or Green Shield private coverage and amounts deducted for employer plans. Your employer can give you a statement of what you paid for your medical plan.

The CRA allows you to load up your claims for any 12-month period ending in the year of the tax return. This means you can choose the period that will result in the highest yield for you. This applies to expenses like eyeglasses and certain dental work. If you accumulate your claims within the same 12-month period you can maximize the tax benefit of the credit.

5. Dividend Income

The effect of the dividend tax credit is to reduce dividend income at the highest marginal rate to 14% to 17% lower than the highest marginal rate for ordinary income. Because of the way the dividend tax credit works, it may be beneficial for couples with dividend income to take advantage of tax rules that allow the lower-earner to transfer dividend income to his or her higher-earning spouse.

6. Disability Credits

A federal tax credit of 16 per cent on $6,279, or $1,005, is available for taxpayers with severe and prolonged mental or physical infirmity. To qualify, a Canadian medical doctor must certify to the impairment on Form T2201. The Ontario provincial portion of this credit is 6.05 per cent on $6,637, or $402. Professionals other than a doctor may attest to the disability. An optometrist can verify sight impairment or an audiologist can certify an individual's hearing loss. A taxpayer's physical or mental disability can be confirmed by respectively, an occupational therapist or psychologist.

The impairment is considered severe if it restricts the person in their daily living activities. If such things as walking, speaking, feeding or dressing oneself, for example are affected for a continuous period of at least 12 months, then the infirmity satisfies the purposes of the tax credit.

The disability tax credit extends to individuals for whom a medical doctor has prescribed therapy at least three times a week or an average of at least 14 hours, as treatment for a disability of a basic activity of their daily living.

A DTC supplement of up to $587 (16 per cent of $3,663) is also available for caregivers of children under 18 who have severe disabilities that require full-time home care. Annual child-care and attendant care expenses in excess of $2,145 will offset this supplement, eliminating it altogether when expenses reach $5,808.

In the 2003 federal budget, a new Child Disability Benefit (CDB) was introduced for the benefit of parents whose children qualify for the disability tax credit. This annual benefit will provide up to $1,600 for families with a net income less than $33,487. When the net income of a family responsible for one disabled child reaches $46,602, the CDB will be phased out completely. The limit is higher where more disabled children are being cared for.

The caregiver tax credit reduces federal tax by up to $587 (16 per cent of $3,663) for taxpayers over 17 years of age who are providing in-home care of an infirm, dependent relative (including in-laws) who is at least 65 years of age. The maximum credit is reduced by 16 per cent of the dependant's net income in excess of $12,509 and eliminated entirely when their income reaches $16,172.

The Ontario provincial tax credit allows a maximum of $402 (6.05 per cent of $6,637), which is reduced by 6.05 per cent of net income in excess of $13,050 and eliminated entirely when their income reaches $19,687). This credit is not available if the equivalent-to-spouse credit or infirm dependent credit has already been claimed.

7. Pension Income Credit

If you receive pension income, a 16 per cent federal tax credit and a 6.05 per cent Ontario provincial tax credit on up to $1,000 of eligible pension income is available. If the pension is from an employer's plan, you are eligible regardless of age; otherwise, in the case of a RRSP or RRIF withdrawal or an annuity, you must be at least age 65. If you can't use the credit, it can be transferred to your spouse.

8. Carrying Charges

These include a variety of expenses associated with financing charges and investment expenses, such as:

- Interest on loans for investment purposes.
- Interest charged on the purchase of Canada Savings Bonds through your employer's payroll deduction plans.
- The cost of renting out a safety deposit box.
- Fees paid to financial plans and investment advisors.

9. Moving Expenses

If you move within Canada, your moving expenses might be an allowable tax deductible. You must be employed, and your new location must be at least 40 kilometers closer to your place of work. Starting a business would qualify, as would moving away from home to take your first job. If the deductions are greater than earned income, they can be carried forward for one year to realize the full tax benefit.

Expenses that can be claimed include hiring movers or renting a van to move yourself, breaking a lease, furniture storage, meals and lodging for you and your family while traveling and legal fees and real estate commissions if you have to sell your home.

10. Self-employment Expenses

If you are using your house as part of your business - a home office for example - you can claim a deduction for that part of the home that is used to conduct business activities. If you are a homeowner you can claim a portion of your mortgage interest, property taxes and capital cost allowance. If you are a renter you can claim a portion of your monthly rent. You can include in your deduction a share of the utilities, insurance or home maintenance allotted to the area of the house set aside for business use. For each of these expenses you can claim a percentage equal to the percentage of your home that is reserved for business.

You can’t use these items to create a loss that could be deducted against other sources of income, however. Of course, any expenses solely related to the business, such as supplies, travel and client entertainment, are fully deductible. CRA forms *T2124* and *T2032* contain a guide entitled "*Calculation of Business-Use-of-Home Expenses*" that will help you calculate your allowable claim.