# BENEFITS OF A SECOND OPINION

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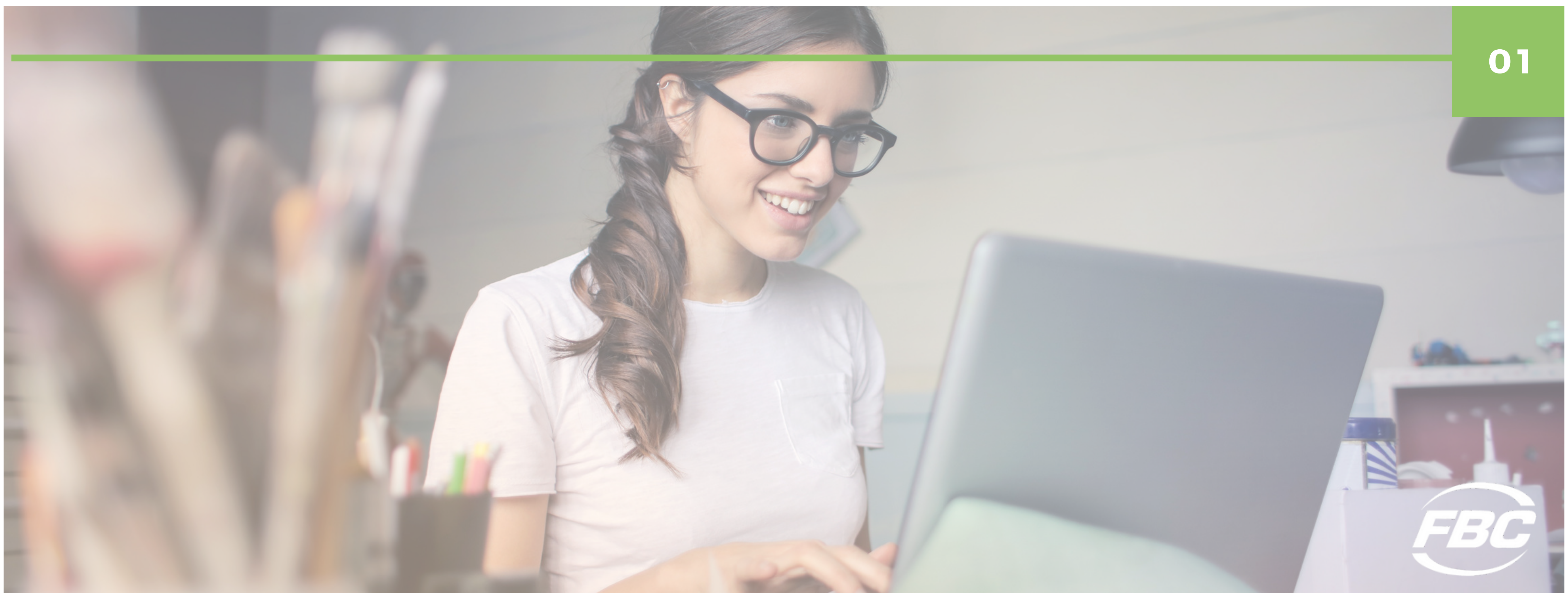


## HOW CONFIDENT ARE YOU OF YOUR CURRENT TAX POSITION?

You file your taxes and assume that you're getting the best return possible. But for business owners, a tax return can be a little more complicated. A good tax professional will make sure you're claiming everything and point out deductions you may be missing.

One of the first things we do for new clients at FBC is to analyze tax returns from the last three years. We frequently find opportunities for future tax savings. Here are three common mistakes business owners make on their tax returns:

### 1. Missed Credit and Deduction Carry-forward Balances

Don't forget to pick up credit and/or deduction carry-forward balances from previous years. Among these items are optional inventory amounts (OIA); mandatory inventory amounts (MIA); expenses related to home work-spaces; business investment tax credits; and both capital and non-capital losses.

### 2. Not optimizing Net Income for Discretionary Claims

These discretionary items include over-claimed capital cost allowance (CCA) that could have been used in future years when marginal tax rates might be higher, and missed OIA.

### 3. Capital Cost Allowance Errors

After applying the one-half year rule adjustment to the cost of capital additions in the year they were acquired, we find some clients forget to add the remaining half balance of the cost to the correct CCA pool in the subsequent year. Also, new capital additions are often classified in the wrong rate classes resulting in a CCA under-claim or over-claim.

## Get Peace of Mind

We can meet with you and analyze your tax returns from the last 3 years to establish future tax-savings strategies.

## HERE ARE 8 MORE WAYS YOU CAN LOWER YOUR TAX BILL

Here's a list of additional steps you can take to avoid paying more tax than absolutely necessary:

### 1. Don't assume you must claim all deductions and credits this year

As outlined above, some deductions/credits are discretionary. This means you can either claim them this year or defer them to a future year when you expect your marginal tax rate will be higher, saving you more money. CCA and RRSP are just two examples of deductions you can defer - but don't forget to claim them at some point, especially if their carry-forward period is approaching expiry.

### 2. Don't bring your taxable income below certain thresholds

In deciding whether or not to defer discretionary deductions, take a look at what your income would be if you claimed them. If claiming the deductions brings your income below the threshold where you become taxable, you'll want to hold off claiming some of them. You may also want to avoid dropping your 2019 federal taxable income below $46,605, the point at which the federal marginal tax rate jumps from 15% to 22%. You'll save more tax if you apply those deductions when your income is over that threshold.

### 3. Remember your provincial tax credits

Prior to 2000, all provincial taxes were calculated as a percentage of federal tax owing. Now, all provinces calculate taxes based on your taxable income, and each province offers its own non-refundable tax credits for items such as donations, medical expenses, and so on. Also, check out your tax forms to see what refundable credits are available in your province. For example, you might be eligible for the training tax credit in BC or the Apprenticeship Job Creation Tax Credit available to all Canadian businesses.

## HERE ARE 8 MORE WAYS YOU CAN LOWER YOUR TAX BILL (CONTINUED)

### 4. Don't split medical expenses between spouses

Make sure you and your spouse claim your medical expense credit on the tax return of the lower-income spouse. This lets you claim more, since medical expenses must reach a minimum percentage of income before they are claimable.

### 5. Transfer credits to your spouse if you can't use them

The age credit, disability tax credit, pension credit, and tuition or education tax credits are all eligible for transfer. You can also transfer dividend tax credits to the higher earner if you transfer the dividend income as well. Do this if the lower-income spouse would be unable to use the credit and only if doing so would increase the spousal credit claimed by the higher-income spouse.

### 6. File a tax return even if you're non-taxable

You can access money under various government programs only by filing a return. For example, if you want to claim the GST/HST credit, the Canada Child Benefit or seniors' Guaranteed Income Supplement, the net income declared on your tax return determines the amount you receive.

### 7. Don't make math mistakes

While this advice seems almost too obvious to mention, check and double-check your calculations. Canada Revenue Agency (CRA) says the most common mistakes on tax returns are simply bad math. Watch for numbers added or subtracted incorrectly, or miscalculated percentages. These errors can lead to your paying more tax than you really owe.

### 8. Always file your tax return on time

When expecting a refund, the sooner you file, the sooner you get your cheque. If you owe money, you'll avoid a hefty late-filing penalty of 5% plus 1% for each month the return was late (up to 12 months), as well as 6% interest on taxes owing (based on CRA's prescribed interest rate as of June 2019). Don't delay filing because you have insufficient funds to pay the balance owing. Payment can always be made later as you'll be charged interest but no penalties.

Filing on time also avoids disruption in the flow of GST/HST credit, Child Tax Benefit, and related provincial payments. If you're still missing tax slips as the due date approaches, use your statements to calculate information needed for your tax return. Attach the statements to your return as well as a note indicating which slip is missing. Send the slip into the tax centre as soon as you get it.