Canada Revenue Agency: 3 Ways You Can Save Serious Cash on Your 2019 Taxes

Description

If you polled a hundred random Canadians about their feelings on income taxes, it's my guess that the majority opinion would be something like this:

Sure, I don't mind paying my fair share. But I'll also do whatever I can to minimize my tax bill.

Millions of Canadian taxpayers aren't using Canada Revenue Agency-approved methods of tax avoidance. They're content to pay more than their fair share because they just don't know many of the legal ways you can avoid taxes.

Let's take a closer look at three common methods you can use to minimize your tax bill — easy things you can do today to save serious money on 2019's tax bill.

Contribute to your RRSP

Many Canadians are ignoring their RRSPs, content with putting cash to work inside their Tax-Free Savings Accounts (TFSAs). TFSAs are an easy way to generate a significant tax-free income stream when you retire, so I can see why they're so popular.

But these folks are missing one important detail about their RRSPs. A contribution to your RRSP today will reduce your 2019 tax bill. Depending on your tax bracket, this contribution can translate into some serious savings.

Say you make $90,000 per year and live in Ontario. Without any other tax deductions, you'd be looking at a tax bill of just over $22,000. But if you put $10,000 into an RRSP, suddenly your total tax liability decreases significantly.

Your tax bill is reduced to just over $19,000. That's right: a $10,000 RRSP contribution ends up with nearly a 30% return on just the taxes saved alone.

That's money back in your pocket today. You can use it for whatever you please. I'd recommend putting it back to work in next year's RRSP, which will immediately reduce next year's taxes.

Just remember, for your RRSP contribution to apply against 2019's taxes, you must put that cash into your RRSP by the end of February.

Share CPP

One simple way for retirees to minimize their tax liability is to use income-splitting strategies to share their Canada Pension Plan earnings with their spouse.

Here's how it works. Depending on how long you've been married, you can apply to the federal government for the spouse with the higher income to split their CPP pension with their lower earning spouse.

The amount that can be shared depends on how long you've been married and how much you contributed to CPP during that time.

In short, if you've been married for a long time, you'll be able to share more of your pension compared to those who've only been married a short time.

Remember your tax credits

There are dozens of tax credits you can potentially use to really minimize last year's taxes. Take the time to educate yourself on what they are and how they can be used to decrease your tax liability.

For instance, you can deduct your medical expenses as long as they surpass 3% of your total income for the year. Certain child care expenses are tax deductible.

All of your charitable donations will result in you paying less taxes, too. And remember, all education expenses are tax deductible as well.

Various provinces have their own tax deductions, too. Seniors in Ontario get a public transit tax credit. Younger folks in Manitoba can get a fitness tax credit. Northern residents get a special deduction, too.

The bottom line

Some of these tips can be successfully implemented to save you thousands of dollars in taxes, especially if you're in a higher tax bracket. So don't delay.

Talk to your accountant today, before everyone else shows up with their taxes. Because who wants to pay more than you have to?

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