LABRANCHE
THERRIEN
DAOUST
LEFRANCOIS

2018 YEAR-END TAX PLANNING

The end of the year is already so busy, but it's worth it financially to add a couple tax-related matters to your to-do list. By setting aside a little time, you'll be on the winning end of things when it comes time to prepare your tax return. Here's what you can do now to reduce your tax bill, including some actions you'll need to take by December 31, 2018.

NEW INCOME SPLITTING RULES FOR PRIVATE CORPORATIONS STARTING IN 2018 REQUIRE REVIEW OF STRATEGY

On January 1, 2018, new income splitting rules came into effect for private corporations. This means that many business owners will have to review their income splitting strategy to make sure they and their family are exempt from the new rules. In general, the new rules do not place new restrictions on business owners themselves (i.e. controlling shareholder involved in daily activities), but could negatively affect their family members who receive dividends from the company. Family members may now be taxed at the highest marginal tax rate—which can amount to a far steeper tax burden more than before—unless they qualify for one of exceptions to the new rules.

We strongly recommend speaking with us by the end of the year to determine whether these new income splitting rules apply to you in 2018. With the new rules, what used to be incredibly simple has now become a very complex issue. Avoid getting stuck with a huge tax bill. We can help you identify whether you should change your strategy, along with any actions you can take now, while you still can, to minimize the impact of the new rules.

CAPITAL LOSSES

Nobody aims to lose money when they invest in the stock market.#However, it could be to your advantage to review your investment statements for the current year and do some housekeeping in your portfolio.#If you made capital gains during 2018, it can be advantageous to sell any investments that dropped in value to offset the capital gains you made.#Capital losses (i.e., investments you sold for less than you paid) are applied against capital gains realized in the same year. This means you have until December 28, 2018, to sell any investments in a loss position and have them offset the tax you'll pay on your 2018 capital gains.#If you choose to do this, make sure you don't buy back the same investments within 30 days of selling; otherwise, they can't be considered capital losses.

CONTRIBUTING TO AN RRSP

Contributing to your RRSP lets you reduce your income for the year and, consequently, the income tax you have to pay.#You have until March 1 to contribute to your RRSP and have it count for the previous tax year.#The 2018 maximum contribution limit for everyone is $26,230, but be sure to# check your 2017 Notice of Assessment from the CRA to check how much contribution room you personally have for 2018.

TFSA CONTRIBUTIONS AND WITHDRAWALS

Try to use all your contribution room for your TFSA.#For 2018, you can contribute up to $5,500, and for 2019, the maximum is $6,000.

If you withdraw money from your TFSA by December 31, you'll be able to reuse that contribution room in 2019.#However, if you withdraw money in January 2019, you'll have to wait until 2020 to reuse that contribution room.

As a reminder, the maximum cumulative total in 2018 is $57,500.

PROVINCIAL INCOME TAX CREDIT FOR RESIDENTIAL RENOVATIONS – *RÉNOVERT*

Originally slated to end on March 31, 2017, the *RénoVert* tax credit has now been extended until March 31, 2019.#This is the deadline for entering into a contract with a qualified contractor to have eco-friendly renovation work done on your home or cottage.#Under the rules, the work must be paid for by January 1, 2020.#For 2016 to 2019, you can claim 20% of eligible expenditures after the first $2,500, up to a maximum $10,000 tax credit.

DEDUCTING INTEREST ON LOANS WITH A GOOD TAX STRATEGY

If you own rental property, have a sole proprietorship, are self-employed or have investments, you may be able to deduct interest you pay on borrowed money by reorganizing your loans.

Please contact us to draw up a tax strategy.

RETIREMENT PLANNING

If you're planning for retirement, consider waiting until you turn 70 to take your pension from the Quebec Pension Plan and Old Age Security, provided you have enough cash available to cover you until then.#f you wait until you're 70 to take your pension, your pension payment amounts will be higher.