Preventing Your 2014 Personal Income Tax Return

**Tax Facts**

- **2014 deadline for personal income tax return**: April 30, 2015 (or June 15, 2015 if you or your spouse or common-law partner is self-employed). Note, however, that if you have a balance owing, you still have to pay it by April 30, 2015.

- **RRSP contribution limit for 2014 tax year**: For 2014, you can contribute up to 18% of your 2013 earned income up to a maximum of $24,270, plus any unused contribution room from previous years, less any pension adjustments. For the 2015 tax year, the maximum amount is indexed for inflation and thus will increase to $24,930.

- **RRSP contribution deadline for 2014 tax year**: March 2, 2015

For personalized financial planning advice, please speak with your MDM Advisor. Questions about the preparation of your personal income tax return should be directed to your tax advisor.

**TAX CREDITS**

**TUITION AND EDUCATION TAX CREDIT**

Tuition fees paid during medical school or residency may be eligible for the non-refundable tuition tax credit. Fees paid for admission, application, use of library or laboratory facilities, examinations, diplomas, mandatory computer service fees and certain exam preparation courses may also qualify. Eligible students enrolled in a qualifying educational program may also benefit from a federal non-refundable education tax credit of 15%, based on $400 per month as a full-time student or $120 per month as a part-time student. Provincial credits may also be available.

**TEXTBOOK TAX CREDIT**

Textbooks are eligible for a federal non-refundable tax credit equal to 15% of $65 for each full-time month or $20 for each part-time month of enrolment in a program that entitles you to claim an education tax credit. Unused textbook tax credits, as well as unused tuition and education tax credits, may be carried forward, or transferred to a spouse or parent.

**PROVINCIAL TAX CREDITS AND TUITION CASH-BACK PROGRAMS**

Several provinces offer tax credits and incentives to university graduates who wish to live and work there. For further details, refer to the following government websites:

- **Prince Edward Island**

- **Nova Scotia**

- **Ontario**

- **Manitoba**
  www.manitoba.ca/education/tuitionrebate/index.html

- **New Brunswick**
  www2.gnb.ca/content/gnb/en/departments/finance/promo/tuition_rebate.html

- **Saskatchewan**
  www.aeei.gov.sk.ca/GRP

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TAX CREDITS (continued)

SCHOLARSHIPS AND BURSARIES
Amounts received in a year for scholarships, fellowships and bursaries may be excluded from income, if received in connection with the student’s enrolment at a designated educational institution in a program for which he or she may claim the education tax credit. Post-doctoral fellowships will generally not qualify for this exemption, due to legislative changes in 2010.

INTEREST ON STUDENT LOANS
Students may claim a 15% federal non-refundable tax credit on payments of the interest portion of loans received under the Canada Student Loans Act, the Canada Student Financial Assistance Act or a similar provincial or territorial law. Interest paid for any other debts, such as bank loans or lines of credit, is not eligible for this credit. Provincial non-refundable tax credits may also apply.

UNION, PROFESSIONAL AND LIKE DUES
Amounts paid for membership (required to maintain a professional status recognized by statute) to accredited associations or the College of Physicians and Surgeons of a province or territory, as well as union dues, such as those paid to a provincial residency association, are generally deductible. Other payments for membership in professional organizations may be deductible as a business expense if you are self-employed.

MOVING EXPENSES
Relocating at least 40 kilometres closer to a new work location or to attend full-time post-secondary education may enable you to deduct allowable moving expenses against employment income earned at the new location or, for students, against taxable scholarship or grant income.

FIRST-TIME HOME BUYERS’ TAX CREDIT (FTHBTC)
First-time home buyers who purchased a qualifying home after January 27, 2009 may claim a federal non-refundable FTHBTC of up to $750 for the year of acquisition. To qualify as a first-time home buyer, you or your common-law spouse or partner cannot have owned or lived in another home owned by either spouse in the current or four preceding calendar years and must occupy the home as a principal residence within one year of the purchase date.

PUBLIC TRANSIT PASSES
For 2014, you are entitled to a federal non-refundable public transit tax credit equal to 15% of amounts paid for eligible public transit passes. The credit is available for travel passes used by you, your spouse or common-law partner, or a child under the age of 19 on December 31 of the tax year in question. Retain your receipts or transit passes and speak with your tax advisor.

The information in this document is correct as of December 2014.

OTHER WAYS TO PAY LESS TAX

MAXIMIZE YOUR RRSP CONTRIBUTIONS
The amounts you contribute to a registered retirement savings plan (RRSP) reduce your taxable income for the year (to the extent that you have available contribution room). And the money inside your plan can grow and compound free of tax until you make a withdrawal. At that time, it is fully taxable as regular income—but this generally happens in retirement, when you are in a lower tax bracket.

TAKE ADVANTAGE OF A TFSA
The tax-free savings account (TFSA) allows for $5,500 in contributions annually, and none of the interest, dividends or capital gains you earn are subject to tax. You can withdraw funds whenever you wish, without tax consequences. Any unused contribution room from previous years (up to $5,000 annually from 2009 to 2012, and $5,500 starting in 2013) can also be carried forward indefinitely.

ACCELERATE EDUCATION SAVINGS WITH AN RESP
Unlike an RRSP, contributions to a registered education savings plan (RESP) are not tax-deductible, but your investments are allowed to grow and compound on a tax-deferred basis. You can also take advantage of the Canada Education Savings Grant: equal to at least 20% (depending on your family’s net income) of the first $2,500 of contributions you make in the year (i.e., $500) or up to the first $5,000 if there is unused grant room available from previous years.

REINVEST YOUR TAX REFUNDS
It’s tempting to view tax refunds as “free money,” but rather than spending it, consider making additional payments on your student loans or line of credit, paying off your credit cards, or investing in your RRSP and/or TFSA. If saving for a child’s education, consider starting or adding to an RESP.

INCORPORATE YOUR MEDICAL PRACTICE
There are two main benefits of incorporation. One is the opportunity to defer taxes by retaining income within your corporation. The other is the chance to reduce your family’s overall tax bill by splitting your income with certain family members who are shareholders of the corporation. Meet with your MD Advisor and tax/legal consultants first, to analyze your financial situation and consider the risks and rewards of incorporation.

If you have any questions about these tax tips, be sure to consult your tax advisor and your MD Advisor for further details.