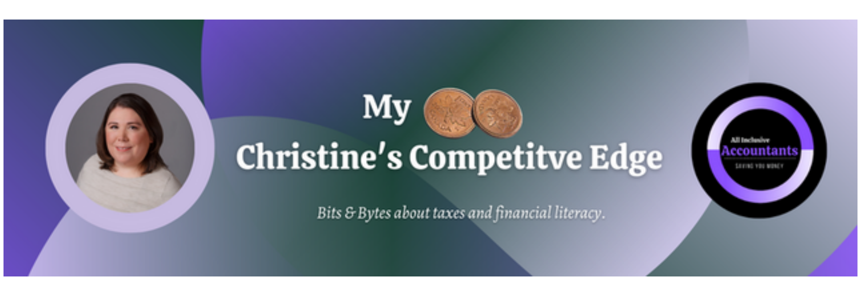
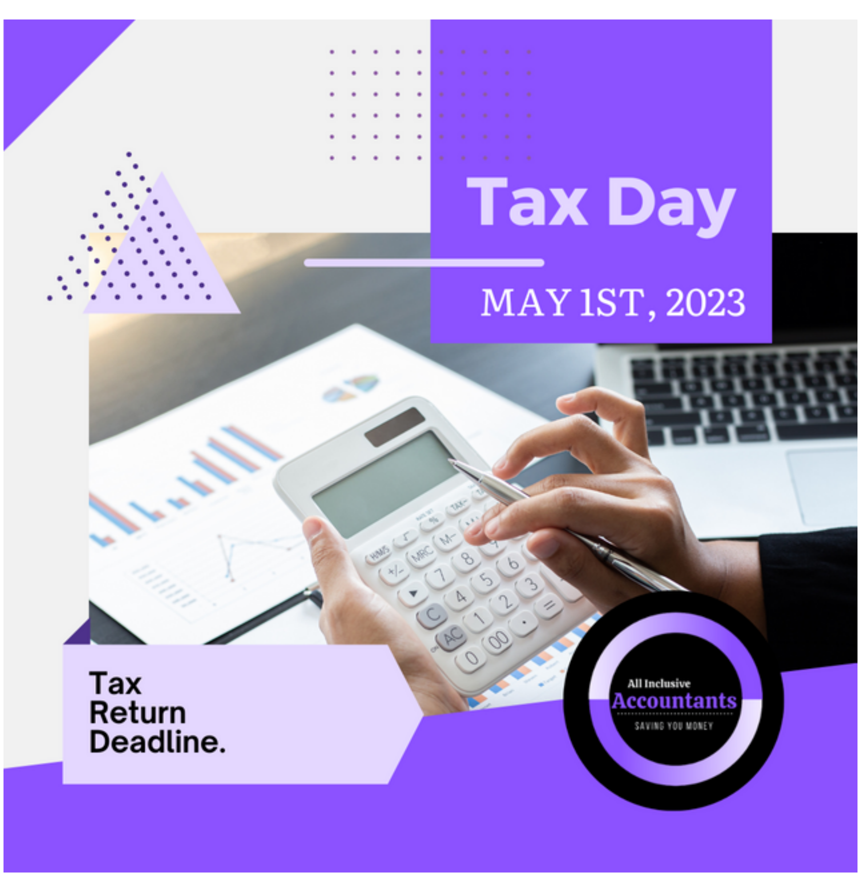


What's Inside:

- Tax Return Deadline May 1st, 2023
- RRSP Contribution Room
- Quickbooks Setup Challenge
- Did You Know Tips
- Claiming Medical Expenses in your Business
- Income Tax Calculator



What is RRSP contribution room?

When a taxpayer earns certain types of income, the most common being: employment or self-employment income, they accumulate contribution room for their registered retirement savings plan, every year.

The amount of RRSP contribution room that a taxpayer gains every year is 18% of their earned income up to $27,830. For example if your earned income is $100,000, your RRSP contribution room would increase by $18,000.

There are no lower end age limits, only an upper age limit of 71. So a teenager with a part-time job can start building their RRSP contribution room as long as they file a tax return to report their income from the previous year.

Your RRSP contribution room is cumulative. This means you don't lose it if you don't use it! You get to bundle all of those previous years of contribution room up and use it at any point in the future when it is most beneficial to you.

It's been my experience that most do it your selfers will always deduct their full contribution without realizing that it might be doing more harm than good. What I mean by this is I often see clients who for example are in their mid 20s and recently graduated from post secondary, who are listening to the general guidance that RRSPs will reduce your tax bill.

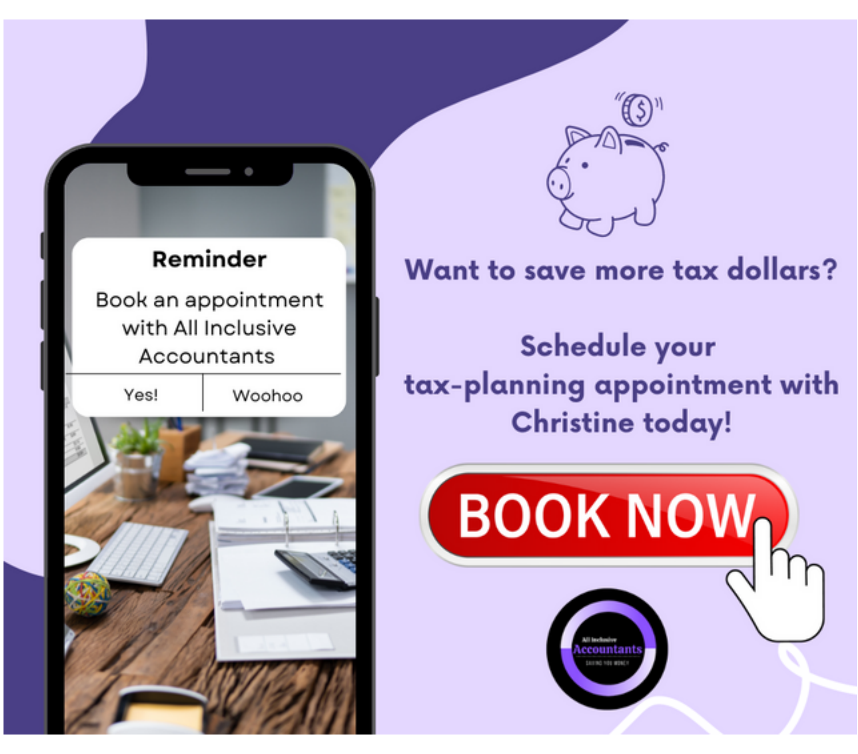
But, what they don't understand is how all the individual tax components work together to produce the best tax results:

1. They are likely already in the lowest tax bracket, which means here in Alberta, a $1000 contribution might save them $250. But if they deferred the deduction for a year or 2, they could possibly save upwards of $500.
2. They likely have tuition tax credits available to them that are already reducing their tax payable to $0 or close to that. So by deducting the $1000 contribution they might only be saving something like $50 instead of the possible $250-$500 if they carry forward it a year or 2.

It's important to know that:

1. You can carry forward your RRSP contributions indefinitely.
2. Carrying forward doesn't affect your ability to participate in the home buyers plan or the lifelong learning plan.
3. If you deduct your early contributions every year and need to withdraw in the future, you likely will end up paying more tax on that withdrawal than the tax you saved in the first place.
4. Carrying forward your contributions can be advantageous because you could deduct your contributions in the year you made a withdrawal there by negating any additional taxes.

There are many components to building a successful tax plan each year & RRSPs do benefit you in the long run if you use them correctly. Remember if you plan to contribute, the deadline this year is February 28, 2023.

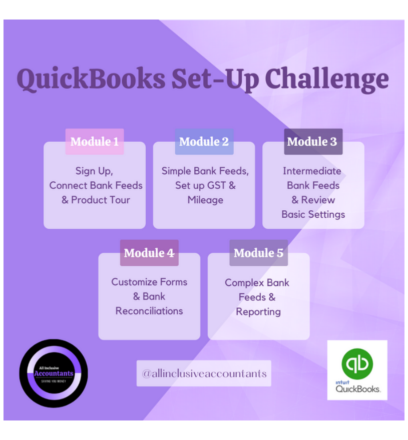


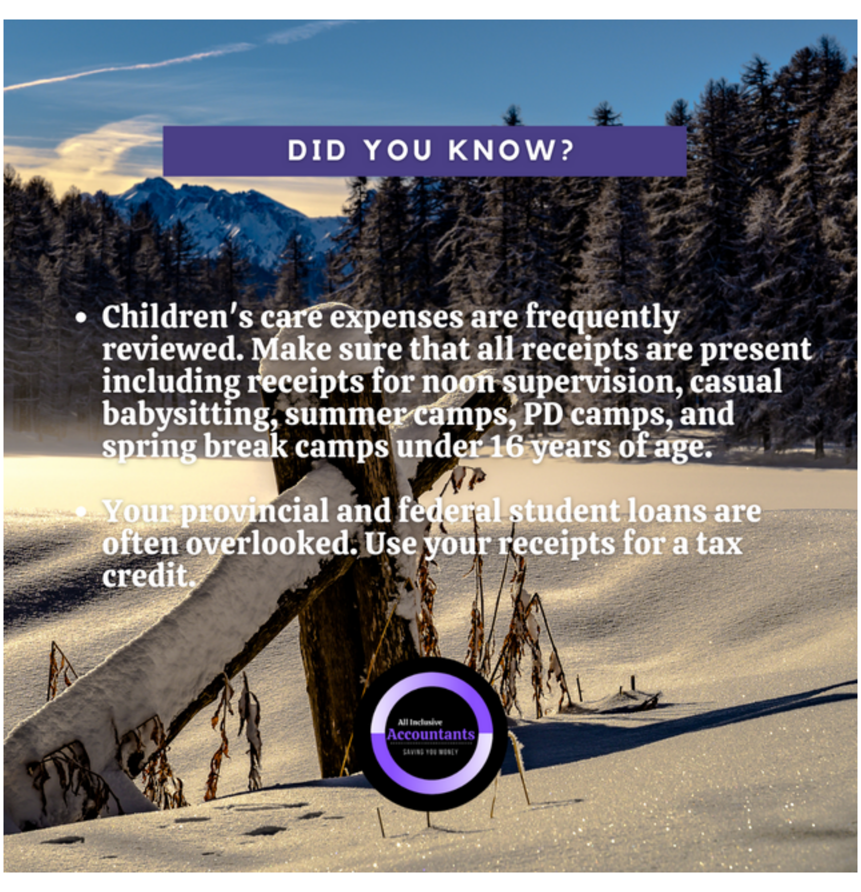
⚡**Efficiency is Everything!** ⚡

Let's Learn Together with a
FREE
QuickBooks Set- Up Challenge

Navigating Challenges
with Small Business Owners

Learn More





Can you claim medical expenses in your business? If so, how?

Any small business can enroll in a Private Health Services Plan (PHSP) to provide themselves and their employees tax-free health benefits to cover out-of-pocket medical expenses.

Health benefits provided by a PHSP are 100% deductible by the small business and 100% tax-free for employees.

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For example, if you submit a $1500 claim to your PHSP and pay the adjudication fee, you can claim the medical expenses as an expense in your business like your phone, association fees, saving anywhere from $500-700 in taxes depending on your personal situation.

If you don't take advantage of a PHSP, your net medical expenses can only be claimed further down in your tax return/calculation. When the same $1500 medical claim is calculated here, your tax savings are likely to be less than $200.

The other thing that I like to make people aware of is that depending on your overall situation, you may not even be able to claim the medical expenses here since it is the 2nd last item that gets factored into your tax calculation.

Entrepreneurs and self-employed professionals use this tool among many others, to reduce taxes and keep more of their money in their pocket. The main advantage of a PHSP is the ability for small businesses to attract and retain talented employees while controlling their costs.

If you operate a small business, you should consider participating in a PHSP Plan for yourself, your family and your employees allowing even more tax savings.

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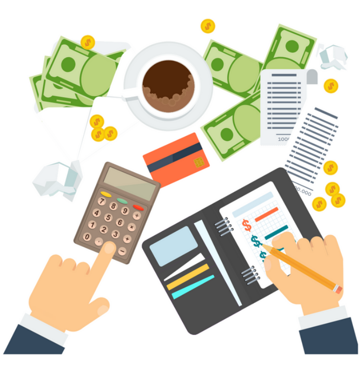
All Inclusive Accountants!

26,528
Number of Tax Returns Completed for Clients

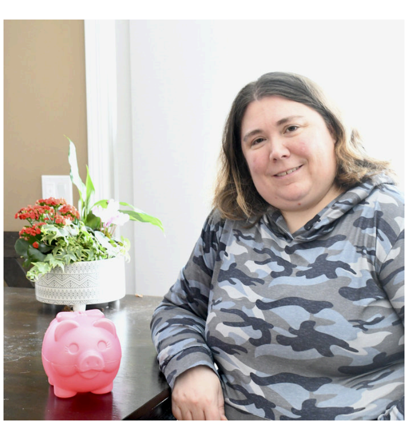
8,843
Number of Clients we've Assisted with Tax Preparation



Interesting in learning more in helping you save money with your small business?
We have an Income tax calculator that will show you the tax differences between employee, sole-proprietor, and incorporation.
Click the button below to access it.

Income Tax Calculator

Putting Your Accounting needs First



Thanks for tuning in!

We know your time is valuable, so thanks for reading our newsletter. Love it or hate it, just reply and leave us some feedback. We'd much appreciate it.

Until next time,

Christine Walters

Contact us anytime to learn more:
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Phone us at (403)400-0426

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