

PARO TAX TIPS FOR 2020

Tax Returns

Please make sure to check out the **Resident Financial Primer** for more detailed financial and tax information.

IMPORTANT DATES

- The RRSP Contribution Deadline for 2020 is March 1, 2021
- 2020 Personal Income Tax Returns are due on or before April 30, 2021

HIGHLIGHTS – 2020 TAX DEDUCTIONS AND CREDITS

Deductions:

Union Dues and Professional Fees: You can deduct PARO dues and fees paid to join professional organizations such as the CPSO, CFPC or RCPSC.

RRSP: The deadline for 2020 contributions is March 1, 2021. Keep in mind that it is most beneficial to contribute to your RRSP as early in the year as possible to receive the greatest benefit from tax-free compounding of your money.

RRSP Home Buyer's Plan: You can withdraw up to \$35,000 from your RRSP to use towards a down payment if you are buying a home in the next year.

Moving Expenses: If you move at least 40 kilometres closer to your new place of work and / or study (full-time post secondary education in Canada), certain moving expenses are tax deductible.

Childcare Expenses: If you and your spouse both work, generally the lower income earner can deduct the costs incurred for childcare, though there are maximum amounts per child.

Employment Expenses: If you have unreimbursed expenses that are incurred or required by employment, you might be able to claim them on your income tax return. If, due to COVID-19, you have used a part of the home for working purposes **at least half of the time for a minimum of a month** (four consecutive weeks), you can take a portion of the eligible home office expenses and claim them as part of the Employment Expenses for Working At Home deduction. You will need a signed T2200 form from your employer to support a detailed claim. There is an alternate temporary flat rate calculation. However, it may not be as beneficial. More information about the flat rate can be found [here](#). We suggest that you consult your tax advisor about the specific requirements before you file the claim.

**Note: When you have other employment expenses and receive a T2200 form, the temporary flat rate method cannot be used. However, you are then able to claim the other employment expenses as tax deductions*

Credits:

Canada Employment Amount: This credit is the lesser of \$1,245 and the employment income for the year and is available to anyone with employment income.

Interest on Student Loans: you can claim a tax credit for the interest paid on eligible student loans.

Eligible Medical Expenses: You can only deduct eligible medical expenses over a particular threshold. The threshold is the lower of 3% of your net income or \$2,397.

Charitable Donations: Donations made to registered Canadian charities are eligible for a tax credit.

First Time Home Buyers' Tax Credit: This is a non-refundable tax credit of \$5,000 for first time home buyers.

Canada Caregiver Credit: The Canada Caregiver Credit provides a \$7,276 credit for each infirm dependant, defined as an eligible relative with impaired physical or mental functions who is dependent on the caregiver. See Resident Financial Primer for more details.

Tax Free Savings Account (TFSA): If you haven't contributed to your TFSA, your annual limit for 2020 is \$6,000. **The annual limit is \$6,000 for 2021 as well.**

PLANNING AHEAD

Incorporation: Self-employed medical professionals have the ability to incorporate. When you are transitioning into practice, you may want to plan in advance and discuss the details with your tax advisor. Whether incorporation is right for you in the future will depend on your specific situation. See [Resident Financial Primer](#) for more details.

The information provided in "Tax Tips" is general in nature and is not intended to provide specific tax advice. You should consult your own tax advisor for specific advice based on your tax situation.

