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TAX MATTERS

Last-minute filer? Check out these commonly overlooked tax-savers

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I'm trying to teach my kids to be active and hard-working. There's no question that hard work pays off later. The problem is that being lazy pays off now. If I can encourage you in one thing: Don't be lazy when it comes to filing your tax return on time, although you're in good company if you haven't filed yet. The good news? Last minute doesn't have to mean lost opportunity. Here's a list of last-minute ideas that could save you tax this season.

Families

File a tax return for your kids. If your kids earned any income in 2015, make sure they file a return. They won't pay any tax if their taxable income is under $11,327 for 2015, but filing will create RRSP contribution room, which will come in handy later when they are working full-time and could use an RRSP deduction for contributions.

Claim certain credits on one tax return. Be sure to claim all donations on the tax return of one spouse. This will save a few bucks since tax relief for donations increases once donations exceed $200. As for medical expenses, claim them on the return of the lower-income spouse since you're only entitled to claim medical expenses once they exceed 3 per cent of income, or $2,208 in 2015, meaning that lower-income spouses may be able to claim more.

Transfer credits to a family member. Certain credits can be transferred to a spouse if you don't need the credits to reduce your taxes to zero. Consider these: the age, family caregiver, pension, disability, and tuition, education and textbook credits. Similarly, students can transfer tuition, education and textbook amounts, up to $5,000, to a parent or grandparent if not needed to reduce taxes to zero.

Employees

Consider deducting car expenses. If you received an allowance, based on kilometres driven, for using your car in your work, it will generally be tax-free. If, however, the business portion of your actual car expenses is more than your allowance, you can choose to include the allowance in your income and then deduct your actual expenses, which will save you tax. Have your employer sign Form T2200 and file Form T777 with your tax return.

Claim a GST/HST rebate for expenses. Where you claim employment expenses on Form T777, don't forget to also file Form GST 370 where applicable. This will provide a rebate for the GST/HST you paid on those employment expenses. If you receive a rebate this year, it's taxable on next year's tax return.

File Form T1213 this year. If you're expecting a refund this year, it may be a result of certain deductions and credits you've claimed. Consider filing Form T1213 to request a reduction in your taxes deducted from your pay at work if you expect to have the same deductions in 2016. You'll avoid that refund next April, and will receive an increase in your take-home pay throughout 2016 instead, allowing you to make use of those dollars sooner.

Investors

Claim an ABIL if you can. If you've lent money to, or subscribed for shares in, a small-business corporation that is now insolvent or bankrupt, you may be able to claim an allowable business investment loss (ABIL). Just half of your loss will be deductible but can generally be claimed against any kind of income. Speak to a tax pro to claim this properly because the taxman will review it for sure.

Choose the best exchange rate. The taxman will generally allow you to use the average exchange rate for the year if you have to convert income from foreign currency to Canadian dollars. You may be better off using the actual exchange rate on the date of a particular transaction if it results in less income in Canadian dollars.

Self-employed

Claim items as business expenses. Some costs that are normally not deductible could be claimed if you incurred those costs to earn income from a business. I think about tax-preparation fees, reference materials, subscriptions, software and certain course or exam fees, for example. The catch is that you've got to be in business to earn a profit in the long run, even if you made no profit in 2015.

Beware of reporting losses yet again. The taxman will take offence if you consistently report losses from your business activities year after year. Canada Revenue Agency could take the position that your activities are really personal, not commercial, in nature. Three or four years of losses in a row (particularly where you've never reported profits) could start to give the taxman heartburn and increase your risk of reassessment.

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