

# TAX SAVINGS FOR CANADIANS

## Reduce Tax Deducted From Your Pay when you Contribute to an RRSP

**Did your RRSP contributions win you a nice tax refund this year? If so you goofed.**

It's wiser not to overpay your taxes. If you make regular RRSP contributions you can ask to have less tax money deducted from your pay cheque each month. Simply file a request to reduce tax deductions at source (T1213) and see a fatter pay cheque all year long.

The best part is that extra cash will make it easier to hit your 18% RRSP contribution target throughout the year, rather than having to scramble at the last minute. This article explains how to reduce your withheld taxes if you make regular RRSP contributions.

If you make regular RRSP contributions you can ask to have your source deductions reduced. To do this, you must file a Form T1213, Request To Reduce Tax Deductions At Source with the Canada Revenue Agency. You must file this form every year. You can submit this form with your tax return if you are owed a refund, or if you enclose a payment for the whole amount you owe to the CRA. Otherwise, you must wait until you have paid your account in full before you can file.

Before you file the request to reduce source deductions you'll need the following things:

- Proof that you have set up a pre-authorized contribution plan for your RRSP
- Supporting documentation for child care costs, support orders, charitable donations, and carrying charges
- Contact information for your employer's payroll administrator
- Once you have collected this information simply submit your T1213 to the CRA, and 4 to 8 weeks later you will see a large reduction in the amount of tax taken off each pay cheque!

### Step-By-Step Process

#### **1. Set Up a Pre-Authorized Contribution Plan for your RRSP**

- Contact your bank, financial advisor or broker and ask to set up a "pre-authorized contribution plan" (PAC) for your RRSP. With a PAC in place there will be an automatic withdrawal of your RRSP contribution from your bank account each month. It's important to set up an actual PAC: You will have to submit a copy of your signed PAC along with your T1213 when you ask to have your tax deductions reduced.
- In establishing your regular RRSP contribution take care to budget appropriately. Ideally you will contribute the maximum 18% allowed every year, but make sure you don't leave yourself short in the event of an emergency, or temporary loss of work. If the PAC would leave you over-extended it may be more prudent to opt for a lower regular contribution and make up the 18% at the end of the year.

## **2. Gather Documentation to Support your Request to Reduce Tax Deductions at Source**

When you file your Form T1213: Request To Reduce Tax Deductions At Source you will need to provide the following information:

- Evidence of any RRSP contributions you have already made this year, such as a copy of a recent statement showing your contributions for the current tax year
- A copy of your Pre-Authorized Contribution plan showing amounts you will regularly contribute
- If you have child care or support payments you will need to attach proof of your expenses or your support order.
- If you have made charitable donations you will need to attach copies of your receipts
- If you have interest or carrying charges you will need a statement from the lender confirming the purpose of the loan and the amount of interest paid.

You do not need to claim each of these items, even if you could. If you don't, you will simply overpay your taxes during the year and wind up getting a refund when you file your tax returns. It's better to ask to have your source deductions reduced as any overpayment of taxes amounts to an interest free loan from you to the government.

## **3. Identify your Employer's Payroll Administrator**

- When you fill out the T1213 you will be asked for contact information for your employer's payroll administrator. This is the person in accounting or human resources who is responsible for withholding source deductions and remitting them to the CRA. You will need the name, telephone, and fax number for this individual, as CRA will need to contact them once they've decided to authorize your reduction.
- Submit your Request to Reduce Tax Deductions at Source to CRA!

Once you've set up your regular RRSP contribution, paid your outstanding taxes, and gathered the information simply mail in or fax your form T1213 to the CRA.

To find a tax center near you, visit the CRA's tax service office contact page and search in your province.

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