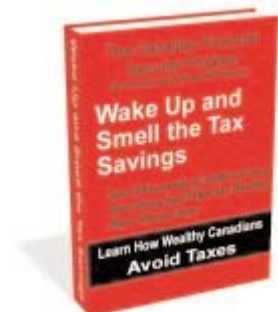


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*Revolutionizing Financial Thinking*

**Wake Up** and  
**Smell the Tax Savings**

*Save Thousands Of Dollars Every Year Doing  
Just What the Wealthy Have Always Done*

Learn How Wealthy Canadians  
**Avoid Taxes**



# Wake Up and Smell the Tax Savings

Revised Edition - April 2005

*Published by*  
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# Introduction

The promise in the title of this book is to save you 20 to 40% on your income tax by using a single tax reducing strategy, unless you are already using the method now. And, even if you are already using this strategy, this book might expand your view on its uses. To use this strategy it is necessary that you understand certain terms and methods used by the Tax Department to levy taxes upon us, so you may find the first part of this book somewhat less than exciting, yet worth the time to help you gain the greatest understanding. Most Canadians neither know nor understand this method of tax reduction, which is the main method used by the wealthy to reduce their income taxes, sometimes to zero!

A few years ago, major Canadian newspapers carried an article about how many millionaires in Canada paid absolutely no taxes. The average Canadian must have found it upsetting to say the least. But, put yourself in their position for a moment. You can afford an expert tax accountant, so you have one. He calls you and tells you that if you move this money over here, and put this in the name of your company instead of your personal name, and make a few other adjustments in how you "own" things, you can reduce your taxes to zero. What do you say, "No thanks, I like paying taxes"? Trust me, what the wealthy do to reduce taxes is seldom illegal. They simply either understand the tax regulations or hire someone who does. The purpose of this book is to give you an understanding of some of these strategies.

The main thing you are going to learn here is how to use "deductions" to reduce your "taxable income" and therefore pay less taxes, maybe a lot less. Is it easy? Well, it's not at all difficult to understand, but it does require some. You will have to read this book and grasp the principles herein. You may have to devote a little regular time to this endeavor, but the dividends can be substantial.

This is not a complete book on tax strategies. An article recently published in a Canadian magazine on "ten tax strategies" for Canadians was, like most tax articles, a good piece for the highly educated and wealthy, however, it would do little to help the average person. Nine of those ten approaches will not appear in this book because here, we are attempting to give you a few tax reducing strategies that can be used by almost anyone, will create the greatest savings, and are understandable by almost everyone. After outlining the main strategy found in this book, we will cover a few other more widely used tax reducing methods. If you want to go further, there are many good, although somewhat more complicated books on the market on Income Tax reduction using the more traditional methods.



## Taxes: Life's Biggest Expense

Most likely the **biggest** lifetime expense you will encounter is **TAXES**. The amount of tax you will pay has little to do with your total income and a lot to do with your **knowledge of tax reducing strategies**. A large percentage of the money you will accumulate in your lifetime is dependent on your **tax reducing plan** and not on your income. A good tax plan uses the tax laws to **decrease** your taxes. Your tax objective must be to increase disposable income by reducing taxes **legally**. You have every right to learn and understand the tax system, so you can take advantage of every legal means available to reduce the taxes you pay. We all live under the same tax and legal system and are all entitled to the benefits the system provides.

We would strongly discourage you from engaging in **tax evasion** (such as hiding income) or such activities as **claiming false deductions** (claiming for something you don't have). Such things are illegal and could lead to fines or even jail.

We would encourage you, however, to learn some things about the system that can help you save taxes. When we talk about making many things **deductible**, we are sometimes asked, *"What if I claim too much, or the tax department writes to me and tells me I can't have that particular deduction? Am I going to get in trouble?"* The answer is, if you've made a mistake they will simply correct it and let you know. You could end up paying a little more tax than you had originally calculated on your return when you filed it, but this is tax that you **would have paid anyway** if you hadn't used the deduction. The most you can lose in such a case would be a little interest on overdue tax if you are disallowed a particular deduction - nothing ventured, nothing gained. As long as you are not directly hiding income or claiming for things that don't exist, you're not doing anything illegal. You're just learning about and testing the system. We did not invent the things that you will learn here. They are used by thousands of Canadians every year to reduce the taxes they pay. They are now available to you if you choose to learn and apply them.

## Tax Language

Understanding certain terms will help you in understanding and applying the principles in this book. As we cover these strategies, we will define the appropriate terminology.



## Your Tax Bracket

Many people erroneously believe that if they earn more money, they can actually end up with less. This is not possible. The tax system is **graduated**. It is true, that the more you earn, **usually** the more the tax man takes, but he only takes a higher percentage from the portion that falls into the higher bracket. We realize that this can be a little confusing, so let's use some figures to help.

For 2005 there are four basic Federal tax brackets. The following tax rates are applied to your taxable income, which is the income left after you have taken all the deductions that you are entitled to.

### **The 2005 brackets and federal tax rates are:**

**16% on the first \$35,595 of taxable income**

**22% on the next \$35,595 of taxable income**

**26% on the next \$44,549 of taxable income**

**29% of taxable income over \$115,739**

As we proceed, please keep in mind that the purpose here is not to teach perfectly accurate figures but to teach basic principles. Therefore, for illustration purposes we are going to generalize and use "rounded" figures, and at times, we will use one province as an example.

All the provinces have now implemented a "tax on income" system (as opposed to a percentage of federal taxes), and they differ quite widely from province to province. For example Alberta has one tax bracket - 10% and no surtaxes, and British Columbia has 5 tax brackets ranging from 6.05% to 14.7% depending on your income. We will use Alberta's figures for this illustration, because 10% is so easy to follow. Most provinces do have additional "surtaxes" that make these percentages even higher.

Note: A chart of the actual Provincial Tax Rates is in the back of this book.

By the time you **add Provincial Taxes** to the equation, your percentages are going to look something like this.



Remember, this is approximate.

**26% on the first \$35,595 of taxable income**

**32% on the next \$35,595 of taxable income**

**36% on the next \$44,549 of taxable income**

**39% of taxable income over \$115,739**

Let's assume you earned \$50,000 and the only deduction you had was your "Basic Personal Amount" of \$10,000 (as proposed in the 2005 Budget). This would mean your taxable income is \$50,000 minus \$10,000 which is \$40,000.

Here is what you would pay:

**26% of the first \$35,595 = \$9,254**

**32% of the balance of = \$1,409**

(You have no taxable income that falls into the higher brackets)

**TOTAL TAXES DUE = \$10,663**

It is important that you understand the **Progressive Tax Scale** that is used to calculate taxes so you will have a greater appreciation of the impact the strategy you are about to learn can have on the amount of tax you pay.

#### DEFINITIONS

**Deduction:** Amounts you can subtract from your income before you start paying tax.

**Progressive Tax Scale:** You only pay the **higher percentage** of tax on the portion of income **over** the amount which carries you into the next tax bracket.

**Effective Tax Rate:** The percentage of tax you pay in relation to your total taxable income.

**Marginal Tax Rate:** The percentage of tax you pay on your highest dollar of earned income.



## Effective Tax Rate

The percentage of tax you pay in relation to your total taxable income. If your taxable income was \$50,000, and you paid \$10,000 in tax in the combination of both Federal and Provincial taxes, then your Effective Tax Rate would be 20%.

## Tax Bracket or Marginal Tax Rate (MTR)

The Canadian tax system is based on progressive tax rates, meaning that the applicable marginal tax rate increases as your taxable income increases. Therefore, a **marginal tax rate** represents the rate of tax that you pay on each additional dollar of income earned. Your marginal rate is a total of the federal and applicable provincial tax. It is the level of income tax of an individual as indicated by the amount of taxes he/she pays on his/her final dollar of taxable income. It is also referred to as your **marginal tax bracket** or **MTR**.

As the percentage of taxes that you pay on your highest dollar of income, it is also usually the percentage of taxes that you will pay on your **next dollar** of income. In other words, if your taxable income is \$36,000 and your MTR is 32% (Federal & Provincial plus surtaxes), if you earn one dollar more, you will get to **keep** 68 cents and the tax man will get 32 cents.

Now, to state your MTR in a more positive way, it is also the percentage that you will **save** of every dollar of **deduction** that you create. So, if you have a **marginal tax rate of 32%** (Federal & Provincial), **every dollar of deduction that you create will save you 32 cents**, (unless you manage enough deductions to lower your taxable income into a lower bracket, where you again would save proportionally).

Your **effective tax rate** may motivate you to want to do something about the outrageous taxes you pay, but your **marginal tax rate** is the most important one, and the one you will need to focus on for the greatest benefit from this book.

It may be helpful, at this point, for you to take out your last year's **Income Tax Assessment**. That's the paper that Canada Revenue Agency (CCRA) would have sent to you (with your refund cheque if you had one coming) to inform you that they accepted your return as filed, or to tell you they reassessed you. From this form you can figure out your effective tax rate and marginal tax rate. If you've never done this before, maybe you better be sitting down when you get the answer.



The Assessment Form you get every year from CRA contains very important information and should be kept with a copy of your return.

Once you understand these terms, you will be able to see where you are now, and as you begin to use some tax reducing strategies, you will be able to see how you are improving. For the sake or clarity, let's state again that the way you are going to gain the biggest reduction in taxes is through reducing your taxable income by creating more deductions. So, here is the most important term to be clear on.

**DEDUCTION: Anything that can be deducted before paying taxes.**

## The Most Rewarding Tax Strategy

Now, try to suppress any negative thoughts about this until you read it entirely. It's a lot easier than you may think and the potential rewards are huge. Remember, thousands of very intelligent "middle-income" Canadians use this strategy year after year, and for most of the wealthy, it is their main tax reduction strategy.

## Owning Your Own Business

There is no better way to create tax deductions, than **owning your own small business**, and in most cases, **running it from your home**. We will deal more with the logistics of starting a part time or full time business in another publication, but for now, let's talk about creating **deductions** in your business.

## Personal Property

Many of the things that you consider **personal property** are claimed as **deductions** by those who have a **small business**. The easiest way to illustrate how this is done is to use an example. The business could stem from a hobby or interest that you now enjoy, from some special training you have or some special talent, or from joining one of the many **Home Based Business opportunities** available today. One that we are very impressed with for many reasons is a company called Pre-Paid Legal Services. You can learn more about the specifics of that business from our "*Starting A*



*Home Based Business*” book, but for now, let's have a look at how it has affected a fictitious couple we will call Bob and Mary Murray.

Bob and Mary have a small business. They are **Independent Associates** for Pre-Paid Legal Services, Inc (PPL). Bob also has a full time job as assistant manager at Canadian Tire. Mary works part time at a doctor's office. They have put their Home Based Business in both of their names to give them more flexibility at tax time. The main functions of a PPL Associate is to share information on a \$26.00 a month Legal Plan with their friends and family and to introduce the concept of the company to others who may be interested in starting **their own business**.

In the process of carrying out these activities, we should observe the following things.

A car is no longer a luxury for Bob and Mary, it is **a necessity** for them to carry out the duties of their business. Bob figures that about 50% of the time he uses his car, it is for the business. He adds up **all his automobile expenses** at the end of the year (of course he now gets receipts for everything). These expenses include such things as depreciation (or lease costs), interest on his car loan, gas, oil, repairs & maintenance, etc. He **deducts 50%** of these expenses from his income.

The Murrays own their own home although it does have a \$140,000 mortgage on it. The basement of their home was not being used, so they turned it into an office and a large room for holding business meetings in. (It does resemble a rec room and the kids do use it when it's not being used for business. After all, there is a TV and DVD Player in it that is used for watching training videos). The office and meeting room pretty well take up the whole basement, except for the laundry room, so together, they make up about 45% of the space in the house. At the end of the year, Bob adds up many of his home expenses. They include the interest on his mortgage, (which is actually, at this time, about 90% of his mortgage payment), property taxes, electricity, and furnace oil. Bob deducts 45% of these expenses from his “*new business*” income. He also deducts his long-distance and cell phone bills.

The Murrays do quite a bit of traveling. Wherever they go they make sure that they take along their PPL materials - a sales kit, a few videos and some literature. Last year they went to California. While there, they talked to some people about their business. They gave out some business cards and picked up a few from other people. (They put the business cards they received in a file with their receipts just to prove they were **doing business**.) They visited with some other PPL associates and attended a PPL Business Briefing in L.A. Of course, they deducted most of the expenses they incurred (except for the costs at Disneyland where they took the kids). They do use a Visa card



when they travel (which is a great way to record expenses), so they deduct the interest and fees as well. **Their deductions came to over \$4,300.**

Some of the other things that Bob deducted last year were that TV and DVD Player that he needed for his business. He also bought a Video Camera so he could record the meetings at his place and make some of his own tapes just to add a personal touch to his business. Bob subscribes to a number of magazines so he can keep in touch with what's going on in the industry. Any stationary that he buys, their computer, the filing cabinet, the shelving and Mary's new desk all help with the deductions.

The Murrays are thinking of buying a Motor Home to make their traveling more convenient and flexible. They will deduct an appropriate portion of the depreciation on that when the time comes.

The Murray children get involved in the business as well. One of their older children does some telemarketing for them and other needs are filled by them throughout the year. Instead of an allowance, **the children are paid as sub-contractors** . It is a little higher than most allowances, but with it the children are required to buy some of their own clothes as well as contribute to their education expenses. (Mary actually looks after most of their money for them.) Bob has set things up so that the money that goes to the children is a deductible expense. Bob and Mary know that their children can earn around \$10,000 a year before they have to pay any taxes. The fact that the children earn money **and file a tax return** each year has other important tax advantages as well (discussed later).

In the first year in their new business the Murrays only earned **\$3,200**. But, their business deductions came to **\$18,500**. The income was attributed to the one who did the work in proper proportion. In this case it was mostly Bob. The Murrays know that you are allowed to **lose** money in a business and you can, in most cases (see "important note" following), charge that loss against **earned income**. They know the tax rule says that a business must have "*a reasonable expectation of profit*", and they do expect to make a profit in the next few years.

However, they didn't make a "profit" last year, but Bob did get **\$4,629** back from his income tax (the tax he had paid through his job at Canadian Tire). He then put that into an RRSP. and created another big deduction for next year.

Now, let's look at what **DEDUCTIONS** the Murrays created (or will create) by owning their own business. They deducted, (or will deduct) all or part of the expenses relating to their:



<b>Car</b>	<b>Gas, Oil, and Maintenance</b>
<b>Other Auto Expenses</b>	<b>Mortgage Interest and Taxes</b>
<b>Utilities and Telephone</b>	<b>Vacation Expenses</b>
<b>Credit Card Fees and Interest</b>	<b>TV</b>
<b>DVD Player</b>	<b>Cameras</b>
<b>Magazine Subscriptions</b>	<b>Stationary</b>
<b>Computer and Printer</b>	<b>Office Furniture</b>
<b>Recreation Vehicle</b>	<b>Children's Allowances</b>

**IMPORTANT NOTE:** All of the above **deductions** can be used to reduce **taxable income** payable against **other earned income** *except* expenses relating to an office in your home. In other words, in the case of the Murrays, where the actual income they received from their small business was \$3,200, the most that they could claim for mortgage interest & taxes, and direct home expenses like electricity and fuel oil, would be \$3,200. They could, however, **carry forward to future years**, any **loss** not used, to be used then in accordance with the same rule. All the other expenses, if valid deductions, could be used to reduce the taxes payable even from Bob's salary from his regular job.

Also take note that some expenses such as computers, leased automobiles, and entertainment require a little more work to establish the amount you can deduct than just adding up the receipts. However, such computations are not the purpose of this book.

## How Easy Is It?

Starting a home based business that will qualify you to do what Bob and Mary did is very, very simple. At the Canadian Financial Security Program, we are constantly investigating new business opportunities and making what we learn available to our Members. We have a separate publication devoted to the logistics of creating a Home Based Business easily and with little cost. You don't need to incorporate a company or even register a name. It really is simple.

## Look At The Example Now

Now, let's go back to the example used earlier where a person with a \$50,000 a year income was paying **\$10,663** in taxes. Here is how it looked **before** the strategy of a Home Based Business was injected into the scenario:



**As seen on Page 3:**

Let's assume you earned \$50,000 and the only deduction you had was your "Basic Personal Amount" of \$10,000 (As proposed in the 2005 Budget). This would mean your taxable income is \$50,000 minus \$10,000 which is \$40,000.

Here is what you would pay:

**26% of the first \$35,595 = \$9,254**

**32% of the balance of = \$1,409**

(You have no taxable income that falls into the higher brackets)

**TOTAL TAXES DUE = \$10,663**

Now let's suppose you had that \$3,200 extra income that Bob received from his home based business **and the \$18,500 deduction**. It would then look like this:

You earned \$50,000 at your regular job plus the \$3,200 from your business. Now your deductions are your **Basic Personal Amount** of \$10,000 **plus** the \$18,500 **business expenses**. This would mean your taxable income is \$53,200 **minus** \$28,500. How much tax do you pay now?

**Taxable Income is \$53,200 minus \$28,500 = \$24,066** (Compared to \$40,000 in the first example.)

**26% of \$24,066 = \$6,257.16 (Total Taxes Due)**

**TAXES SAVED = \$4,405**

The final result is an income increase of \$3,200 and a tax savings of \$4,405 for a total income/savings of **\$7,605**.

For a different perspective, this makes the **monthly** financial benefit of this **part time business \$633 a month** (\$3,200 earned and \$4,405 saved, divided by 12). Not a bad little part time business. **That's a 41% reduction in tax payable**. And really, this is a very conservative example. If you take your Home Based Business seriously, not just using it as a way to reduce taxes, the results can be so much more rewarding.



## Other Tax Reducing Strategies

As promised, here are some other good tax reducing ideas and things you should know. The more knowledge you gain, the more you can save.

### The Registered Retirement Savings Program (RRSP)

#### *A Deduction and a Tax Shelter*

If your MTR is 42%, and you put \$1,000 into an RRSP, you are going to **save** \$420 in taxes. What this means, in effect, is that the \$1,000 investment is going to cost you \$580 and you will have the benefit of all the compound interest that will accumulate on the full \$1,000 until such time as you withdraw the money. And, at the time you do withdraw the funds from your RRSP, you may be in a **lower tax bracket** as well.

Also, consider the **Spousal RRSP**. This is where you claim the deduction, but you put the RRSP in the name of your spouse. The purpose here is that when it comes time to withdraw the money, it will come out in the hands of the lower income earner and will be taxed at a **lower rate**.

So, the benefits of an RRSP are:

1. The contribution is **tax deductible**.
2. The interest (or growth portion) will accumulate **tax sheltered**, that is, you will not have to pay tax on it until you withdraw it.

Here is another term to be sure you understand correctly: **Tax Shelter**

#### DEFINITION

**Tax Shelter:** A place to invest where the *interest* or *growth portion* will not be taxed until a future time.



## Different Kinds of Income

Most of the money you earn is probably **earned income** - money you receive for the work you do. You are **fully taxed** on the taxable portion of your earned income. When you earn **interest income** from an investment, it is taxed the same as your earned income from your job. But, there are two other kinds of income that are taxed at a lower rate.

## Dividend Income

A **dividend**, as an investment term, is money paid to shareholders from the ownership of shares of a corporation. They are that part of the profit of a corporation, which the corporation decides to share with its shareholders in the form of **dividends**. You may receive dividends from any corporation that you own shares in, but the tax advantage is given to those who collect dividends from taxable **Canadian** corporations only.

Dividend income from Canadian corporations is taxed at a **lower rate** than earned income because the government wishes to encourage Canadians to invest in Canada. The formula for paying tax on dividends is a little complicated, but you do end up keeping more for yourself than you do with regular earned income.

Here is the formula:

Take the total amount that you have earned in dividends and multiply by 1.25. So, if you received \$1,000 in dividends, your **taxable dividend income**, would be \$1,250. The \$1,250 you would then claim as **income**.

Now, you take 13.33% of your **taxable dividends**.

That would be  $13.33 \times \$1,250 = \$166.66$ .

This amount becomes a **tax credit**, which means that you reduce your tax payable by this amount. So, if you owed \$2,000 in taxes you would **deduct \$166.66** directly from the tax due.

The bottom line is, you pay less tax on **dividends** received from **taxable Canadian corporations** than you do on regular **earned income**. It may not seem like a big savings, but it all adds up, and better in your pocket than the tax department.



## Capital Gains Income

A **capital gain** is the amount by which an asset's selling price exceeds its initial purchase price.

A **realized capital** gain is the gain from an investment that has been sold at a profit.

An **unrealized capital gain** is the gain in an investment that hasn't been sold yet, but would result in a profit if sold.

You are only required to pay tax on **realized capital gains**. This means that if you are generating capital gains you are also enjoying some tax sheltering because you do not have to pay tax at all until you sell the asset.

So, if you bought 1 share in the ABC Widget Company last year at \$42 and **sold it** today at \$53, you would have an \$11 capital gain.

**You only claim 50% of capital gains income as taxable income.**

That makes Capital Gains the **preferred kind of income** as far as paying income tax is concerned. So, if you earn \$1,000 of Capital Gains income, you will only pay tax as though you earned \$500 of regular earned income. Of course remember, the government can and does change the rules from time to time.

Your best and safest source of Dividend and Capital Gains income will probably be from good Investment Funds.

## Borrowing Money To Invest

If you borrow money to invest, you can **deduct** the interest that you pay on the loan. The only **exception** to this is borrowing to invest in an RRSP. If you take out an RRSP loan, which is very popular, you **cannot** deduct the cost of borrowing. For non-registered investing, borrowing can be a great way to get an investment program off to a **big start**. The effectiveness of this strategy is dependent on current interest rates that you will pay when you borrow and on the **rate of return** you will achieve on your investments. As long as there is a reasonable difference between the cost of borrowing and your return on investment, this can be a very profitable strategy especially when



you consider the deduction element. So, if you can borrow at 6% and expect a long term return of 12%, the profit is obvious. When you factor in the deduction element, it is even more profitable.

Anytime you borrow money for legitimate business purposes, the interest should be deductible. Investing can certainly be classified as a business. For some, it is a full time business.

The most important thing to remember when you do borrow to invest is keep the funds that you borrow for investing or other business purposes **separate** from any other funds. In other words, make it so that there can be no question about the “trail” the funds took. This is called keeping a “**paper trail**”. If you are borrowing \$10,000 to invest, you could have the money put into a **new bank account** or a bank account that you use only for investing, and take it from there to the investment, making sure that you keep a written record of every transaction. Then, if there is ever a question regarding the funds, you have a **record** to show the path that the funds took.

Remember, its only the interest that is **deductible**, not the monthly payment. Any financial institution from whom you borrow should have the means to give you a statement showing the interest paid **separate** from the principal.

## File a Tax Return for Your Children

Until your children earn enough money that they will have to pay tax, they really do not have to file a return. So, if you are paying them for services they provide to your Home-Based Business thereby transferring some of your income over to them, or if they earn money at a part time job, there is an often overlooked benefit to filing a return for them even though you don't have to. The benefit is that they will build up **RRSP room**, which they will be able to use later in life. It can be quite substantial and if they do not file, the potential room is lost.



## Summary of Tax Strategies

1. **Start your own business.**
2. **Understand your tax bracket.**
3. **Use the R.R.S.P.**
4. **Earn dividend and capital gains income.**
5. **Borrow money to invest.**
6. **File a tax return for your children if they have income.**

## Avoid the Red Flag

One thing that you will want to avoid is being **red flagged** by the tax department. What we mean is requiring special attention or bringing special attention to yourself. The reasons are obvious. Here are some important points.

1. Always, always, always **file on time**. A late Income Tax Return will get special attention, which **you don't want**, and it will bring outrageous penalties. If you owe any money, do everything you can to pay it with the return, but if you just can't pay, send in the return on time anyway with a letter informing them how you are going to look after the taxes due. Never, never avoid filing because you don't have the money to pay the taxes due.

2. If at all possible, learn to fill out your own tax return. It's really not that difficult. We strongly recommend a good computer tax program. These programs will also help you to avoid mistakes. It is worth the effort and time investment to learn how to use it. If you just don't have the patience for it, find yourself an **aggressive tax accountant**. You will **not** find one at the **booth** at the local mall. Pay a little extra for a **proper accountant** and avoid the "tax preparation services" that are all over the place at tax time. Ask the person who is going to do your taxes for his or her qualifications. Many of those who do this for the Tax Service companies are not accountants, but have just been trained to fill in the spots on the return. Good tax accountant's must be sought out by asking for recommendations and visiting with a few to see if they subscribe to the same philosophy that you do. Many just want to stick simple numbers into the boxes and get paid for it - avoid them. **They'll cost you money and do little to help you.**



3. Pay your taxes on time. If you are required to pay installments on self employed earnings, pay those on time as well. Even if you have to borrow to do so, do your best to follow this rule, but as noted above, if you just can't pay, **file on time anyway**.

4. Double check your return for any errors, especially math errors.

## A Final Comment

As previously stated, this is not a complete book on income tax or on income tax reducing strategies, but the techniques offered herein are proven, well used, and successful. We wish you good luck in moving forward to achieve your financial desires and goals in life and hope these suggestions will be of some help.

Good luck with your tax planning strategies.

To help you implement the Home Based Business strategies offered in this book, be sure to visit The Canadian Financial Security Program website and download, "Starting a Home Based Business".

[www.truehelpfinancial.com](http://www.truehelpfinancial.com)

### IMPORTANT NOTICE

Now that you know **how** to use a Home Based Business to achieve substantial tax reduction, you may need advice on choosing a business. If you were sent to us by someone who has given you their personal contact information, you should follow the instructions in their Introduction Message Email.

If you have not already done so, you should certainly read the companion publication to this book, "**Starting a Home Based Business**".

If you are a registered member of The Canadian Financial Security Program, you can access all documents directly from the Home Page, which URL address you should have in your favorites or from the link in the Welcome Message we sent to your email address when you joined.

"**Starting a Home Based Business**" can also be accessed by members and non-members from our TrueHelp.info website, which was designed specifically for the Home Business building part of our program. However, you will experience much more continuity with the flow of information if you are a registered member of The Canadian Financial Security Program, all of which is completely free.

If you wish to view the [www.truehelp.info](http://www.truehelp.info) website, use the two links below to experience a flow of information the way a new visitor (someone you may send to this site) would experience it.

[www.truehelp.info/intro.htm](http://www.truehelp.info/intro.htm)  
[www.truehelp.info](http://www.truehelp.info)

## 2005 Federal Tax Rates

**16% on the first \$35,595 of taxable income**

**22% on the next \$35,595 of taxable income**

**26% on the next \$44,549 of taxable income**

**29% of taxable income over \$115,739**

## 2005 Provincial Tax Rates

Under the current tax on income method, provincial tax for all provinces (except Quebec) and territories is calculated the same way as federal tax.

### Provincial / Territorial Tax Rates

Provinces / Territories	Rates
Newfoundland and Labrador	10.57% on the first \$29,590 of taxable income, + 16.16% on the next \$29,590, + 18.02% on the amount over \$59,180
Prince Edward Island	9.8% on the first \$30,754 of taxable income, + 13.8% on the next \$30,755, + 16.7% on the amount over \$61,509
Nova Scotia	8.79% on the first \$29,590 of taxable income, + 14.95% on the next \$29,590, + 16.67% on the next \$33,820, + 17.5% on the amount over \$93,000
New Brunswick	9.68% on the first \$32,730 of taxable income, + 14.82% on the next \$32,732, + 16.52% on the next \$40,965, + 17.84% on the amount over \$106,427
Ontario	6.05% on the first \$34,010 of taxable income, + 9.15% on the next \$34,010, + 11.16% on the amount over \$68,020
Manitoba	10.9% on the first \$30,544 of taxable income, + 14% on the next \$34,456, + 17.4% on the amount over \$65,000
Saskatchewan	11% on the first \$36,770 of taxable income, + 13% on the next \$68,286, + 15% on the amount over \$105,056
Alberta	10% of taxable income
British Columbia	6.05% on the first \$33,061 of taxable income, + 9.15% on the next \$33,062, + 11.7% on the next \$9,794, + 13.7% on the next \$16,268, + 14.7% on the amount over \$92,185
Yukon	7.04% on the first \$35,595 of taxable income, + 9.68% on the next \$35,595, + 11.44% on the next \$44,549, + 12.76% on the amount over \$115,739
Northwest Territories	5.9% on the first \$33,811 of taxable income, + 8.6% on the next \$33,811, + 12.2% on the next \$42,317, + 14.05% on the amount over \$109,93
Nunavut	4% on the first \$35,595 of taxable income, + 7% on the next \$35,595, + 9% on the next \$44,549, + 11.5% on the amount over \$115,739