RESEARCH CAPITAL CORPORATION

BASRAN PRIVATE WEALTH

2024

Your Year-End Tax Strategy

Your Registered Accounts: Contributions and Withdrawals

Tax-Free Savings Account (TFSA)

Planning to make a TFSA withdrawal in the near future? Consider doing so before the end of the year, so that the amount withdrawn can be added back to your TFSA contribution limit on January 1, 2025.

Registered Retirement Savings Plan (RRSP)

If you turned 71 years of age in 2024, your final RRSP contribution must be made by December 31. If you continue to earn income after 71, you can contribute to a Spousal RRSP up until December 31 of the year your spouse turns 71.

Registered Education Savings Plan (RESP)

Contributions for beneficiaries aged 17 years must be made by December 31 to be eligible for a final grant. For those aged 15 and not been named as a beneficiary of a RESP, a contribution must be made this year to be eligible for government grants at age 16 and 17.

First Home Savings Account (FHSA)

If you turned 18 and buying a home in Canada is on the books for you in future, you should open a FHSA to start your $8,000 per year of tax-deductible Contribution Room. For anyone with a FHSA who turned 71 years old in 2024, the FHSA must be closed.

Tax Deductions

Anything you want to qualify as a 2024 tax deduction needs to be paid by December 31 of this year: spousal support payments, childcare expenses, disability support, medical expenses, interest on student loans, investment related expenses, investment counselling fees, annul professional dues, charitable donations, and more.

Highlights

REGISTERED ACCOUNTS - CONTRIBUTIONS AND WITHDRAWALS

TAX DEDUCTIONS

CAPITAL GAINS AND LOSSES

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Capital Gains and Losses

The best time to set your strategy for optimizing your tax position with respect to capital gains and losses is in the autumn before the end of the year. This allows ample time to decide whether to realize gains or losses and seek advice from your tax advisor and your investment advisor.

For most Canadian investors, capital gains on stocks, bonds and mutual funds receive a favourable tax treatment. Only one half of a capital gain is included in your income for tax purposes in the year of a sale of some or all of the investment. Any capital losses in the year are subtracted from the capital gains. Example: If you made a $10,000 gain on selling shares of “ABC Corp.” but lost $4,000 on the selling shares of “XYZ Corp.”, your net capital gain would be $6,000 and one half of this (i.e. $3,000) would be your Taxable Capital Gain.

If your capital loss for the year exceeds your capital gains, you cannot generally offset the capital loss against other income such as salary, dividends, or interest. Instead, one half of your capital loss (referred to as your Allowable Capital Loss) can be carried back to any of the three preceding taxation years to reduce Taxable Capital Gains previously reported in those years, allowing you to recover the income taxes previously paid on those gains. Any Allowable Capital Loss not carried back can be carried forward indefinitely to be applied against Taxable Capital Gains in the future.

Beware the superficial loss rule! Section 54 of the Income Tax Act is designed to prevent you from claiming a “superficial loss”, which is a loss occurring from the sale of capital property when both of the following apply: 1. During the period beginning 30 calendar days before and ending 30 calendar days after the sale, you or an affiliated person (for example, your spouse, a corporation or a trust controlled by you or your spouse, including an RRSP, RIF or TFSA) purchases an “identical security” or option or right to buy the security AND 2. You or the affiliated person still owns that security 30 calendar days after the sale occurred. If both these conditions apply, you are not allowed to claim the superficial loss and instead, the denied loss is added to the adjusted cost base of the purchased security.

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www.researchcapital.com

Navin Basran
Investment Advisor
604-662-1822
nbasran@researchcapital.com | www.basranprivatewealth.com
1920-1075 W Georgia Street, Vancouver, BC V6E 3C9