

General Tax Tips #1
TO BE PRINTED BEFORE APRIL 30, 2010

Attribution of Investment Income

Complex attribution rules prevent spouses from simply splitting joint investment income equally between them. Joint investment income includes interest on joint bank accounts, investment income deposited into joint brokerage accounts, income from jointly owned mutual funds and jointly held rental real estate, as well as capital gains from the disposition of jointly owned investments.

The attribution rules require that joint investment income be allocated between spouses based on each individual's contribution of the investment funds. Spouses with joint investments should be prepared to show the Canada Revenue Agency the source of the investment funds in support of their allocation of the investment income. This requires both spouses to keep track of the source of the funds used to acquire the joint investments.

Certain opportunities might exist to split investment income between spouses while not being subject to the attribution rules discussed above. Contact a Chartered Accountant to help you review your tax planning strategies to potentially take advantage of income splitting with your spouse.

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General Tax Tips #2
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Taxation of Capital Gains

The phrase “capital gains” is one that should be understood thoroughly.

In broad terms, “capital gains” are any profits realized from the sale of assets that are capital property (for example, property not held for the purpose of resale). If you buy shares, bonds, mortgages, or other property and sell them at a profit, there is usually a capital gain.

Currently, one-half of the resulting capital gains on a disposition are taxable. However, individuals and corporations who donate securities listed on prescribed stock exchanges, mutual funds, and segregated funds of life insurance companies to charities do not have to include any portion of the resulting capital gains in their income. Effective for gifts made on, or after February 26, 2008, unlisted exchangeable shares may be eligible for the same treatment if the new publicly-traded shares received in exchange are donated within 30 days.

Capital gains of up to \$750,000 (\$500,000 for dispositions prior to March 20, 2007) on certain private Canadian corporation shares, certain farm properties, and certain fishing properties may be eligible for a lifetime cumulative exemption from tax. In addition, the gain on an investment in certain private Canadian corporations may be deferred if the proceeds are reinvested in another eligible corporation within a specified time. If you are planning to sell such shares, farm property, or fishing property, seek the advice of a Chartered Accountant. It might save you some taxes.

Given this favourable treatment, it might be more tax effective to hold properties that will yield capital gains outside of your RRSP, and other assets (such as interest-bearing securities) inside your RRSP. Contact a Chartered Accountant to help you revise your tax planning strategies to take advantage of the generally lower tax rates for capital gains.

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General Tax Tips #3
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Capital Losses

There are four types of capital losses:

- Listed personal property
- Personal use property
- Shares or debt of Canadian Controlled Private Corporations (CCPC)
- Other capital properties

Losses from listed personal property (such as artwork, jewelry, stamps, and coins) are only deductible from similar gains. Losses from the sale of personal use properties (such as a car or a boat) are not deductible. Losses from the sale of certain CCPC shares or debt may be considered "Allowable Business Investment Losses" (ABIL) which are deductible against other sources of income (albeit at a 50 per cent inclusion rate). The ability to claim an ABIL may be limited by previous years' capital gains exemption claims. Losses on the sale of other capital properties must first be netted against capital gains in the year, but may then be carried back three years (use Form T1-A) or forward indefinitely to offset capital gains.

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General Tax Tips #4
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Writing off Shares

If at the end of a year, you own shares of a bankrupt or insolvent corporation, you might be able to realize a capital loss on such shares. You may deduct this capital loss but only to the extent you have realized capital gains on other property.

The capital loss, calculated as a disposition of such shares for nil proceeds, is realized at the end of the year if you elect to do so in your tax return for the year and:

1. The corporation has during the year become a bankrupt, or
2. The corporation is insolvent and a winding-up order under the *Winding-up and Restructuring Act* has been made in the year, or
3. At the end of the year
 - I. The corporation is insolvent, and
 - II. Neither the corporation nor a corporation controlled by it carries on business, and
 - III. The fair market value of the share is nil, and
 - IV. It is reasonable to expect that the corporation will be dissolved or wound up and will not commence to carry on business.

As this loss might also be an allowable business investment loss that is deductible not only against capital gains but against other income, you might wish to consult a Chartered Accountant before reporting such a loss on your tax return.

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General Tax Tips #5
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Writing off Loans

If at the end of a year, you are owed a loan amount that is no longer collectible, you might be able to realize a capital loss on the loan. You may deduct this capital loss but only to the extent you have realized capital gains on other property.

The capital loss, calculated as a disposition of the loan for nil proceeds, is realized at the end of the year if you elect to do so on your income tax return and you establish that the loan has become a bad debt in the year.

For the loss to be permitted, the loan must have been made for the purpose of earning income from a business or property, or received as consideration for the disposition of capital property to a person with whom you were dealing at arm's length.

As this loss might also be an allowable business investment loss that is deductible not only against capital gains but against other income, you might wish to consult a Chartered Accountant before reporting such a loss on your tax return.

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General Tax Tips #6
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Rental Income

If you rent out a room or a floor in your home, or the other half of your duplex, you may deduct certain expenses connected with earning that rental income.

These expenses may include the portion of property taxes, mortgage interest, repairs and maintenance, insurance, light, heat, and water that relate to the rental space.

You may not deduct any mortgage principal payments, or costs of construction, renovation, or alteration that are capital in nature. But you may claim depreciation on the rented portion of your home. Keep in mind, however, that this could affect your ability to claim the principal residence exemption on a future sale of your home.

Seek the advice of a Chartered Accountant when considering deducting depreciation and other amounts involved in home rentals.

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General Tax Tips #7
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Change in use Rules

If, during the year, you begin to use a former residence as a rental property, you are deemed to dispose of the property at fair market value at the time of the change in use. Similar rules apply when you begin to use a former rental property as a residence, for partial changes in use, and for changes in use of other types of property.

This could lead to a significant income tax liability, even though you haven't actually sold anything.

Special elections are available to avoid the deemed disposition in certain circumstances. If you have changed the use of a residence or former residence, you should consult a Chartered Accountant to see if these elections are available and are beneficial to you.

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Non-deductible RRSP Fees Paid

If you pay an administration fee or management fee for your RRSP plan, the fees are not deductible for income tax purposes. You should talk to your financial advisors to see if they can make a reasonable allocation of these fees to a non-registered account. By doing so, a portion of these fees may be tax deductible. This tax saving tip can be achieved with just a simple phone call.

If you do pay a fee within your registered plan, pay the fee yourself each year. Do not simply have the money paid from the registered account. This will allow your RRSP to grow unhindered. Your payment of the RRSP fee will not be considered a contribution to your RRSP.

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General Tax Tips #9
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Reducing Payroll Deductions

If you are making RRSP contributions, you might be able to reduce the income tax deducted from your pay cheque.

One method is to ask your employer to make the contribution(s) to your RRSP directly and deduct the payments from your salary. The employer calculates the required income tax withholding based on the portion of your salary remaining after these deductions. Be prepared to provide evidence to your employer that the RRSP contributions will be deductible by you.

Alternatively, complete Form T1213, Request to Reduce Tax Deductions at Source, and file it with the Client Services Division of your Tax Services Office. If accepted, your employer will be authorized to reduce your payroll withholding. In addition to RRSP contributions, the T1213 process allows payroll deductions to be reduced for amounts such as spousal support payments, childcare expenses, charitable donations, employment expenses, rental losses, and interest and carrying charges on investment loans. Support for such deductions must accompany the T1213.

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General Tax Tips #10
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Do you earn a regular income from tips and gratuities?

Waiters, waitresses, and other people who earn regular income from tips and gratuities should keep a diary of the amounts they receive. Just because the money is in cash and records might not be kept doesn't mean Canada Revenue Agency (CRA) will forget about it.

If the amount you report is different from the average and CRA decides to ask why, you must be able to back your figures up. Although you don't have to send a diary in with your tax return, you should have one available for examination. If you receive lower-than-average tips, a diary might prevent an unfair assessment by CRA.

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General Tax Tips #11
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Union Dues are Deductible

If you were required to pay trade union or professional organization dues, keep your receipts or proof of payment because they are deductible. With the exception of trade union or professional organization dues included on your T4 slip, do not include these receipts with your return. However, you should keep them in case Canada Revenue Agency asks to see them.

Look into deductions associated with your union and professional memberships for your 2009 return.

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General Tax Tips #12
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Deductions When You Move for Work

If you moved in 2009 to work or carry on business in a new location, or to attend a university or other post-secondary educational institution, you may claim certain moving expenses up to the amount of your income from your new work location. To be eligible, your new residence must be at least 40 kilometres closer to your new work place or educational institution. You may not claim any expenses paid by your employer on your behalf. Expenses your employer has reimbursed or expenses for which you have received an allowance are not deductible unless the reimbursement or the allowance is included in calculating your income.

You may claim mover's transportation costs, storage charges, personal transportation costs for you and your family, and lodging and meals for up to 15 days near your former or new residence.

Plus, if you sold your old residence, you can claim the costs of selling that residence as well as legal fees and property transfer taxes in connection with the purchase of your new residence. If you move for work, look into moving expense deductions when you file your return.

Don't have receipts? The Canada Revenue Agency (CRA) allows you to estimate your meal expenses during your days of travel at \$17 per person per meal, up to a maximum of \$51 per person per day. As well, if you drive to your new home, in lieu of calculating your proportionate motor vehicle expenses for the trip, you can claim a flat rate deduction per kilometre, depending on where you start. A list of per kilometre rates is available on CRA's website at www.cra-arc.gc.ca/travelcosts.

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General Tax Tips #13
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Employment Benefits

In general, when employers provide employees with benefits in addition to their regular salary, the amount must be included in their income as a taxable benefit. However, an employee may receive certain fringe benefits tax-free.

For example, premiums for the basic provincial medical services plan are considered a taxable benefit, but premiums for private extended health and dental plans are not.

Something for employees to consider is the non-taxable benefit of premiums for a group insurance plan. If your employer pays the premiums to certain sickness, accident, or disability insurance plans, you will be taxed on any benefits received from the insurance. If you pay the premiums yourself, you will receive the benefits tax-free. Therefore, careful consideration should be paid to who pays the premiums as this could result in a cash flow problem for a disabled person relying on disability insurance payments.

Contact a Chartered Accountant if you have any questions about the advantages of paying for group insurance premiums yourself.

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General Tax Tips #14
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Non-Arm's Length Transfers and Gifts

In general, if you *gift* an asset to someone at a particular time, you are deemed to dispose of the asset at fair market value at that time, triggering any unrealized gains or losses that might have accrued on the asset. The recipient of the gift, in turn, is deemed to acquire the asset at that fair market value.

There are some exceptions, most notably gifts to a spouse or to a spousal trust, an alter ego trust, or a joint partner trust. There are also special rules for losses on transfers between affiliated parties, which may suspend any losses triggered, or embed them into the cost base of the assets transferred.

If you *sell* an asset to a non-arm's length person at a particular time, you are required to set the sale price equal to the fair market value of the asset. If the sale price is less than fair market value, you are deemed to have sold the asset for fair market value anyway, without a compensating increase in the cost base for the purchaser. If the sale price is greater than fair market value, the purchaser's cost base is reduced to fair market value, without a compensating reduction in your proceeds of disposition. In both cases, the one-sided adjustment can be quite punitive, so it pays to carefully consider and document fair market value in all non-arm's length sales.

If you plan to gift, sell, or transfer an asset to a non-arm's length person, contact a Chartered Accountant to help you assess the income tax implications and planning options.

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Principal Residence Exemption

Most of us know that Canada provides an exemption from taxation for capital gains realized on the sale of a principal residence. But as simple as this sounds, the rules are quite complex.

Did you know that:

- Since 1981, only one property may be designated as a principal residence in any particular year for you, your spouse, and your minor children?
- You can only use the principal residence exemption to offset capital gains, not income from the sale of a property that was purchased or constructed and held for the purpose of resale?
- You can designate a property as your principal residence even if it is only a seasonal residence or vacation property, and even if it is located outside of Canada?
- You can designate a rental property as your principal residence, subject to certain limitations, if you resided in the property before or after the rental period?

If you have questions about how best to utilize your principal residence exemption, contact a Chartered Accountant.

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Student Bursary and Scholarship Income

Scholarship, fellowship, or bursary income received by a student is considered fully tax-exempt, provided the income is connected to a program that entitles the student to claim the education tax credit. The education tax credit is available to students who are enrolled in qualifying post-secondary educational programs at designated educational institutions.

Since 2007, the exemption has been extended to scholarships, fellowships, and bursaries received in connection with an elementary or secondary school educational program.

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Child Fitness Amount

If you have a child who was, at the beginning of 2009, under 16 years of age (or under 18 years of age and eligible for the disability tax credit), you might be eligible to claim the Children's Fitness Tax Credit.

This credit allows parents to claim up to \$500 of eligible fitness expenses paid per year for each qualifying child. If a child qualifies for the disability tax credit and at least \$100 in eligible fitness expenses has been paid for the child, an additional bonus amount of \$500 can be added to the eligible fitness expenses actually incurred.

The tax savings to you is calculated by multiplying the total eligible expenses paid by the lowest marginal tax rate (15 per cent for 2009).

To qualify, activities must be either a minimum of eight consecutive weeks long, or in the case of camps, five consecutive days in duration. In addition, the activity must be supervised, suitable for children, and require a significant amount of physical activity. For further information on what activities are eligible please refer to the Canada Revenue Agency (CRA) website at <http://www.cra-arc.gc.ca/whtsnw/chcklst-eng.html>.

To claim the tax credit you should request a receipt when registering your children for qualifying activities. The receipts do not need to be submitted with your tax return, but should be retained for six years in case the CRA asks to see them. Note that qualifying expenses are to be claimed in the year the amount was paid, regardless of when the activity takes place.

If your child has attended an activity that qualifies as both a childcare expense and a fitness activity you must first claim the amount as a child care expense. Any portion that could not be used as a childcare expense can be then claimed as a children's fitness amount.

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General Tax Tips #18
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Automobile Expenses

If you are required to use your motor vehicle for business or employment purposes, you are allowed to deduct reasonable expenses for operation and ownership of the vehicle such as fuel, oil, tires, licence fees, insurance, repairs and maintenance, depreciation, finance charges, and lease payments. Your employer must certify the conditions of your employment on form T2200 Declaration of Conditions of Employment to verify your eligibility for a deduction. Administratively, the CRA does not require you to file the form with your tax return; however you must retain it in case they wish to see it.

The amount you are allowed to deduct is normally based on the proportion of kilometres you drive for business or employment purposes to your total kilometres for the year. Note that driving between your home and your normal place of business or employment is generally considered a personal trip. To support your deduction, you should maintain a careful record of your business and employment kilometres driven for the year, including the date, destination, and distance driven for each business trip.

If you receive a reasonable per-kilometre allowance from your employer for the use of a business motor vehicle, the allowance is not included in your income, and you are not permitted to deduct your actual motor vehicle expenses. Where you receive both a reasonable per-kilometre allowance and a flat allowance, the entire amount must be included in your income, but you may deduct your actual expenses.

There are specific limits placed on the amount of depreciation, finance charges, and lease payments you are allowed to deduct, and these limits change from year to year.

If you believe you might be eligible to claim automobile expenses on your personal income tax return, consult a Chartered Accountant to help you calculate your allowable deduction.

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General Tax Tips #19
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Home Office Expenses

You qualify for “in-home” office deductions for your **self-employed** business if you meet one the following tests:

- (1) the home office is your principal place of business; or
- (2) the home office is used exclusively for business purposes and is used on a regular and continuous basis for meeting clients, customers, or patients.

A proportionate share of expenses relating to the home office (normally based on the size of the office as a percentage of the total home) including rent, repairs and maintenance, insurance, property taxes, mortgage interest, heat, and light, are eligible for deduction if you qualify. You cannot deduct any mortgage principal payments. You may claim depreciation (called capital cost allowance for tax purposes), but doing so could affect the status of your home for the principal residence exemption. The total home office expense deduction cannot exceed your business income before the deduction, but the excess may be carried forward and deducted against such income of the following year.

For **employees and commissioned sales persons**, similar tests apply, and “work-space in the home expenses” are allowed up to the amount of income from the employment or business for which the office is used. A Form T2200 Declaration of Employment Conditions is required to be completed and signed by your employer. Employees may claim only proportionate rent, heat, light, water, and maintenance costs. Commissioned salespersons may claim proportionate insurance and property taxes as well. Expenses in excess of the related income may be carried forward and deducted against such income of the following year.

Should you have any questions on your ability to claim home office expenses, contact a Chartered Accountant.

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General Tax Tips #20
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Work in Progress for Professionals

Self-employed professionals who are accountants, dentists, lawyers, medical doctors, veterinarians, or chiropractors have the ability to defer a portion of their professional income for tax purposes. Where, in the normal course of operations, the professional tracks hours expended on a project that have not yet been billed, this unbilled time, or "work in progress" (WIP), would normally be included in the professional's income for accounting purposes. However, the Income Tax Act provides that where the professional elects in his or her return of income, this WIP can be excluded from the determination of income for income tax purposes.

The election is made by either attaching a letter to the taxpayer's return stating that the election has been made, or by clearly indicating this information in the financial statements or in an income reconciliation submitted with the return. Once made, the election is valid for all subsequent taxation years and can only be revoked with the consent of the Canada Revenue Agency.

If you are a professional and believe you could qualify for this election, contact a Chartered Accountant to help you determine if it is available to you.

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General Tax Tips #21
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Record Keeping for the Self-Employed

The Income Tax Act requires every taxpayer carrying on a business to keep books of account so that the Minister may verify the validity of the expenses claimed and thus establish the amount of tax payable. Therefore, to the extent you are claiming automobile expenses, meals and entertainment costs, or any other business expenses, you should retain the documents or invoices that support your expense claims. To the extent automobile expenses are incurred in part for personal purposes, a record documenting total distance travelled and distance travelled in the year to earn income needs to be maintained.

Without these supporting documents, you might not be able to claim what would otherwise be valid business expenses against your source of income. In addition, if you are ever subject to an audit, good accounting records will save you time and money in dealing with Canada Revenue Agency.

The failure to keep adequate records is also an offence that can result, on conviction, in a fine or imprisonment, or both.

You are required to retain the records supporting your business expense claims for at least six years after the end of the year to which the records relate. However, the Canada Revenue Agency may specifically require you to keep records for an additional period of time.

You may destroy your books of account and records at an earlier time than outlined above if you receive written permission from the Canada Revenue Agency. To get such permission, you (or an authorized representative) can complete Form T137, Request for Destruction of Books and Records, or apply in writing to your tax services office.

If you would like more information regarding the maintenance of adequate accounting records for the purposes of complying with income tax legislation, seek the advice of a Chartered Accountant.

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Capital Dividend

The non-taxable portion of a capital gain realized by a private corporation can be distributed by means of a special dividend referred to as a "capital dividend." Capital dividends received by a Canadian resident shareholder are fully exempt from tax.

The amount of tax-free capital dividends available for distribution is accumulated in a corporate tax account referred to as the capital dividend account. The capital dividend account is a running balance that includes the non-taxable portion of capital gains less the non-allowable portion of capital losses. To ensure that the amount paid out is maximized, pay out capital dividends when capital gains are realized and before any capital losses are realized.

The corporation paying the capital dividend must file an election with the Canada Revenue Agency on or before the earlier of the day the dividend becomes payable, or the day any part of the dividend is paid.

Other receipts can also add to a corporation's capital dividend account, such as certain life insurance proceeds and the net non-taxable portion of income inclusions arising from dispositions of eligible capital property. If you would like more information about paying a capital dividend, seek the advice of a Chartered Accountant.

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Buying Capital Assets

In computing income from a business, capital cost allowance (CCA), or tax depreciation, is allowed as a deduction. When capital assets are purchased, they are grouped into classes based on the type of capital asset purchased. CCA is claimed annually against each class. The "declining balance" method is used for most classes: the maximum you can claim against each class is a fixed percentage of the un-depreciated capital cost (UCC), which is the running balance of un-depreciated capital assets in a class. What you claim then reduces the UCC balance for next year's claim.

For most acquisitions, only one-half of the CCA you could otherwise claim for the asset is allowed in the year of acquisition. As a result, acquiring an asset just before your year-end will accelerate the timing of your tax write-off, while acquiring the asset at the beginning of the year will delay your CCA claim.

If you would like more information about the timing of your capital asset purchases, seek the advice of a Chartered Accountant.

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Self-Employed Status

People who are self-employed can generally take advantage of a wider range of available deductions than employees. One of the benefits of being considered an independent contractor is that you are not required to have payroll taxes withheld from your income. You are also not required or permitted to pay Employment Insurance (EI) premiums if you carry on business for yourself. This could save you up to \$732 in EI premiums in 2009 when taking into account both the employee and employer's portions. However, this means that if your consulting contracts terminate and you are left without work, you cannot benefit from EI.

Canada Pension Plan (CPP) contributions, on the other hand, are still required. As well, if you are self-employed, you will need to pay the "employer's share" as well as your own share. The total could be as high as \$4,237 for 2009. You will, however, be able to claim a deduction for the "employer's share" of CPP up to the maximum of \$2,119 for 2009, and a tax credit for your own share of the CPP.

The distinction between an employee and an independent contractor is not always clear. You will more likely be considered an independent contractor carrying on your own business as a proprietor if you:

- Agree to get the job done, but you don't make a commitment for any particular number of hours on any particular day.
- Work on your own with no supervision and simply report back to the company periodically on progress.
- Issue invoices and receive cheques (with no source deductions for income tax, EI or CPP/QPP) and receive no employee benefits.
- Use your own equipment and work at home, going to the company for planning meetings only.
- Provide services to more than one client or customer.

If your worldwide revenues exceed \$30,000 in a single calendar quarter or in four consecutive calendar quarters, register for Goods and Services Tax.

Each case will depend on its facts. Keep in mind that there are other pros and cons of being employed versus self-employed. Consult the advice of a Chartered Accountant.

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General Tax Tips #25
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Childcare Expenses

You might be able to deduct your childcare expenses if they were incurred to enable you or a supporting person to earn employment or business income, attend secondary or post-secondary school, or engage in grant research. Attendance at a secondary or post-secondary school means attendance of at least one course that is at least three weeks long, for 10 hours per week (full time program), or 12 hours per month (part time program).

A supporting person includes your spouse, the parent of the child, or the person who claimed the child as a dependant. The supporting person must have lived with you at any time in the taxation year as well as at any time in the first 60 days of the following taxation year. An eligible child is defined as a child of the taxpayer or the taxpayer's spouse, or a child dependent on the taxpayer or the taxpayer's spouse and whose income for the year does not exceed the basic personal amount for the year. The child has to be under 16 years of age at some time in the year. However, the age limit does not apply if, during the year, the child is dependent on the taxpayer or the taxpayer's spouse and has a mental or physical infirmity.

The maximum deduction is \$10,000 for each child qualifying for the disability tax credit, \$7,000 for each other child age six or under at the end of the year, and \$4,000 for each other child age seven to fifteen at any time in the year. The maximum total deduction may not exceed two-thirds of your earned income and the actual amount paid in the year for childcare. The deduction can only be claimed by the lower income person unless the lower income spouse attends secondary or post secondary school, is mentally or physically infirm, or for a period of at least two weeks was in a prison, hospital, or asylum.

Childcare expenses can include day care, nursery school, day sports camp, lodging at a boarding school or camp, and certain babysitters.

Complete Form T778, Calculation of Child Care Expenses Deduction, and file it with your income tax return.

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General Tax Tips #26
TO BE PRINTED BEFORE APRIL 30, 2010

Medical Expenses

Don't forget your medical expenses on your tax return.

You can claim a tax credit for medical expenses for any 12-month period ending in 2009. Just look for the consecutive 12-month period for which the sum of your medical expenses is the highest. Keep in mind, however, that you cannot claim medical expenses already claimed in the previous year.

You can add the medical expenses of your spouse and minor children to your own medical expenses. You can also add the medical expenses of certain other dependents subject to certain restrictions. As either spouse can claim the medical expense credit, it is usually more beneficial for the lower income spouse to claim the medical expense credit.

Medical expenses include payments to private health insurance plans, fees to optometrists, opticians, dentists, medical doctors and chiropractors, and the cost of prescription eyeglasses, contact lenses, medical lab tests, hospital services and treatments, prescription medicines, and medical devices such as artificial limbs and dentures. As well, medical expenses include reasonable renovation costs to an existing residence and incremental construction costs to make a new principal residence suitable for a disabled person, provided such costs would not normally be incurred by persons who are not disabled, and would not be expected to increase the value of the property. They also may include reasonable travel costs to obtain medical services not available where you live. You may not claim the specific portion of any medical expenses that have been reimbursed by a medical plan.

Generally, for 2009, the tax credit is available only on the portion of the medical expenses that exceed the lesser of 3 per cent of your net income and \$2,011 for federal tax purposes and \$1,949 for B.C. tax purposes.

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General Tax Tips #27
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Transferring Income Tax Credits to Your Spouse or Common-law Partner

You can transfer some income tax credits to your spouse or common-law partner.

The transferable credits are the age credit, disability credit, pension income credit, your own education and tuition fee credits, and the textbook tax credit.

If you are able to reduce your taxes payable to zero without using all of your available credits, you should transfer some of these unused credits to your spouse's return. The textbook tax credit is added to unused tuition and education tax credit amounts for the purposes of transfer to your spouse or common-law partner.

Don't let your credits go to waste.

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General Tax Tips #28
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The Canada Education Savings Grant

The government of Canada adds to your savings in a Registered Education Savings Plan (RESP) with the Canadian Education Savings Grant (CESG). The CESG is a financial incentive for parents, family, and friends to save for a child's education after high school. The grant is paid directly into the child's RESP and will not be included in the annual and lifetime contribution limits for the beneficiary. The life time limit for any one beneficiary is \$7,200.

CESG contribution room accumulates at a rate of \$2,500 per year and the government of Canada will contribute CESG grants equal to 20 per cent of the first \$2,500 of annual contributions to an RESP (up to a maximum of \$500 per year per beneficiary) for the benefit of children under 18 years of age. For missed years, there are carryforward provisions that allow you to catch up on missed CESGs by up to \$500 per year in future years.

For lower and middle income families, the CESG rate on the first \$500 of annual contributions is increased to 40 per cent for families with income under of \$38,832 or less (CESG equals \$200 on the first \$500 of contributions), and 30 per cent for families with income between \$38,832 and \$77,664 (CESG equals \$150 on the first \$500 of contributions).

Lifetime RESP contributions are limited to \$50,000 per beneficiary. When more than \$2,500 is contributed in a year, the excess contribution does not carry forward for the purposes of the CESG.

If the beneficiary does not use the CESG for education, the principal amount of the CESG grants must be repaid to the government. You will not have to repay income earned on the CESG grants but the income will be taxed when the amounts are withdrawn.

The CESG will only be available for a 16 or 17 year old if the RESP contributions (net of any withdrawals) made *before* the year the child turned 16 either totalled \$2,000 or were at least \$100 per year in any four years.

Set up and make contributions to an RESP for your children to qualify for the CESG.

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General Tax Tips #29
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When Your Children Work for Your Business

If your children help you run your business, you can pay them a reasonable salary and deduct it from your business income when preparing your tax return. The salary must be reasonable for the type of work performed.

Putting your kids on the payroll could mean deductions on your tax return, and might allow them to start accumulating RRSP contribution room which can be used to reduce their taxes in future years. The other advantage is that your kids might be taxed at a lower rate than you.

Don't forget to make appropriate payroll withholdings. Note that CPP premiums are not required until your child turns 18 and that EI premiums are generally not required where the employee and the employer do not deal at arm's length.

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General Tax Tips #30
TO BE PRINTED BEFORE APRIL 30, 2010

Post-Secondary Education Expenses

Don't forget your education expenses on your tax return.

Students enrolled at eligible Canadian post-secondary institutions, such as universities or certified trade schools, might be entitled to a tax credit for tuition fees and ancillary fees (e.g., library fees, lab fees, and computer service fees) paid for each calendar year. Full-time student fees at foreign universities might also qualify for credit. In addition, students might be entitled to a federal tax credit calculated on a \$400 per month education amount for each full or part month of full-time attendance or a \$120 per month education amount for each full or part month of part-time attendance. Education amounts for provincial tax credit purposes vary depending on the province - in B.C., the education amounts are \$200 per month for full-time attendance and \$60 per month for part-time attendance.

Students will also be able to take advantage of the federal textbook tax credit. The textbook tax credit will be calculated on a \$65 amount for each month the student qualifies for the full-time education tax credit, and a \$20 amount for each month the student qualifies for the part-time education tax credit.

Unused tuition and education amounts, including the textbook tax credit, are transferable to a supporting spouse, parent, or grandparent up to maximum of \$5,000 per person per year. Tuition and education amounts that cannot be used in the current year, and that are not transferred, can be carried forward and claimed by the student in a subsequent year.

If your employer or your parent's employer paid your tuition, it is not creditable to you unless it is included in yours, or your parent's income.

Students might also be eligible for tax credits or deductions for other expenses, such as interest on student loans or moving expenses.

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General Tax Tips #31
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Employment Expenses

Where you earn income from employment and are required by the terms of your employment to incur certain expenses, you might be able to claim a deduction in respect of these expenses on your tax return. Such expenses might include sales expenses for commission employees, travel expenses, motor vehicle expenses, professional or union dues, office rent (including home office expenses), assistant's salary, and consumable supplies. In general, with the exception of depreciation in respect of an automobile or aircraft, employees are not permitted to claim any deductions in respect of capital expenditures.

Your employer must certify the conditions of your employment on Form T2200 *Declaration of Conditions of Employment* to verify your eligibility to claim employment expenses. The Canada Revenue Agency does not require you to file the form with your tax return; however you must retain it in case they wish to see it.

In addition to the restriction on capital expenditures, there are other specific restrictions and limits on the expenses you may deduct. Consult a Chartered Accountant to determine what employment expenses you might be able to claim.

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General Tax Tips #32
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Refundable Medical Expense Supplement

Where your net family income is less than \$44,973 and you have claimed medical expenses on your tax return, you might be entitled to a refundable medical expense supplement of up to \$1,067. You must be a resident of Canada throughout the year, and 18 years of age or older at the end of the year to qualify.

The supplement is calculated as 25 per cent of your net medical expenses eligible for a non-refundable tax credit on Schedule 1 of your return. The amount of the supplement is reduced by 5 per cent of net family income in excess of \$23,633.

No supplement is available where your income from employment and/or self-employment is less than \$3,116.

The supplement is considered an amount paid on account of your taxes payable for the year. To the extent the deemed payment is not needed to reduce your taxes otherwise payable for the year to zero, it will be refunded to you.

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General Tax Tips #33
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Canada Employment Credit

The Canada Employment Credit ('CEC') was introduced in recognition of work-related expenses incurred by employees and is indexed for inflation. For 2009, the tax credit provides tax relief on the lesser of \$1,044 and the individual's employment income for the year.

The tax credit for a particular taxation year is calculated at the lowest personal tax rate for the year. For 2009 this rate is 15 per cent, yielding a maximum tax savings of \$157.

Remember to take advantage of this and all other tax credits available to you.

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General Tax Tips #34
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Tradesperson's Tools Deduction

Many employed tradespeople must provide their own tools as a condition of employment. In recognition of this, an employed tradesperson is entitled to deduct the total cost (in excess of \$1,044) of eligible new tools acquired in a taxation year, up to a maximum of \$500 for that year.

An eligible tool is a tool that is acquired by the taxpayer for use in connection with the taxpayer's employment as a tradesperson that has not been used for any purpose before it is acquired by the taxpayer. Electronic communication devices and electronic data processing equipment will not qualify as eligible tools (unless the device or equipment can be used only for the purpose of measuring, locating, or calculating).

Your employer must certify the conditions of your employment on Form T2200 *Declaration of Conditions of Employment* to verify your eligibility to claim the cost of tools. The Canada Revenue Agency does not require you to file the form with your tax return; however you must retain it in case they wish to see it.

The tradesperson will also be eligible for a rebate of the goods and services tax/harmonized sales tax paid on the portion of the purchase price of the new tools that is deducted in computing employment income.

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General Tax Tips #35
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Traveling expenses

If you travel for a transportation company (for example, as a bus or truck driver or as a flight attendant) you can deduct the cost of certain meals and lodging to the extent you are not entitled to be reimbursed. The deduction for meals will be restricted to 50 per cent of your cost.

The meals deduction limit for eligible long-haul truck drivers is 70 per cent, rising by an additional 5 per cent per year until the rate reaches 80 per cent for 2011 and later years.

To qualify for the increased meals deduction, you have to be away from your municipality or metropolitan areas for at least 24 hours and transport goods at least 160 kilometres from where you regularly report to work. Eligible long-haul trucks or tractors must have a gross vehicle weight rating of more than 11,788 kg.

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General Tax Tips #36
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Individuals with Disabilities

In addition to the disability tax credit, starting in 2008, parents and others will be able to establish Registered Disability Savings Plans (RDSP) to provide for the long-term security of a child who is eligible for the disability tax credit.

RDSP contributions will not be tax deductible, but investment income can be earned within the plan on a tax-free basis. Upon withdrawal only the accumulated investment income will be taxable to the beneficiary. The contributions to the RDSP will be paid to the beneficiary tax-free.

Anyone can contribute to the RDSP and there is no annual limit on the contributions; however, contributions on behalf of any one beneficiary are capped at a lifetime maximum of \$200,000. Contributions can continue until the end of the year in which the beneficiary reaches age 59.

The beneficiary must begin receiving payments from the plan by the end of the year he reaches age 60, subject to maximum annual limits based upon life expectancy and the value of the RDSPs assets.

In 2008, the government introduced Canada Disability Savings Grants (CDSGs). The CDSGs are a supplement that the Government of Canada contributes to a RDSP. RDSP contributions will earn CDSGs at matching rates of 100 per cent, 200 per cent, and 300 per cent depending on family income and the amount contributed. The annual maximum CDSG is \$3,500 where family income is less than approximately \$75,700, and \$1,000 otherwise. An RDSP beneficiary can accrue up to \$70,000 of CDSGs in their RDSP over their lifetime. No CDSGs will be paid to an RDSP after the year in which the beneficiary reaches the age of 49.

Lower income families might also be entitled to receive Canada Disability Savings Bonds (CDSBs) of up to \$1,000 per year (to a maximum of \$20,000 over the beneficiary's lifetime). Eligibility for CDSBs will be linked to family net income, rather than amounts contributed.

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General Tax Tips #37
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Adoption Expense Credit

The adoption expense credit is a non-refundable credit in respect of an eligible adoption expense incurred in the adoption of a child under the age of 18 years. The maximum credit claimable is \$10,909 for 2009. The credit is reduced to the extent that the adoptive parent has been otherwise reimbursed, or is entitled to reimbursement, in respect of eligible adoption expenses.

Individuals may include eligible adoption expenses incurred during the adoption period, generally defined as the period that begins at the earlier of the time the child's adoption file is opened with the provincial or territorial ministry responsible for adoption or a licensed adoption agency, and the time, if any, that an application related to an adoption is made to a Canadian court and that ends at the later of the time the adoption is finalized and the time the adopted child begins to live with the adoptive parent.

To be eligible for the credit, a parent must submit proof of an adoption in the form of a Canadian or foreign adoption order, or otherwise demonstrate that all of the legal requirements of the jurisdiction in which the parent resides have been met in completing the adoption. Individuals must claim the credit in the taxation year in which the adoption period ends.

Eligible adoption expenses include fees paid to licensed adoption agencies, court and legal expenses, reasonable travel and living expenses, translation expenses, and mandatory fees paid to a foreign jurisdiction.

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General Tax Tips #38
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Home Renovation Tax Credit

The 2009 Federal budget announced the introduction of a new temporary non-refundable tax credit for home renovations in respect of dwellings that are eligible at any time during the period to be a homeowner's principal residence. Homeowners can claim a 15 per cent non-refundable tax credit for eligible expenditures over \$1,000 but not more than \$10,000, for a maximum credit of \$1,350 (\$9,000 x 15 per cent).

The credit is available for eligible costs of work performed or goods acquired after January 27, 2009 and before February 1, 2010 under agreements entered into after January 27, 2009.

Eligible expenses must be of an enduring nature and integral to your property, such as:

- Renovating a kitchen, bathroom or basement
- New windows doors or flooring
- Building an addition, garage, deck, shed or fence
- A new furnace, woodstove, fireplace, water softener, or water heater
- A new driveway, or resurfacing of a driveway, re-shingling of a roof, or painting of a house
- Landscaping – new sod, perennial shrubs and flowers, trees, etc
- Swimming pools (permanent, in ground and above ground)
- Associated costs such as permits, professional services, equipment rentals, and incidental expenses.

Routine repairs, maintenance and cleaning costs and any financing costs are non-eligible expenditures.

Be sure to get all contracts in writing, keep your receipts, and claim the credit on your 2009 tax return.

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General Tax Tips #39
TO BE PRINTED BEFORE APRIL 30, 2010

First-Time Home Buyer's Tax Credit

Starting in 2009, you might be eligible to claim a home buyers' tax credit ("HBTC") based on an amount of \$5,000 for the acquisition of a qualifying home after January 27, 2009.

Generally, to be eligible for the HBTC, you must acquire a qualifying home and neither you nor your spouse or common-law partner can have owned and lived in another home in the year of purchase, or in any of the four preceding years. If you are a person with a disability or are buying a house for a related person with a disability, you might not be subject to the preceding requirement. However, the home must be acquired to enable the person with a disability to live in a more accessible dwelling or in an environment better suited to the personal needs and care of that person.

A qualifying home is a housing unit located in Canada which can be an existing home or one that is being constructed. Single-family homes, semi-detached homes, townhouses, mobile homes, condominium units, and apartments in duplexes, triplexes, fourplexes, or apartment buildings, all qualify. A share in a co-operative housing corporation that entitles you to possess and gives you an equity interest in a housing unit located in Canada also qualifies. However, a share that only provides you with a right to tenancy in the housing unit will not qualify.

Either you, or your spouse or common-law partner can claim the credit or you can share the credit. However, the total of both claims cannot exceed \$750.

See <http://www.cra-arc.gc.ca/gncy/bdgt/2009/fqhbtc-eng.html> for more information.

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General Tax Tips #40
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Old Age Security Clawback

If your 2009 net income exceeds \$66,335, all or a portion of your 2009 Old Age Security (OAS) will be repaid or clawed back. The clawback is \$0.15 for each dollar of income in excess of \$66,335 and when net income reaches approximately \$107,692, all of your OAS will be clawed back.

If your last year's net income exceeded \$64,718, this year's OAS payment will be reduced by an estimated clawback based on last year's income.

This clawback is based on your income, not on family income. Splitting income with other family members might reduce the risk of OAS clawback.

Most income splitting procedures require proper planning over several years to be effective. If you haven't planned ahead, don't fret – you can still split future Canada Pension Plan benefits with your spouse by applying for "pension sharing," and you can split current eligible pension income with your spouse under Canada's pension income splitting rules. Call your Chartered Accountant to find out more.

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General Tax Tips #41
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Managing Your Retirement

The government requires that Old Age Security (OAS) be repaid at a rate equal to 15 per cent of net income in excess of \$66,335. Basically, if a person received the maximum OAS of \$6,204 in 2009, all of it must be repaid if their 2009 net income is equal to, or greater than, approximately \$107,692.

If your income is sufficient to force repayment of OAS each year, you should talk to your Chartered Accountant about restructuring your income. In the simplest of circumstances, they might simply advise you to take advantage of Canada's new pension income splitting rules to move some of your eligible pension income to your spouse.

In more complex circumstances, they might suggest setting up an investment holding company for you. The company would report some of the income you would otherwise report on your personal tax return. If done correctly, your personal income might be lowered enough for you to retain 100 per cent of your OAS. At \$6,204 per year (adjusted for inflation), the benefits can quickly add up. There are other benefits and costs to consider. So, don't try this on your own.

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General Tax Tips #42
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Tax Credits for Those Over 65

Your age could be worth money at tax time. If you were 65 years of age or older in 2009, then you might be eligible for some tax breaks.

You might be eligible to claim a tax credit for being 65 years of age or older, depending on your income level. The maximum age credit is reduced once net income exceeds approximately \$32,312 (for federal tax purposes, \$31,288 for B.C. tax purposes), and declines to zero at net income of approximately \$75,032 (for federal tax purposes, \$59,308 for B.C. tax purposes). In 2009, the combined Federal and British Columbia tax credit can reduce your taxes payable by as much as \$1,174.

You might also claim another tax credit for an amount equal to the lesser of \$2,000 and the "pension income" you included in income for the year. The combined Federal and British Columbia tax credit can reduce your taxes payable by as much as \$351.

Eligible pension income includes payments you receive from superannuation or pension plans, the income element of annuity payments, and RRSP annuities or payments from a registered retirement income fund (RRIF). Old Age Security and Canada Pension Plan income do not qualify for the pension credit, although US Social Security will qualify to the extent that it is taxed in Canada. The pension credit is also available to individuals under age 65 on life annuity payments from superannuation or pension plans, and on certain annuity payments arising by virtue of the death of a spouse.

You may also be able to split up to 50 per cent of your eligible pension income with a spouse or common-law partner. If you were 65 or older during 2009, consult a Chartered Accountant to see what tax breaks you might be eligible for.

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General Tax Tips #43
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Pension Income Credit

If you are 65 or older, you should try to have at least \$2,000 of income qualify for the Pension Income Credit. Income from pension plans, RRSP annuities, RRIFs, and certain other annuities qualify for this tax credit.

Old Age Security and Canada Pension Plan income do not qualify for this tax credit.

If you are 65 or older and your only sources of pension income are from Old Age Security and the Canada Pension Plan, but you have an RRSP, you can qualify by transferring a sufficient amount of RRSP funds into a RRIF or annuity to create qualifying income.

If you are under 65 and are receiving income from a pension plan, or are receiving income from RRSP annuities, RRIFs and certain other annuities, as a result of the death of your spouse, you also qualify for the credit.

If you have qualifying pension income, but cannot use this credit, it can be transferred to your spouse.

You may also split up to 50 per cent of your eligible pension income with a spouse or common-law partner.

Make sure you qualify for the Pension Income Credit. Consult with a Chartered Accountant for more information.

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General Tax Tips #44
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Charitable Donations

You can claim all of your 2009 donations plus any donations made in any of the previous five years that have not been claimed before.

If you are married, claim all of your donations on one spouse's return. This is because the first \$200 of donations is only eligible for a reduced tax credit. By claiming donations on one return, you will avoid having the first \$200 of donations subjected to the reduced tax credit twice, saving you up to \$47.

You don't have to claim your donations made in 2009. If, for example, you have other deductions sufficient to eliminate your federal taxes, then there is no benefit to claiming the donations in this year. Instead, carry forward your donations; they can still be claimed in any of the next five years.

You are required to attach the official receipts to your tax return. Pledge slips, cancelled cheques, credit card slips and other proofs of payment are not acceptable. If you have lost your official tax receipt, contact the charity for an official duplicate. Donations to foreign charities generally do not qualify, but there are special rules to allow the credit for donations to some US charities and certain other prescribed foreign charities.

Every receipt from a Canadian charity or athletic association must contain a statement that it is an "official receipt" for income tax purposes. The receipt must also conform to the prescribed format, and include the name of the organization, its address, the registration number assigned to it by the Minister of National Revenue, the date, and the amount of the donation.

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General Tax Tips #45
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Caregiver Credit

You might be eligible for the caregiver credit if you provide in-home care for a relative that resides with you and is your or your spouse's:

- parent or grandparent age 65 or older; or
- relative age 18 or older who is dependent on you because of mental or physical infirmity.

Generally, if you claim the caregiver credit for your relative, no individual will be allowed to claim the 'equivalent-to-spouse' credit or the 'infirm dependent' credit for the same relative. You can claim the caregiver credit for more than one person. For example, if both parents qualify, you can claim the credit for both of them.

The combined Federal and British Columbia tax credit will reduce your taxes payable by up to \$837 (for each relative claimed). However, the tax credit will be reduced where the relative's income for 2009 exceeds \$14,336 (for federal tax purposes, \$13,881 for B.C. tax purposes). The credit is completely eliminated when the relative's income reaches \$18,534 (for federal tax purposes, \$17,982 for B.C. tax purposes).

Check to see if you qualify for the Caregiver Credit. Consult with a Chartered Accountant for more information.

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General Tax Tips #46
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Carry-forward Amounts

If you are unable to use certain deductions or tax credits in a particular tax year, you might be able to use them in a future year. Common carry-forward items include:

- Non-capital losses – business losses arising in taxation years ending after 2005 may be carried forward 20 years (previously ten years for losses arising in taxation years ending after March 22, 2004, and seven years for losses arising in earlier years).
- Net-capital losses – losses on the disposition of capital property may be carried forward indefinitely.
- Foreign business tax credits – unused foreign business tax credits arising in taxation years ending after March 22, 2004 may be carried forward 10 years (previously seven years).
- Charitable donations – unused charitable donations may be carried forward five years.
- Tuition, Education, and Textbook credits – unused tuition, education, and textbook amounts may be carried forward indefinitely.
- Interest on student loans – unused student loan interest expenses may be carried forward five years.
- Home office expenses – excess un-deducted home office expenses of an employee or a self-employed individual may be carried forward indefinitely.

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General Tax Tips #47
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Foreign Property Reporting Requirements

Canadian residents are required to report their income on a worldwide basis. In addition, every individual must indicate on their personal income tax return whether they own Specified Foreign Properties with an aggregate cost of \$100,000 or more. To determine the cost of foreign properties acquired in a currency other than Canadian dollars, use the exchange rate in effect at the time the property was purchased. If you own Specified Foreign Properties with an aggregate cost of more than \$100,000 you must complete and file Form T-1135 by your tax return due date (April 30 of the following year for many individuals and June 15 for self-employed individuals). You must include the income earned in the year from foreign property, specified or otherwise, on your Canadian tax return, irrespective of the property's cost.

Specified Foreign Property does not include property that is purely for personal use and generates no income. If the foreign property (for example, a vacation home) is not used to generate income, then it does not have to be reported as foreign property. Foreign property used exclusively in an active business, foreign property held through a Canadian mutual fund, and foreign property held through an RRSP are also excepted from the reporting requirement.

If you own Specified Foreign Properties with an aggregate cost of \$100,000 or more, contact a Chartered Accountant to help you understand the reporting requirements and identify tax-planning opportunities for foreign tax credits. Failure to comply with the foreign property reporting requirements can result in significant penalties.

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General Tax Tips #48
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Foreign Source Income

If you have received income from foreign sources, such as pension income, you must report it in Canadian dollars on your tax return.

To convert the foreign source income, you must use the rate of exchange that was in effect at the time the money was received, or the average exchange rate for the year as published by the Bank of Canada (www.bankofcanada.ca). You must report the amount of foreign income before deducting any tax that was withheld at the source. However, if you have paid tax on that same income in a foreign country, the amount of foreign tax paid might be eligible for a Canadian tax credit or deduction.

Some income might also be exempt under international tax treaties.

There might be several tax planning opportunities, depending on the source and type of foreign income you received. To help you identify these opportunities, consult a Chartered Accountant.

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General Tax Tips #49
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Records Retention

If you run your own business, you are required to retain books and records that relate to a specific taxation year for a minimum of six years after the end of that year. If a particular year is under appeal, books and records for that year should be kept until the appeal is resolved, and the time for any further appeal has expired. If a return has been filed late, the records must be kept for six years from the actual filing date.

Records include permanent records such as minutes of meetings, accounting records, and source documents such as invoices, receipts, cheques, bank statements.

As records over six years old might contain information that is still relevant for tax purposes, you might wish to consult a Chartered Accountant or the Canada Revenue Agency (CRA) prior to destroying your records. As well, you might need permission from other government departments before you may destroy records related to those departments' activities.

For more information, refer to the CRA Information Circular 78-10R4, which you can find on the CRA website at: www.cca-adrc.gc.ca.

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General Tax Tips #50
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Why File a Return?

Why fill out a tax return if you have no taxable income for 2009?

By filling out a tax return, you might be eligible for the Goods and Services tax credit and provincial sales tax credit.

By filling out a tax return, low-income seniors can also re-apply for the Guaranteed Income Supplement (GIS).

By filling out a tax return, you'll recover any money owing to you for the year. This could include an overpayment of income taxes, Canada Pension Plan contributions (CPP), or Employment Insurance premiums (EI).

Even if you have no "Taxable Income," you might still be required to file a tax return and pay CPP if your net self-employed income is in excess of \$3,500. You might also want to report this "earned income" so that you build your RRSP contribution room and become eligible for greater RRSP deductions in a future year. If you are a student with excess tuition and education amounts in the year, you will want to file a tax return so that you can carry them forward to another year. Also, if you have a business loss, you must file a return in order to establish your right to claim the loss in other years.

Lastly, by filing out a tax return, if you are 18 years or older, you will earn Tax Free Savings Account contribution room of \$5,000. These accounts are new for 2009 and the Canada Revenue Agency plans to track contribution room only for those eligible individuals that file personal tax returns.

Tax credits, money owing—it's yours for the asking. Simply fill out a tax return.

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General Tax Tips #51
TO BE PRINTED BEFORE APRIL 30, 2010

Deadlines for Filing Your Tax Returns

The general deadline for filing personal income tax returns and paying any taxes owing is April 30th.

However, if you are in business for yourself, the filing deadline for you (and your spouse) is extended to June 15th. Just remember, any taxes you owe are still due by April 30th, so make sure you pay your taxes by that date to avoid arrears interest charges. If you owe taxes and your return is late, you will be assessed a penalty and interest on the unpaid balance of tax due.

If you find the deadline is fast approaching and you still haven't received receipts for some items, file your return anyway with a cheque for the estimated tax owing and an explanation. An adjustment may be made later.

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General Tax Tips #52
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Your Assessment Notice

When you are sent an assessment notice showing additional taxes payable, review it carefully; your arithmetic may have been wrong or you may have claimed a deduction to which you weren't entitled; on the flipside, the Canada Revenue Agency (CRA) may have incorrectly denied a deduction to which you were entitled.

If your return was prepared for you, advise the preparer of any changes, upward or downward.

If you prepared your own return and don't understand the information on your notice, contact your local tax services office immediately for a full explanation.

If the assessment is not in your favour and you aren't satisfied with the CRA's explanation, you might want to consult a professional advisor and consider filing a Notice of Objection with the CRA to ensure that your rights are protected. Keep in mind individuals have until the later of (i) one year after the taxpayer's filing due date for the year in question, or (ii) 90 days after the day of mailing the Notice of Assessment to file the objection.

Keep your Notice of Assessment to assist in filing your tax return next year as there might be important information on it, such as RRSP deduction limits, unused RRSP contributions, Home Buyers' Plan and Lifelong Learning Plan repayment requirements, taxable refund interest, or losses available for carry forward.

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General Tax Tips #53
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Donation of Publicly Traded Securities

Looking to sell some marketable securities *and* make a donation? You can kill two birds with one stone by donating the marketable securities directly to your charity of choice instead, and save some tax while you're at it.

For gifts of marketable securities made in 2009 the capital gains inclusion rate is 0 per cent. Meanwhile, the charitable donation credit is still based on the full fair market value of the gifted securities.

To be eligible for the reduced capital gains inclusion rate, the securities must generally be shares, debt obligations, or rights listed on a designated stock exchange, or units of mutual fund trusts or mutual fund corporations as defined in the Income Tax Act.

Gifts to a private foundation may also qualify if the gift is made in 2009.

Finally, similar rules apply to the deferred stock option benefits realized on donations of marketable securities acquired pursuant to an employee stock option plan.

Donating marketable securities in a loss position can also be effective because you will receive a donation receipt for the fair market value of the gifted securities, and will also be able to utilize the resulting capital loss.

Thinking of donating marketable securities? Consult a Chartered Accountant to determine whether your securities will qualify for the reduced capital gains inclusion rate.

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General Tax Tips #54
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Tax Credit for Public Transit Passes

Do you or your family members regularly use public transit? If so, then you might be eligible to claim a special tax credit for transit passes purchased in 2009 on your 2009 personal income tax return.

This tax credit is available for transit passes used in 2009. There is no limit to the amount you may claim. Claims may be made in respect of passes that provide unlimited use of public transit for an uninterrupted period of at least 28 days.

A claim is also available for weekly passes provided they are for at least four consecutive weeks and each pass provides at least 5 consecutive days of unlimited public transit use.

Eligible cost-per-trip electronic payment cards may also qualify in 2009 provided they are used for at least 32 one-way trips during an uninterrupted period of no more than 31 days. Check with your public transit authority to ensure the card they issue is eligible.

You may claim the eligible cost for yourself, your spouse or common-law partner, and your children under the age of nineteen at the end of the year. See <http://www.cra-arc.gc.ca/whatsnew/items/transit-e.html> for more details.

Save those old transit passes. They could be worth 15 cents on the dollar when you file your tax return.

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General Tax Tips #55
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Working Income Tax Benefit

Low income individuals will be eligible for a refundable Working Income Tax Benefit (WITB) tax credit in 2009. You must be a resident of Canada for income tax purposes throughout 2009, and be at least 19 years of age at the end of 2009 to qualify.

The refundable tax credit is available on earned income exceeding \$4,750 at a rate of 17 per cent, to a maximum tax credit for BC residents of \$820 for individuals and \$1,457 for families.

The credit is reduced by 17 per cent of income of BC resident's in excess of \$9,923 for individuals (\$13,578 for families), and declines to zero at an income level of \$14,746 for individuals (\$22,148 for families).

The credit is not available to students who have no dependent children, and are enrolled on a full-time basis for more than 3 months in the year.

You might be eligible to apply for an advance of up to 50 per cent of the WITB you expect to receive for 2010. You should apply for the advance using Form RC201 between January 1 and August 31, 2010. Only calculated advance amounts totalling at least \$100 will be paid out. Please refer to the CRA website listed below for the scheduled advanced payment dates.

See www.cra-arc.gc.ca/bnfts/wtb/menu-eng.html for more information.

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General Tax Tips #56
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Child Tax Credit

This credit is available to the parents of children who are under 18 at the end of 2009.

In 2009 the tax credit could reduce your taxes payable by as much as \$313 per child. Any unused portion can be shared with a spouse or common-law partner.

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General Tax Tips #57
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Tax Free Savings Accounts

Starting in 2009, you can contribute up to \$5,000 annually (indexed after 2009) to a Tax Free Savings Account (TFSA) provided you are a Canadian resident age 18 or older.

Contributions to a TFSA are not tax deductible and the contribution room can be carried forward indefinitely. Investment income earned in the TFSA will be tax-free and you can make tax-free withdrawals from a TFSA at any time. When you make a withdrawal, the amount withdrawn will be added to your contribution room for the following year and can be re-contributed in the future.

TFSAs will generally be allowed to hold the same qualified investments as RRSPs. This includes cash, mutual funds, publicly traded securities, GICs, bonds and certain shares of small business corporations.

Unlike RRSPs, TFSA contribute room is not lost when you make a withdrawal and you do not have to wind it up when you reach age 71. Your TFSA can be maintained for your entire lifetime.

The Canada Revenue Agency plans to track TFSA contribution room for eligible individuals who file personal tax returns, which means you should file a return if you are 18 or older even if you do not have any taxable income.

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General Tax Tips #58
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How to File Your Return

There are a number of convenient ways to file your personal income tax and benefit return with the Canada Revenue Agency (CRA):

1. By Internet

NETFILE allows you to file your personal income tax return directly with the CRA using the Internet. The tax return must be prepared using a commercial tax preparation software package, or a Web application certified by the CRA to meet their system requirements.

EFILE is an automated system that lets registered electronic filing service providers complete and send your tax return to the CRA electronically. To use this service, you must take your documents to a tax preparation service.

2. By Phone (TELEFILE)

If you complete a paper tax return, you might be able to file it by phone for free. All you need to use the service is a touch-tone phone, your social insurance number (SIN), your personalized access code (which is included in the income tax package mailed to you by the CRA), and your completed tax return.

TELEFILE is designed for taxpayers with the most common types of income tax information such as employment income, pension income, interest income, RPP contributions, and charitable donations. More complex tax information, such as self-employment income, capital gains and rental income are not accepted by the system.

To file your return, call the TELEFILE service toll-free at 1-800-959-1110.

3. By Mail

You can mail a paper tax return to your tax centre using the envelope included in the income tax package mailed to you by the CRA. Use the mail-in label if you have one, and make note of the tax centre address for future reference.

For more information, see <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/rtrn/sndng/menu-eng.html>.

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