

'88 return is 'easier than you think'

Taxpayers will see a number of changes to their returns for 1988, primarily as a result of the first phase of "tax reform". But Revenue Canada insists there's no cause for alarm. Essentially, completing the return involves a straightforward five-step process.

The five basic steps are: Step 1 - identification; Step 2 - calculation of total income; Step 3 - calculation of taxable income; Step 4 - calculation of non-refundable tax credits; and Step 5 - summary of tax and credits.

The T1 General Tax Guide, available to all taxpayers, also follows this step-by-step and line-by-line approach. So, by following the Guide carefully, most Canadians should have no trouble completing their returns quickly and accurately.

Step 1 is simply basic information about your name, date of birth, SIN number and so forth. It is essentially unchanged from previous years and you should have no problem completing this step.

Step 2 is calculation of total income and this too is similar to previous tax forms. The employment expense deduction from previous years has been eliminated; this will contribute to broadening the tax base, thus permitting the enhancement of the basic personal credit.

Maximum allowable child care expense deduction will be increased from \$2,000 to \$4,000 for each child age six and under and for all children with special care needs.

Step 3 - Calculation of taxable in-

come is also familiar. It involves listing all those deductions which have not been converted to tax credits in order to calculate your net income and your taxable income. Major items from this step which have been moved to tax credits are Canada and Quebec Pension Plan calculations, UIC premiums and tuition fees. The previous income and dividend deduction has been revised.

Other than these few changes, your calculations to arrive at net income and taxable income will follow much the same process as in past years. Don't be alarmed if your taxable income figure is higher than in previous years. It almost certainly will be. But there are still the tax credits to come.

Step 4 - Calculation of total non-refundable tax credits is the key new element in the new tax return, where you enter all those items previously listed which have been converted to tax credits. This too is quite straight forward if you follow the item-by-item explanation provided in your tax guide.

The Guide will tell you what amount you can enter for each item. For example, the basic personal amount is \$6,000, the age amount (over 65) is \$3,236, and so on. Then, when you have entered all the amounts for which you are eligible, you simply total them and multiply by a factor of your total non-refundable tax credit.

There is one exception to this process. This deals with charitable donations or gifts to Canada or a province. Here, the conversion

Step 4 - Calculation of Total Non-Refundable Tax Credits

Basic personal amount	Claim \$6,000.00	300	
Age amount, if you were born in 1923 or earlier (if you did not receive the Old Age Security pension, attach a letter giving reasons)	Claim \$3,236.00	301	
Married amount (provide details on page 3)		303	⊙
Amounts for dependent children (provide details on page 3)		304	⊙
Additional personal amounts (attach completed Schedule 6)		305	⊙
Canada or Quebec Pension Plan contributions			
Contributions through employment from Box (D) on all T4 slips (maximum \$476.00)		308	⊙
Contribution payable on self-employment earnings (from page 3)		310	⊙
Unemployment insurance premiums from Box (E) on all T4 slips (maximum \$690.56)		312	⊙
Eligible pension income amount (maximum \$1,000)		314	⊙
Disability amount for self (claim \$3,236.00)		316	⊙
Disability amount for dependent other than spouse		318	⊙
Tuition fees for self (attach receipts)		320	⊙
Education amount for self (attach form T2202 or T2202A)		322	⊙
Tuition fees and education amount transferred from child (attach form T2202 or T2202A)		324	⊙
Amounts transferred from spouse (attach completed Schedule 2)		326	⊙
Medical expenses (attach receipts and complete Schedule 5)	330		⊙
Subtract 3% of "Net Income" (line 236 above) (maximum \$1,500)			
Allowable portion of medical expenses		332	
Add lines 300 to 326 inclusive and line 332 if THIS AMOUNT EXCEEDS THE AMOUNT AT LINE 260. SEE "LINE 335" IN GUIDE		335	
Non-refundable tax credits - 17% of line 335 or see Tax Table A instructions in Guide			338
Add Charitable donations and gifts to Canada or a province (attach receipts)			
Charitable donations (attach completed Schedule 5)	340		⊙
Gifts to Canada, a province or gifts of cultural property	342		⊙
Total Donations	344		
On the first \$250 or less			the credit at 17% is 346
On the balance			the credit at 29% is 348
Total Non-Refundable Tax Credits (add lines 338, 346 and 348)			350

(proceed to Step 5 on page 4)

Here's the fun part of your return. It shows the "credits" you get to reduce the taxable portion of your earnings.

factor to arrive at your tax credit is 17 per cent for the first \$250 but rises to 29 per cent for donations above this level.

So now you have arrived at your total of non-refundable tax credits. It's important to note that "non-refundable" means you may use these tax credits to reduce your federal income tax payable as far as zero. But they cannot be used to go beyond that point and actually create a tax rebate.

Having determined the level of

taxable income and the total of non-refundable credits, we now move to Step 5 - the Summary of tax and credits. This too, is very similar to previous years. You first calculate your federal and provincial tax payable, deduct any further federal or provincial credits that may apply and arrive at a final figure indicating your tax refund or balance due.

In calculating your tax payable, you will note that the number of tax brackets has been reduced

from 10 in previous years, or effectively four for Ontario taxpayers.

Starting in 1988, the new brackets and tax rates are 17 per cent for the first \$27,500, 26 per cent for amounts from \$27,501 to \$55,000, and 29 per cent on amounts more than \$55,001. This should make it simpler for most taxpayers to calculate their tax payable. Readjustment of tax brackets will also contribute to the overall lowering of federal income tax that most Canadians will be required to pay.

'Cannie Maes' offer profit, liquidity, security

"Cannie Maes" are taking off like gangbusters. They're the new National Housing Act mortgage-backed securities combining the qualities of a government bond and a direct investment in prime first mortgages.

They're now on the road to sales of \$2 billion, having passed the \$1 billion mark in October after less than two years on the market, according to John McDermid, minister of state for housing in the pre-election government.

The mortgage-backed securities are investments in pools of insured

residential first mortgages with a government guarantee of timely payment of principal and interest. They're traded over the counter, so owners can offer them for sale at a fair market price at any time.

The MBS program was launched in January, 1987 and by October of '88 had made 118 issues averaging \$8,750,000. Units are traded like government bonds on the over-the-counter market in multiples of \$5,000. They're both RRSP and RRIF eligible and there is no withholding tax for foreign investors or Canadian expatriates.

Issue term is for a minimum of five years with no upper limit, and the coupon interest rate is determined by the market at slightly higher rates than for government securities of comparable maturities.

Cannie Maes are also fully redeemable on maturity and monthly payments start 45 days following the date of issue in mid-month.

Guaranty Trust Co. is the central payor and transfer agent, holding

records; issuing certificates and statements and making payments to investors.

Additional information is available from Joe O'Brien, Director, NHA Mortgage-Backed Securities Centre, CMHC, 650 Lawrence Ave. W., Toronto, Ont. M6A 1B2.


VIKING CANADIAN FUND
RRSP ELIGIBLE

Are You Interested In Results?

VIKING CANADIAN FUND	1 YEAR	—	24.2%
	10 YEARS	—	14.6%

FOR MORE INFORMATION ON THIS AND OTHER EXCEPTIONAL RRSP INVESTMENTS — CONTACT ME TODAY!

BERNIE RACINSKY
GEORGETOWN



LAURENTIAN FINANCIAL SERVICES

Home: (416) 877-2362
Bus: (416) 828-3340

Located In Eaton's Stores

Past Performance is Not Necessarily Indicative Of Future Results

SUTHERLAND INVESTMENTS
An independent assessment of the Industrial Growth Fund RRSP.



JACK BOULET

SUTHERLAND INVESTMENT CORPORATION
JACK R. BOULET, C.G.A.
22 STOCKMAN CRESCENT, GEORGETOWN, L7G 1J7
877-0949

As an independent investment fund dealer, I can provide access to literally hundreds of eligible investments. But for the 1988-89 tax year, I honestly believe there's one best RRSP choice: Industrial Growth Fund.

	1 yr.	3 yr.	5 yr.	10 yr.	20 yr.
Industrial Growth Fund	20.5%	11.2%	13.0%	16.7%	16.2%

For my money — and for yours — Industrial Growth Fund sets the standard in RRSPs.

Call Me Today For The Full Story!

All figures to December 31, 1988 are average annual compound returns based on the net income invested and including reinvestments of dividends. Past performance is not necessarily indicative of future results. Any offers made only by prospectus which contains complete details of all charges. Please read it before making a purchase and retain it for future reference.

SUTHERLAND INVESTMENT CORPORATION
30 Wertheim Court, Unit 12, Richmond Hill, Ontario L4B 1B9
(416) 886-3585