

# TAX TOPICS

## QUESTIONS & ANSWERS ABOUT YOUR REFUND

**Q.** In February 1993, my wife and children moved back to England where I expect to join them later in 1994 after my employment contract here in Canada expires. I have sent them money every month since they left Canada because I am their only means of support. Can I still claim my wife and children as dependents on my 1993 tax return even though they lived in another country for most of the year?

**A.** You may claim a spousal amount for your wife, subject to the usual limitations imposed on a resident spouse. However, you may not claim your children unless they are over 18 and infirm, because the dependent child amount has been eliminated for 1993 and later years. To claim the personal amounts for non-resident dependents, you must enclose receipts showing the amount of support with your tax return. These receipts must show the name of each dependent, and the amount spent for each, which must be enough to constitute support in the other country.

**Q.** What is this "pension adjustment" figure on my 1993 T4 slip?

**A.** This figure represents the value of the benefits which have accrued in your employer's pension plan over the past year. It does not affect your 1993 tax return, but reduces the amount you can deduct in 1994 for RRSP contributions.

**Q.** I support my younger brother, age 14, as well as my wife and two children, none of whom had any income. Whom can I claim as my dependents?

**A.** For 1993, you may only claim an amount for your wife, as amounts for dependents under the age of 18 have generally been eliminated. Taxpayers who are married or living common-law may claim the spouse amount of \$5,380, reduced by the amount of the spouse's income in excess of \$538. Taxpayers who support dependents who are infirm and 18 or over may claim an amount of \$1,583, reduced by the amount of the dependent's income in excess of \$2,690. Only taxpayers who are single may make a claim for a dependent relative under the age of 18, using the equivalent-to-spouse rule.

**Q.** This year I suffered a capital loss on the sale of some shares. Apparently I can carry back this loss and apply it against capital gains reported in previous years. However, these capital gains have already been sheltered by the capital gains deduction. What should I do?

**A.** Since capital losses can be carried forward indefinitely, your best strategy is to save your loss for future years when your capital gains deduction has been exhausted. You should definitely not carry back a capital loss and apply it against capital gains in respect of which

you have already claimed a capital gains deduction. This would create an unpaid balance for the interim period on which you will be required to pay interest.

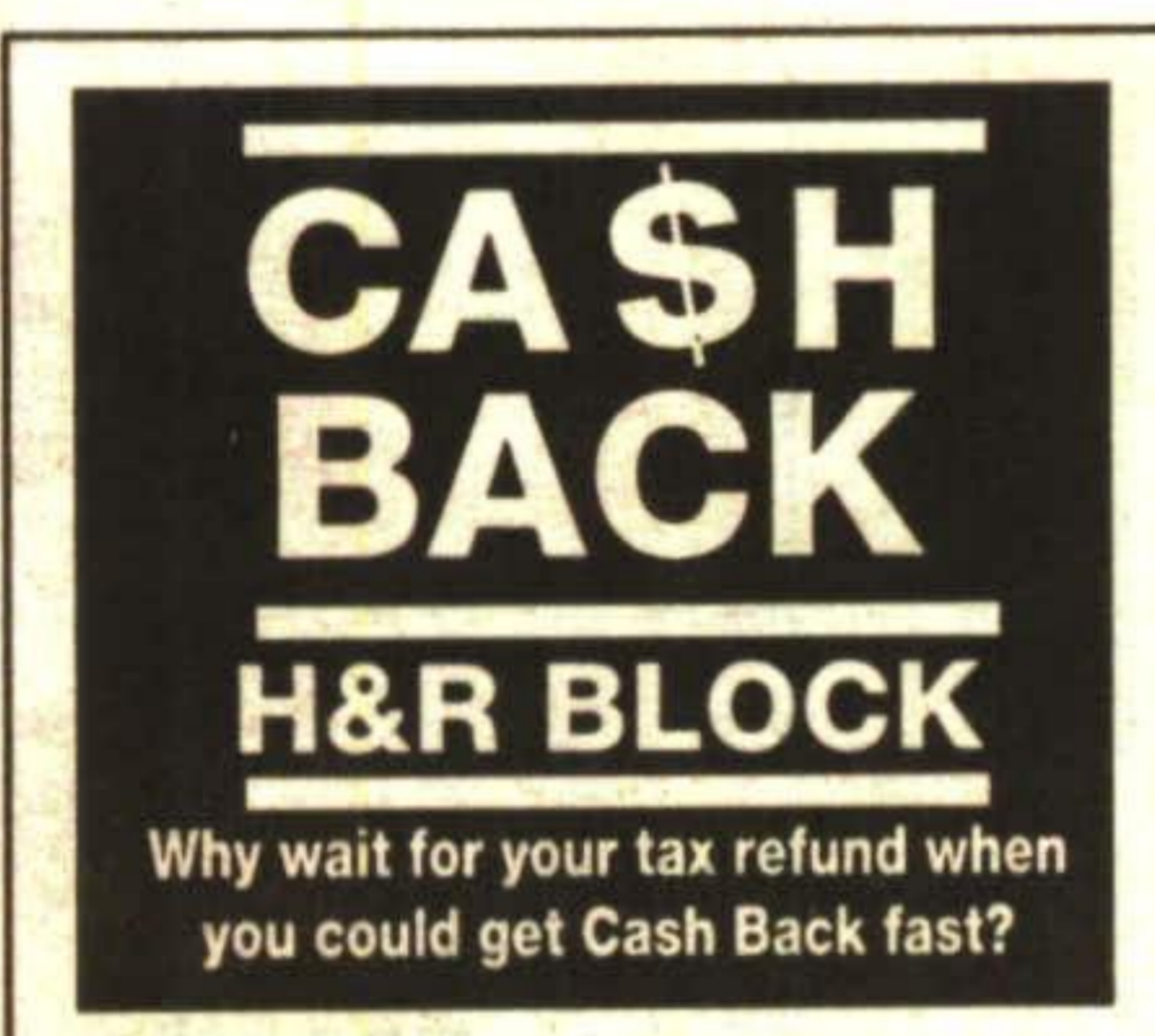
**Q.** My wife turned 65 in 1993 and began receiving the Old Age Security pension which was her only income for the year. She has never filed an income tax return before. Must she file one now?

**A.** No. Because her income is so low, she is not taxable. When you file your return, you can claim a full or partial spousal amount in respect of your wife, depending upon the amount of the Old Age Security payments she received. Because your wife turned 65, she is entitled to claim the age amount, and since she does not require any of it to reduce her federal tax to zero, the amount may be transferred to you in order to reduce your tax liability. You must complete Schedule 2 (Amounts Transferred from Your Spouse) to transfer her unused age amount. Also, if your wife was disabled or took any courses, there are other amounts that may be transferred. Don't forget that since your wife isn't filing a return, you should apply for the goods and services tax credit for both of you, providing you otherwise qualify.

The implementation of any tax saving strategy is based on your personal financial situation. Professional advice should be obtained before implementing any of the suggestions contained herein.

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