



Reducing tax at source
Tax refunds: Why less is more



Tax refunds: Why less is more

Looking forward to an income tax refund?

If you're like most people, you probably are. And who can blame you. It's free money, right? Well, not exactly. The money that comes off your paycheque and goes to the taxman could be considered an interest-free loan to the government, which puts it to use all year long until you come calling every spring.

Why not keep that money and put it to work for you? That's right. Instead of giving it to the taxman every payday, you could keep and invest it, bringing you one step closer to your investment goals.

Receive less of a tax refund, so you can achieve more when it comes to your long-term goals. That's what this brochure is all about. It will show you how to reduce the tax taken off your paycheque, how much you may expect to receive by doing so and, most important, why taxpayers should consider such a strategy.

The benefits

Rewarding.

Reducing the income tax withheld on your employment income will increase your cash flow during the year. If you take it one step further by redirecting that money into your investment account, it could have a significant impact on your savings strategy.

Easy.

You don't have to make more money to take advantage of this strategy. By completing the necessary tax and investment-related forms, you simply reduce your tax at source and redirect your tax savings to your investment portfolio. The process of moving money from your paycheque to your investment account is seamless.

Investing your tax refund earns you more

If you received a tax refund, you can still make it work for you by investing it. Put it in the right place and your refund could earn you more money. For example, the table below shows what you would end up with in the next 10, 20 or 30 years if you invested your tax refund at a 7% average annual rate of return.

Remember, the best strategy is simply to plan not to get a refund at all.

Tax refund amount (\$)	Growth ¹ of tax refund after		
	10 years (\$)	20 years (\$)	30 years (\$)
1,500	2,951	5,805	11,418
2,000	3,934	7,739	15,225
2,500	4,918	9,674	19,031
3,500	6,885	13,544	26,643

¹ Pretax values assuming one-time investment today, earning an average annual compounding rate of return of 7%.

Income tax refund: The result of an overpayment of tax typically from various deductions or tax credits, such as registered retirement savings plan (RRSP) contributions, that you've claimed on your tax return to reduce your tax payable.

Reduce tax at source: Reduce the amount of income tax withheld on employment income during the year.

Get more money with each paycheque

Here's an example of the positive effect of reducing tax at source, based on an annual gross salary of \$69,000, or monthly gross income of \$5,750. If all tax deductions and credits during the month (e.g., non-payroll RRSP contributions, child-care expenses and investment loan carrying charges) are taken into account, taxable income is lowered to \$5,000. Federal and provincial taxes are applied to the lower taxable income amount, resulting in an increase of cash flow/tax savings of \$250 every month.

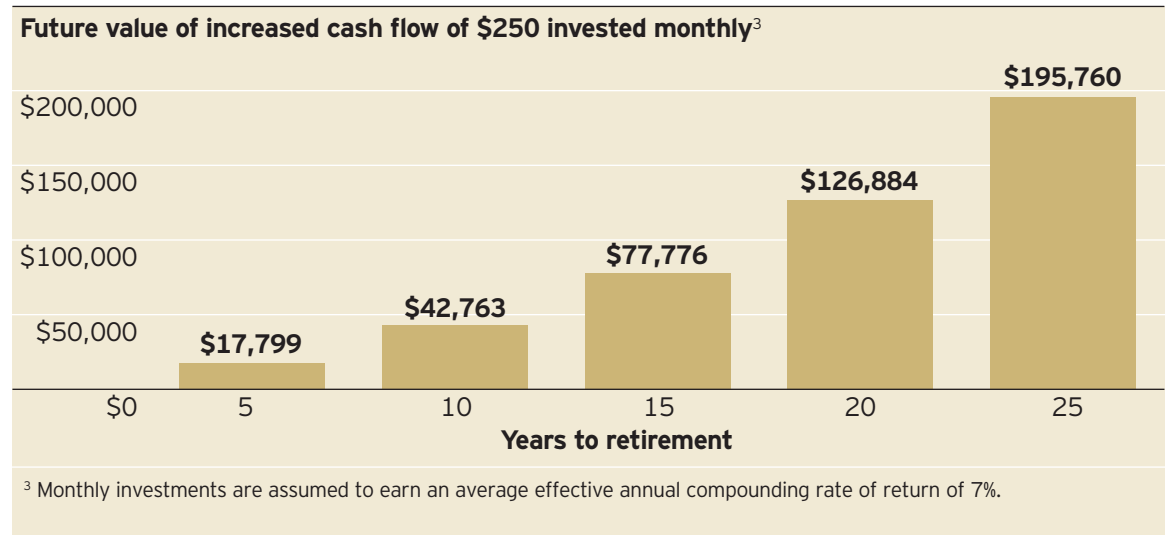
	Without reduction of tax at source (\$)	With reduction of tax at source (\$)
Gross income per pay period (monthly)	5,750	5,750
Less:		
Non-payroll RRSP contribution		(450)
Child care expenses		(200)
Investment loan carrying charges		(100)
Monthly taxable income	5,750	5,000
Federal tax and provincial tax ²	1,350	1,100
Monthly net income	4,400	4,650
Amount of additional cash flow (monthly)		250

The above table is for illustrative purposes only.

² Based on 2008 Ontario tax rates.

Achieve higher returns on your investment

The graph below shows how the systematic monthly investment of \$250 in additional cash flow, resulting from reducing taxes at source, can significantly grow over the next 25 years.




How do I get started?

It's not difficult. Just follow these three simple steps.

1

Complete the Canada Revenue Agency (CRA) form

Complete the accompanying CRA T1213 form entitled "Request to Reduce Tax Deductions at Source for Year(s) _____." You can also visit their website at www.cra.gc.ca to download and print a copy of the form.

 Canada Revenue Agency / Agence du revenu du Canada	
REQUEST TO REDUCE TAX DEDUCTIONS AT SOURCE FOR YEAR(S) _____	
<ul style="list-style-type: none"> Use this form to ask for reduced tax deductions at source for any deductions or non-refundable tax credits that are not part of the Form TD1, <i>Personal Tax Credits Return</i>. All your income tax returns that are due have to be filed and amounts paid in full before you send us this form. You usually have to file this request every year. However, if you have deductible support payments that are the same or greater for more than one year, you can make this request for two years. Send the completed form with all supporting documents to the Client Services Division of your tax services office. You can find the addresses on our Web site at www.cra.gc.ca/tso or by calling us at 1-800-959-8281. We will notify you in writing within four to eight weeks whether or not we approve your request. 	
Identification	
First name	Last name
Social Insurance Number	
Address	
City	Province or territory
Postal code	Residence Telephone Business
Employer	Contact person
Name	Telephone and fax numbers
Address	
Request to reduce tax on	
<input type="checkbox"/> Salary	
<input type="checkbox"/> Lump sum (indicate the amount and payment type; for example, a bonus or vacation pay)	
\$ _____ and _____	
Deductions and non-refundable tax credits	
Registered retirement savings plan (RRSP) contributions	\$ _____
<ul style="list-style-type: none"> Give details or a copy of the payment arrangement contract. Do not include contributions deducted from your pay by your employer. 	
Child care expenses	\$ _____
<ul style="list-style-type: none"> Give details on a separate sheet. 	
Support payments	\$ _____
<ul style="list-style-type: none"> Attach a copy of your court order or written agreement and Form T1158, <i>Registration of Family Support Payments</i> (if not previously filed). Recipient's name and social insurance number: _____ 	
Employment expenses	\$ _____
<ul style="list-style-type: none"> Attach a completed Form T2200, <i>Declaration of Conditions of Employment</i>, and Form T777, <i>Statement of Employment Expenses</i>. 	
Carrying charges and interest expenses on investment loans	\$ _____
<ul style="list-style-type: none"> Attach a copy of statements from the lender confirming the purpose and amount of loan(s) and the interest payments to be made in the year. 	
Other (for example, charitable donations or rental losses)	\$ _____
<ul style="list-style-type: none"> Attach all supporting documents. Use a separate sheet to give details if necessary. 	
Specify: _____	
Total amounts to be deducted from income	\$ _____
Subtract income not subject to tax deductions at source (interest, net rental or self-employed income)	- _____
Net amount requested for tax waiver	\$ _____
Certification	
I request authorization for my employer to reduce my tax deductions at source based on the information given. I certify that the information given is, to the best of my knowledge, correct and complete.	
Signature	Date

Provide standard identification information

Check the "Salary" box to reduce taxes on your annual salary

List the amounts for each tax deduction or credit you are eligible for – remember to submit any necessary documents and details required with the form

Provide a total of all your tax deductions

Total each source of income other than your salary, subtract that amount from the previous line and you'll end up with the amount that is eligible for a tax waiver

2

Send the form to your local tax office

You can find the location closest to you by visiting the CRA website at www.cra.gc.ca or calling 1.800.959.8281. After reviewing and approving your request, the CRA will send you a letter of authority, which must be given to your employer. Your employer will then start deducting less tax from your paycheques.

Remember to file the T1213 form each year to have your employer continue reducing the tax withheld on each of your paycheques.

3

Start a pre-authorized chequing (PAC) plan

Whatever amount you gain every pay period by reducing your tax at source can be automatically transferred to your investment portfolio through a PAC plan. Since your contribution is deducted directly from your account at your financial institution, the transition is seamless.

Residents of Quebec must complete and send the TP-1016 form entitled "Application for a Reduction in Source Deductions of Income Tax" to the Quebec Ministère du Revenu in addition to the request sent to the CRA. This will ensure Quebec taxpayers obtain both provincial and federal withholdings relief.



The less you get back at tax time, the more you'll end up with in the end

You should now have a new plan to manage your tax dollars more effectively – a tactic that does not require you to make more money, but which will get you closer to your investment goals. As with anything though, it requires planning. If you need help with the forms, have questions about your investments or would simply like more information, please contact your advisor.

Invesco Trimark is one of Canada's largest investment management companies, providing support to advisors to help their clients build and protect wealth. Invesco Trimark offers a diversified suite of investment solutions to institutions, organizations, companies and individual investors across Canada and around the world. A subsidiary of Invesco Ltd., which is among the world's largest independent investment managers, Invesco Trimark leverages the global expertise of Invesco investment professionals worldwide.



Contact us

Invesco Trimark

5140 Yonge Street, Suite 900
Toronto, Ontario M2N 6X7

Telephone: 416.590.9855 or 1.800.874.6275
Facsimile: 416.590.9868 or 1.800.631.7008

inquiries@invescotrimark.com
www.invescotrimark.com

The information provided is general in nature and is provided with the understanding that it may not be relied upon as, nor considered to be, the rendering of tax, legal, accounting or professional advice. Readers should consult with their own accountants and/or lawyers for advice on the specific circumstances before taking any action.

Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the simplified prospectus before investing. Copies are available from your advisor or from Invesco Trimark.

* Invesco and all associated trademarks are trademarks of Invesco Holding Company Limited, used under licence. Trimark and all associated trademarks are trademarks of Invesco Trimark Ltd.
© Invesco Trimark Ltd., 2008

BRRTSWE(12/08)