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FINANCIAL ADVISORY SUPPORT

## Reduce Taxes Withheld on Your Pay with a Tax Waiver

### Benefit from certain deductions and credits before filing your tax return

*You may be able to reduce your payroll tax deductions if you pay for child care, make regular contributions to a Registered Retirement Savings Plan (RRSP), or have other expenses that are deductible for tax purposes.*

If you are an employee and you expect to receive a tax refund after filing your annual income tax return, you should consider completing the Canada Revenue Agency (CRA) form T1213 "Request to Reduce Tax Deductions at Source". Approval of this form by the CRA authorizes your employer to reduce the tax withheld at source from your regular paycheck.

In addition to child care expenses and RRSP contributions, examples of deductions and non-refundable tax credits that may result in a tax refund and for which you may file a form T1213 are:

- Support payments paid to a former spouse or common-law partner
- Certain employment expenses
- Charitable contributions
- Rental losses

You are not required to file a form T1213 to reduce payroll tax withholding if you contribute to a group RRSP at work, since your employer can automatically reduce your income tax withholdings, taking your contributions into account. Also, if your employer will agree to pay part of your salary or an amount, such as a bonus, directly to your RRSP, they will not have to withhold tax on this payment provided that the amount contributed does not exceed your RRSP deduction limit (as reported to you by the CRA each year on your Notice of Assessment).

A reduction in payroll withholding tax may provide you with more cash flow to accomplish various financial goals, including:

- Making monthly RRSP contributions
- Making additional mortgage payments
- Reducing or eliminating other personal loans or credit card debt

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the **ADVISOR**

Remember, if your payroll deductions are reduced you will have more after-tax money on each paycheque, but the refund you receive when you file your tax return will be lower.

## Procedure to request a reduction in payroll tax withholding

The CRA must approve your request before your employer is permitted to reduce your payroll tax withholding. The procedure to request a reduction is as follows:

1. Complete CRA form T1213, which can be found on CRA's website at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca). The form indicates where the CRA requires additional details and supporting documents before your request can be approved. For example, if you make regular pre-authorized RRSP contributions (other than contributions deducted from your pay by your employer), you must give details of the contributions or a copy of the payment arrangement contract from the financial institution holding the RRSP. Note that all of your income tax returns that are due have to be filed and amounts paid in full before sending the form to the CRA. Send the completed form along with all supporting documents to the Client Services Division of your CRA tax services office (addresses may be found on the CRA website previously mentioned).
2. The CRA will usually notify you in writing within four to eight weeks whether they have approved your request. If approved, the CRA will send you a tax waiver letter authorizing your employer to reduce your income subject to tax by an amount based on the information in form T1213. This reduced taxable income base results in less tax being withheld from your regular pay.
3. Forward a copy of your CRA tax waiver letter to your employer's payroll department to inform your employer that they should reduce your withholding tax for the approved taxation year. Your employer cannot reduce the rate of withholding tax until they receive the tax waiver letter from the CRA.

Note that you usually have to obtain a new tax waiver letter from the CRA each year. To ensure that your employer will reduce your withholding tax as of the beginning of the calendar year, you should apply to the CRA using form T1213 no later than late October/early November of the previous year.



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