



Wealth  
Management

# the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC WEALTH MANAGEMENT SERVICES

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## Reducing payroll tax deductions

Benefit from certain deductions and credits before filing your tax return

If you're an employee and you make registered retirement savings plan (RRSP) contributions, have other tax-deductible expenses or are entitled to certain tax credits, you may receive a tax refund after you file your tax return. This article discusses how you may be able to ask your employer to reduce the amount of tax that is withheld from your pay so you don't have to wait for a tax refund.

Any reference to a spouse in this article also includes a common-law partner.

### Why reduce your payroll tax deductions?

As an employee, your employer will generally withhold income taxes from your pay and remit the taxes to the Canada Revenue Agency (CRA) on your behalf. If these payroll tax deductions exceed your tax liability, the CRA will refund you the excess after you file your tax return. If you typically expect a refund, you may want to reduce these payroll tax deductions so you receive more funds every pay period. This can provide you with more cash flow to accomplish various financial goals during the year, rather than waiting until after you file your tax return. With the extra cash flow, you may want to:

- Make monthly RRSP contributions;
- Make additional mortgage payments; and/or
- Reduce or eliminate other personal loans or credit card debt.

Keep in mind that if your payroll deductions are reduced, you will have more money every pay period, but the refund you receive will be lower or you may not receive a refund at all. If you over-estimate your tax deductions or credits, you may have taxes owing for the year.

### Requesting a reduction in payroll tax deductions

The CRA must approve your request before your employer is permitted to

reduce the amount of tax withheld from your pay. You can obtain CRA approval by completing form T1213 – *Request to Reduce Tax Deductions at Source*. This form is available on the CRA's website. The completed form should be sent to your Taxpayer Services Regional Correspondence Centre; the address of the appropriate Centre can be found on the form. Note that all of your income tax returns that are due have to be filed and assessed, and any amounts owing should be paid in full before you submit this form.

If approved, the CRA will send you a letter of authority, which you can provide to your employer to reduce your payroll tax deductions for that specific tax year. You usually have to fill out a request every year.

It may take the CRA four to eight weeks to process the request. As such, in order to help ensure your employer will reduce your withholding tax starting at the beginning of the calendar year, you may want to file a request in late October or early November of the previous year.

## Tax deductions and credits

There are a number of tax deductions and non-refundable tax credits you may be entitled to that may result in a tax refund for you. Form T1213 provides you with the opportunity to claim deductions and non-refundable tax credits that do not appear on form TD1 – *Personal Tax Credits Return*.

The following are examples of tax deductions and credits you can claim on the T1213:

- Personal RRSP contributions;
- Child care expenses;
- Spousal support payments paid to a former spouse;
- Certain employment expenses;
- Charitable donations; and
- Rental losses.

More examples can be found on form T1213.

## Conclusion

If you have not filed form T1213 in the past, consider whether it makes sense to do so if you normally receive a tax refund after you file your tax return. By doing so, you may be able to reduce your payroll tax deductions and improve your cash flow during the year.

*This article may contain several strategies, not all of which will apply to your particular financial circumstances. The information in this article is not intended to provide legal, tax or insurance advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax, legal and/or insurance advisor before acting on any of the information in this article.*



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