



Wealth
Management

the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC FAMILY OFFICE SERVICES

Tax carryforwards and carrybacks checklist

Please contact us for more information about the topics discussed in this article.

Canadian tax rules allow you to carry forward or carry back certain tax credits and deductions that you don't use in one year to another year. This may reduce your tax payable or help you to take advantage of government benefits.

All references to a spouse in this article include a common-law partner.

Here's an overview of some of the most common items that may be carried forward or back for federal tax purposes:

- Unused registered retirement savings plan (RRSP) deduction room can be carried forward indefinitely. However, you can't have an RRSP after the year you turn age 71. You can make a last contribution to your own RRSP in the year you turn 71 or you can make spousal RRSP contributions, as long as your spouse is 71 or younger at year-end and you have RRSP deduction room. You may also contribute the full amount of your RRSP contribution limit in one year to maximize tax-deferred growth of your investments but choose a future year to deduct your RRSP contribution to maximize your tax savings.
- An allowable capital loss must be used to reduce any taxable capital gains in the same year. Any allowable capital losses in excess of the taxable capital gains realized in a given year are known as net capital losses. Net capital losses can be carried forward indefinitely to offset future taxable capital gains; or, they can be carried back to any of the three immediately preceding taxation years to offset taxable capital gains in those years. Any net capital losses remaining in the year of death (reduced by any capital gains exemption ever claimed) can be used to offset any other income in the year of death and the year immediately preceding the year of death.
- Unused charitable donations can be carried forward for five taxation years (or for 10 years for a gift of ecologically sensitive land made after February 10, 2014). This allows you to accumulate smaller donations for five years and take advantage of the higher tax credit for donations above \$200. Also, you may combine charitable donations made by you and your spouse on one tax return to maximize the donation tax credit.

- Unused non-capital losses you realize after 2005 can generally be carried forward for 20 taxation years or carried back three taxation years. However, this doesn't apply to a non-capital loss resulting from an allowable business investment loss (ABIL). Instead, a non-capital loss resulting from an ABIL arising in tax years ending after March 22, 2004, that hasn't been used within 10 tax years, will become a net capital loss in the eleventh year and can be carried forward indefinitely.
- Unused Canadian exploration expenses (CEEs) go into a pool called Cumulative Canadian Exploration Expense (CCEE). You can deduct up to 100% of the CCEE pool in future years until they're fully used.
- Unused Canadian development expenses (CDEs) go into a pool called Cumulative Canadian Development Expense (CCDE). You can deduct up to 30% of the CCDE pool in future years until they're fully used.
- Unused investment tax credits (ITC), which you may be eligible for if you invest in a flow-through, can be carried back three taxation years. Credits earned in tax years that end after 1997 can be carried forward up to 20 taxation years.
- Alternative minimum tax (AMT) paid in one taxation year can be used over the next seven years to reduce the portion of your regular federal tax liability that's over the AMT amount calculated for that future year, until it's used up. There is no carryback permitted to prior years.
- If you're the holder of a registered disability savings plan (RDSP) and less than the maximum contribution amount has been made to the RDSP, you may be able to claim unused Canada Disability Savings Grant and Bond (grant and bond) entitlements from the past 10 years (but no earlier than 2008). Grants and bonds will be paid on unused entitlements, up to an annual maximum. To apply for the unused grant and bond entitlements, the beneficiary must qualify to receive the grant and the bond in those missed years. You can apply until the end of the year the beneficiary turns 49.
- Unused Canada Education Savings Grant (CESG) entitlements can be carried forward and claimed in future years when registered education savings plan (RESP) contributions in excess of \$2,500 are made, provided certain criteria are met. The maximum CESG that's paid in any year (2007 or later) is \$1,000 based on a contribution of \$5,000.
- Unused tuition tax credits in a particular year can be carried forward indefinitely by the student. The carryforward amount must be used in the earliest year the student has taxable income. Unused tax credits carried forward to a future year may not subsequently be transferred to a spouse, a parent or grandparent. Prior to

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2017, there was an education credit as well as a textbook credit. Any unused education and textbook credits from prior years will remain available to be carried forward and claimed in future years by the student.

- Interest paid on qualified student loans can be claimed as a tax credit only by the student. If this tax credit can't be utilized in the year the interest is paid, the interest paid can be carried forward for five taxation years. Only interest paid on loans received under the Canada Student Loans Act, the Canada Student Financial Assistance Act, the Apprentice Loans Act, or similar provincial or territorial government laws qualify for this tax credit.
- Unused tax-free savings account (TFSA) contribution room can be carried forward indefinitely. The TFSA annual contribution limit isn't pro-rated in the year of emigration, immigration or the year you turn 18. This means you accumulate the entire year's contribution room in these cases.
- Unused eligible moving expenses can be carried forward and deducted from employment, self-employment, or award income earned at the new location until exhausted.

Some tax-related amounts that **can't** be carried forward are:

- Foreign tax credits related to foreign non-business income (e.g. foreign investment income) must be claimed in the year in which the foreign tax was paid.
- Medical expenses can't be carried forward. However, you may claim eligible expenses paid in any 12-month period ending in the taxation year, as long as it wasn't already claimed in a previous year.

If any of the circumstances for tax carryforwards or carrybacks apply to you, speak to a qualified tax advisor for more details on how to execute your claim.

This article may contain 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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