

The Navigator



Wealth
Management

RBC Wealth Management Services

Tax carryforwards and carrybacks checklist

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

This article may outline strategies, not all of which will apply to your particular circumstances. The information in this article is not intended to provide legal or tax 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 and/or legal advisor before acting on any of the information in this article.

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

Some of the most common items that may be carried forward or back for federal tax purposes are:

- Unused RRSP deduction room can be carried forward indefinitely. However, you cannot 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 continue to make spousal RRSP contributions to a younger spouse's RRSP as long as 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.
- A capital loss must be used to reduce any realized capital gains in the year they are incurred. Any capital losses in excess of the 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 carried back three taxation years to offset previous taxable capital gains. Note that 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 ten 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

If you are the holder of an RDSP and contributed less than the maximum amount, you may be able to claim Grant and Bond entitlements from the past 10 years.

advantage of the higher tax credit for donations above \$200. Also, you may combine charitable donations made by you and your spouse on one return to maximize the donation tax credit.

- Unused non-capital losses you realize after 2005 can generally be carried forward for twenty taxation years or carried back three taxation years. However, this does not 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 has not 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 (CEE) go into a pool called cumulative CEE (CCEE). You can deduct up to 100% of the CCEE pool in future years until they are fully used.
- Unused Canadian Development Expenses (CDE) go into a pool called Cumulative CDE (CCDE). You can deduct up to 30% of the CCDE pool in future years until they are 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 is over the AMT amount calculated for that future year, until it is used up. There is no carryback permitted to prior years.
- If you are the holder of an RDSP and contributed less than the maximum amount, you may be able to claim 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 is paid in any year 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 carry forward amount must be used in the earliest year the student has taxable income. Unused tax credits that are carried forward to a future year may not subsequently be transferred to a spouse or common-law partner, a parent or grandparent. Effective for 2017 and future years, the education and textbook credits will be eliminated. However, 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 cannot be utilized in the year the interest is paid then 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



Unused TFSA contribution room can be carried forward indefinitely.

Loans Act or a similar provincial or territorial government laws qualify for this tax credit. The credit cannot be transferred to another individual.

- Unused TFSA contribution room can be carried forward indefinitely. The TFSA annual contribution limit is not pro-rated in the year of emigration, immigration or the year you turn 18. This means that 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 **cannot** be carried forward are:

- Labour sponsored fund tax credits must generally be used in the year you purchase the fund. Credits from labour sponsored funds purchased in the first sixty days of the year can be claimed in the previous tax year or the current tax year.
- Foreign tax credits related to foreign non-business income (e.g. investment income) must be claimed in the year in which the foreign tax was paid.
- Medical expenses cannot be carried forward. However, you may claim eligible expenses paid in any 12-month period ending in the taxation year as long as it was not already claimed in a previous year.

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

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



**Wealth
Management**

This document has been prepared for use by the RBC Wealth Management member companies, RBC Dominion Securities Inc. (RBC DS)*, RBC Phillips, Hager & North Investment Counsel Inc. (RBC PH&N IC), RBC Global Asset Management Inc. (RBC GAM), Royal Trust Corporation of Canada and The Royal Trust Company (collectively, the “Companies”) and their affiliates, RBC Direct Investing Inc. (RBC DI) *, RBC Wealth Management Financial Services Inc. (RBC WMFS) and Royal Mutual Funds Inc. (RMFI). *Member-Canadian Investor Protection Fund. Each of the Companies, their affiliates and the Royal Bank of Canada are separate corporate entities which are affiliated. “RBC advisor” refers to Private Bankers who are employees of Royal Bank of Canada and mutual fund representatives of RMFI, Investment Counsellors who are employees of RBC PH&N IC, Senior Trust Advisors and Trust Officers who are employees of The Royal Trust Company or Royal Trust Corporation of Canada, or Investment Advisors who are employees of RBC DS. In Quebec, financial planning services are provided by RMFI or RBC WMFS and each is licensed as a financial services firm in that province. In the rest of Canada, financial planning services are available through RMFI, Royal Trust Corporation of Canada, The Royal Trust Company, or RBC DS. Estate & Trust Services are provided by Royal Trust Corporation of Canada and The Royal Trust Company. If specific products or services are not offered by one of the Companies or RMFI, clients may request a referral to another RBC partner. Insurance products are offered through RBC Wealth Management Financial Services Inc., a subsidiary of RBC Dominion Securities Inc. When providing life insurance products in all provinces except Quebec, Investment Advisors are acting as Insurance Representatives of RBC Wealth Management Financial Services Inc. In Quebec, Investment Advisors are acting as Financial Security Advisors of RBC Wealth Management Financial Services Inc. RBC Wealth Management Financial Services Inc. is licensed as a financial services firm in the province of Quebec. The strategies, advice and technical content in this publication are provided for the general guidance and benefit of our clients, based on information believed to be accurate and complete, but we cannot guarantee its accuracy or completeness. This publication is not intended as nor does it constitute tax or legal advice. Readers should consult a qualified legal, tax or other professional advisor when planning to implement a strategy. This will ensure that their individual circumstances have been considered properly and that action is taken on the latest available information. Interest rates, market conditions, tax rules, and other investment factors are subject to change. This information is not investment advice and should only be used in conjunction with a discussion with your RBC advisor. None of the Companies, RMFI, RBC WMFS, RBC DI, Royal Bank of Canada or any of its affiliates or any other person accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. © Registered trademarks of Royal Bank of Canada. Used under licence. © 2017 Royal Bank of Canada. All rights reserved. NAV0199 (01/17)