YEAR-END TAX PLANNING CHECKLIST

INVESTORS

The following checklist provides tactics you should consider as part of your year-end tax planning. If you need further explanation, please contact Chaplin & Co., Chartered Accountants at 416 667 7060.

- ☐ **Adjusted cost base** - If you made the 1994 capital gains exemption election, don't forget to take into account the new adjusted cost base or the exempt gains balance in determining the capital gain or loss.

- ☐ **Capital gains vs. dividends** - If you are in the top marginal rate, consider investments that yield capital gains rather than dividends.

- ☐ **Accrued capital losses** -
  - ☐ Sell securities with accrued losses before year end to offset capital gains realized in the current or previous three years.
  - ☐ Close out option contracts with inherent capital losses in 2005, rather than 2004, to shelter taxable capital gains.

- ☐ **Accrued capital gains** -
  - ☐ Delay selling securities or other assets with accrued gains until 2006.
  - ☐ However, if you have capital losses to use up consider triggering gains and reinvesting the proceeds as it will allow you to increase your adjusted cost base without significant tax cost.

- ☐ **Stock exchange cut-off** - Consider that December 24 is likely the last day on which a sale executed through a Canadian stock exchange will be considered a 2005 transaction (for tax purposes). Different dates may apply for foreign exchanges.

- ☐ **Mutual fund purchases** - Delay mutual fund purchases to January 2006 to ensure you are not allocated taxable income for 2005.

- ☐ **Interest deductibility** - If possible, pay off non-deductible debt before deductible debt. (Always borrow for investment or business purposes and use cash for personal purchases that would otherwise generate interest costs.)

- ☐ **Long-term interest bearing securities -** If you are planning to invest in securities that a maturity of over 1 year, consider waiting until 2006 as you will not have to pay interest until 2007 - the year of the first anniversary of the investment.

- ☐ **Transfers involving trusts** - If you were or will be involved in transfers to or from trusts, contact us for a careful evaluation of the tax implications. The transfers may trigger a taxable event.

- ☐ **Non-resident trusts** - As a result of draft legislation that applies for taxation years beginning after 2002, if either you or your corporation is a contributor to, or a beneficiary of, a trust that is not resident in Canada, the trust may be deemed to be resident of Canada for tax purposes, with significant consequences for either itself or its beneficiaries.

- ☐ **Foreign investment entities (FIEs)** - If you invest through offshore funds, take steps to mitigate the potential adverse tax consequences of the draft legislation that will change the tax treatment of shares or other interests held in FIEs (these rules are still in draft form).

- ☐ **Review make-up of your portfolio -** If you have earned interest income, which is highly taxed, outside your RRSP, consider restructuring your portfolio so that it is more tax efficient.

- ☐ **Capital gains rollover** - Invest proceeds on sale of eligible small business investments in other eligible small business investments.

- ☐ **Donating securities** - Consider donating securities which have accrued capital gains.