GUIDE 03

Keep More of What You Earn

Tax efficiency strategies for everyday Canadians — how the tax system works, what you're likely missing, and how to keep more in your pocket.

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Why Tax Efficiency Matters

For most Canadians, taxes are the single largest annual expense — more than housing, food, or transportation. Yet most people spend less than an hour per year thinking about their tax situation. Tax efficiency is about understanding the rules well enough to not pay more than you should — legally.

REALITY CHECK

The average Canadian household pays $13,000+ in combined income taxes annually.

Even a modest improvement in tax efficiency — claiming missed credits or using registered accounts strategically — can put thousands of dollars back in your family's hands each year.

1. How the Canadian Tax System Works

Canada uses a progressive marginal tax system. You pay different rates on different portions of income — higher income doesn't mean you pay that higher rate on everything.

Federal Taxable Income (2024)	Federal Rate
First $55,867	15%
$55,867 to $111,733	20.5%
$111,733 to $154,906	26%
$154,906 to $220,000	29%
Over $220,000	33%

Provincial taxes are added on top. Combined marginal rates typically range from about 20% at lower incomes to over 50% for very high earners in some provinces.

TJ'S TAKE

Your marginal rate is what matters for decisions. If your marginal rate is 40%, an extra $1,000 RRSP contribution saves you $400 in taxes. Understanding this number changes how you evaluate almost every financial decision.

2. Deductions vs. Credits

Type	How It Works	More Valuable To
Tax Deduction	Reduces taxable income (e.g., RRSP)	Higher earners
Non-refundable Credit	Reduces taxes owed; cannot go below zero	All taxpayers
Refundable Credit	Reduces taxes owed and can result in a cash refund	Lower-income earners

3. Commonly Missed Tax Credits and Deductions

Basic Personal Amount: Claim ~$15,705 before any federal income tax. Claimed automatically when you file.

Medical Expense Credit: Costs exceeding 3% of net income or $2,635 (whichever is less). Includes dental, vision, prescriptions, and many more.

Disability Tax Credit (DTC): For severe and prolonged impairments. Worth thousands per year — can be transferred to a supporting family member.

Tuition Tax Credit: Post-secondary tuition is claimable. Unused credits can be transferred to a parent, spouse, or carried forward.

Home Office Expenses: Employed or self-employed Canadians working from home can deduct a portion of rent, utilities, and internet.

Moving Expenses: Moved more than 40km closer to a new job or school? Eligible moving costs are deductible.

Child Care Expenses: Daycare, summer camps, nannies — typically claimed by the lower-income spouse.

Charitable Donation Credit: 15% federal credit on first $200 donated; 29–33% on amounts above $200.

First-Time Home Buyer's Tax Credit: $10,000 credit reducing your tax bill by up to $1,500 in the year you purchase a qualifying home.

Age Amount: If you're 65 or older, an additional non-refundable credit is available based on your income level.

> **QUICK WIN**
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> Use certified free tax software (Wealthsimple Tax, StudioTax) and answer every question carefully. Most missed credits are missed not because of ineligibility — but because people skipped the question.

4. Strategic Use of Registered Accounts

Strategy	How It Works	Potential Impact
RRSP in high-earning years	Contribute at high bracket; withdraw in retirement at lower bracket	Save 10–20% tax on each dollar contributed
TFSA for investment income	Dividends and capital gains inside TFSA are tax-free	Shielded from annual taxation on growth
Spousal RRSP	Higher earner contributes to spouse's RRSP	Splits retirement income; reduces combined tax
Home Buyers' Plan	Withdraw RRSP funds tax-free for first home; repay over 15 years	Tax-free access to savings
Pension income splitting	Split eligible pension income up to 50% with a spouse	Can drop both spouses into lower brackets

TJ'S TAKE

The biggest missed opportunity I see: people investing in non-registered accounts while still having unused TFSA or RRSP room. Every dollar of investment returns outside a registered account is taxed. Inside a TFSA — it isn't. Always fill registered accounts first.

5. Tax Tips by Life Situation

Self-employed or side income: Deduct legitimate business expenses, pay quarterly installments, and maximize RRSP contributions on self-employment income.

Newcomers: File a return for the year you arrived. Apply retroactively for GST/HST credits and CCB. Report worldwide income for the period you were a Canadian resident.

Parents: Claim childcare expenses (typically the lower-income spouse). Open an RESP to capture the 20% government grant (CESG). Transfer unused tuition credits from adult children.

QUICK WIN

If you haven't filed returns for prior years, you can file back up to 10 years. The CRA will reassess and issue any credits you were owed. Late filing is allowed and encouraged.

Your Tax Efficiency Action Plan

1. File your tax return by April 30 every year without exception.

2. Know your marginal tax rate — use it to evaluate every major financial decision.

3. Maximize RRSP contributions in your highest-earning years.

4. Fill your TFSA room before investing in non-registered accounts.

5. Keep receipts for medical expenses throughout the year — they add up.

6. If you work from home, track your eligible days and calculate your deduction.

7. Review whether a spousal RRSP makes sense for your household income split.

8. Use free CRA-certified software (Wealthsimple Tax, StudioTax) and answer every question.

9. If self-employed, track all legitimate business expenses year-round.

10. Review prior years' returns — missed credits can often be recovered by filing an amendment.

About Your Guide

TJ Tijani is a Canadian financial educator working with newcomers, young professionals, and families across Canada. His approach is straightforward: take complicated money topics and explain them in plain language that actually sticks.

TJ started WealthPath by TJ after seeing firsthand how many people were making costly decisions simply because no one had ever explained how the Canadian financial system works in a way that made sense. His sessions are built around the client's reality, not a script.

He covers topics ranging from budgeting and debt to tax efficiency, insurance, and retirement — always with education at the centre.

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