

Tax Tip

Week of July 11, 2011

Utilize CRA's "undue hardship" provisions

A taxpayer may have significant tax deductions, such as RRSP contributions, alimony payments, tax shelter investments or child care expenses that cannot be used to reduce withholding at source from employment income. Rather than waiting for a refund after the return has been filed, the taxpayer can obtain CRA's approval to reduce the tax withheld by the employer, so that the tax reduction is received throughout the year.

If a taxpayer qualifies for certain deductions that are not related to employment income, they can file form T1212 with CRA which is a request for additional deductions. Once the form has been received, CRA will advise the taxpayer within four to eight weeks if they will authorize the employer to make additional deductions. Items that qualify include:

- RRSP contributions. The taxpayer must provide details of the payment
- Child care expenses. Details must be listed on a separate sheet
- Support payments. If it has not been previously sent to CRA, a copy of the court order or written agreement must be provided
- Employment expenses. The taxpayer must provide a completed copy of form *T2200 - Declaration of the Conditions of Employment*. A typical qualifying expense would be an office in the home. If the

individual has commission expenses, he or she must attach a copy for Form T777 a *Statement of Employment Expenses*

- Interest expense on investments. The taxpayer must attach a copy of statements from the lender confirming the purpose and the amount of the loans and the interest payments to be made in the year

Once approved, taxpayers must make an annual request to reduce income tax withholdings. The one exception is a reduction for support payments as a request can cover two calendar years.