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# Tax Deduction at Source

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Recently I mentioned on a post in the MTU Facebook page that there is a way to increase your RRSP contributions without reducing your take home income. Then a number of people mentioned they would be interested in information on how to do this! Instead of emailing everyone individually, I thought I would write a quick newsletter and post it instead!

Years ago I took a pro-d day workshop with a retired teacher (Rob Plowright) on financial information for teachers. I took a huge number of nuggets from this workshop (that I still use today) and one of those was Tax Deduction at Source. In a nutshell, people often receive a tax refund after filing their taxes because they have paid in too much tax. Usually this is because we apply our tax deductions only when we file our taxes which is then applied against what you owe for income tax; and voila, you have a refund. In other words, we allow the government to hold onto our money all year and give it back to us after tax time. I think (and so did Rob Plowright who first said this) that I can find a better use for my money then lending it to the government for a year, namely putting it into my RRSPs each month.

Here's how it works….You must go to the following link https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t1213.html (or type in Tax deduction at Source form into google). You will need to fill this in and have it confirmed by wherever you hold your RRSPs that you make a monthly contribution to RRSPs. (It can be as little as 50 dollars a month and you must have set up a regular contribution prior to bringing in the form for confirmation). Then you mail it and your confirmation to :

**Fraser Valley TSO 9737 King George Boulevard Post Office Box 9070, Station Main Surrey BC V3T 5W6**

It takes a few weeks but Revenue Canada will send you a letter back confirming that the employer can make a tax deduction at source. You would take this letter to payroll and they will reduce the amount of taxes taken off your paycheck. ***THIS IS THE IMPORTANT PART*** You need to take the increased amount of money on your paycheck and set up an automatic transfer to your RRSP. If you don't put it in your RRSP, you could end up owing some taxes at tax time. By using the money the employer is no longer taking off your check for taxes to increase your RRSP contribution, you get to claim a greater RRSP amount on your taxes, which lowers the amount of taxes you owe on your income. This allows you to break even. You should neither owe taxes or be receiving a refund.

Pros:

- Increase your RRSP contributions while still maintaining your current level of income
- You can earn more money in your RRSP because you contribute monthly (earning more interest) than you would earn by contributing the same amount once a year.

Cons:

- Pita factor. It is a pain in the butt to fill out this document, get it verified and mail it in to Revenue Canada….then take it to your payroll and then set up the automatic withdrawal amount!
- This has to be done once a year, every year.
- You no longer get an income tax return to spend each year