

Why Are You Giving CRA an Interest Free Loan?

Each year you diligently gather all of your income slips, tax deductions receipts, and fill out your personal income tax return. You have set up direct deposit and you Efile your T1 early so that you get your big refund faster. CRA automatically deposits your loan repayment (refund) into your account but does not pay you any interest. Is there a way to get your refund earlier on a monthly basis? Yes, and it is easier than you thought.

You can ask CRA to authorize your payroll department to reduce the income tax withheld from your paycheque. You will get your refund on each paycheque instead of May the following year. You will be able to invest the additional funds and earn interest each month. Fill out form T1213 Request to Reduce Tax Deductions at Source <https://www.canada.ca/content/dam/cra-arc/formspubs/pbg/t1213/t1213-fill-18e.pdf> and send it to your tax services office.

These deductions will qualify for the reduced tax deductions:

- RRSP (must be a pre-authorized payment plan, not an employer deduction)
- Child care expenses
- Spousal support
- Employment expenses
- Carrying charges and interest expenses on investment loans
- Medical expenses
- Donations
- Foreign tax credits
- Other items (see form)

To complete the application you will need the contact information from your employer's payroll department as well as documentation and receipts to support the deductions. Sign the T1213 form and send it with the supporting documentation to the address on the back of the form. CRA normally takes 90 days to process the request. Once you receive the authorization letter from CRA, send it to the payroll department. Your employer will start reducing the withholding tax and you will start receiving the benefits with each paycheque.

The T1213 form can be sent in to the CRA as early as October 1 for the following year.

Stop the interest free loan to CRA and start earning investment income for yourself.