



Tips to Rice & Associates

Income Splitting Opportunities

Income splitting is the loaning or transferring of money to a lower-income person so that the income or gains from investing the money are taxed at a lower rate. Income attribution rules generally block attempts to shift income to another person by attributing it back to the first person.

While these rules eliminate most opportunities for income splitting, there are still a few left for income splitting within a family. Here are a couple of examples:

- 1) Child tax benefits received by some families may be invested in the child's name without any attribution of income back to the parents. Parents no longer receiving child tax benefits lose the advantage of having this source of funds available to invest for their children.
- 2) Canada Pension Plan Benefits: Spouses or common-law partners who are receiving their CPP benefits can get a portion of each other's pension, if they choose. Since each spouse or common-law partner pays income tax only on the amount he or she actually receives, this can be an effective income-splitting technique.