CBA Legal Health Check

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Breaking Up: Tax Tips

A Canadian Bar Association series supporting legal wellness 2019

This Legal Health Check gives tips on tax issues that often come up when your marriage or common law relationship ends.

- Spousal support is usually taxable for the person receiving it, and deductible for the person paying it, if paid:
  – directly from one person to the other, or to a government agency that collects and pays support
  – periodically (usually monthly or bi-weekly) and
  – to comply with a written agreement or court order
- Send Canada Revenue Agency (CRA) a copy of the agreement or order, and proof of the payments.
- If you pay spousal support and can claim a deduction on your tax return, consider asking your employer to reduce tax taken from each pay based on your support payments.
- If you receive periodic spousal support to comply with a written agreement or court order, include it in your annual taxable income.
- But, if the spousal support is paid as a lump sum, it is usually not taxable for the person receiving or deductible for the person paying. Ask a lawyer if unsure.
- Child support is different. It is not taxable to the person receiving it or deductible for the person paying.

More Tips:

- Tell CRA about changes to your marital status.
- Give your former partner your tax return and financial information every year if your court order or separation agreement says you must or if you are asked for it.
- Keep your records organized. Include receipts for children's expenses, like dental and activity costs
- Consult a lawyer or accountant:
  - when your relationship ends, as tax laws change all the time
  - about possible deductions, credits, or benefits
  - if you have complex property or income issues.
- There are free services on the CRA website to help with your tax return - https://www.canada.ca/en/services/taxes.html.

For more information, see the CBA's Tax Toolkit for Clients

For links and resources, visit cba.org/healthcheck

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Contact or referral info here.