

the principal residence exemption may not be applicable to the third lot. Hence, capital gains on the third lot are likely reportable on your income tax returns.

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➡ If medical treatment is not available in my home town and I have to travel approximately 76 km for such treatment, is this expense eligible to be claimed as a travel expense for medical treatment and, therefore, eligible for income tax purposes?

F.F., e-mail

If medical treatment is not available to you within 40 kilometers of your home, you can claim the cost of travelling to get the treatment somewhere else. You can choose the simplified method for your claim, which is 0.48 cents per kilometer for the 2007 tax year, or the detailed method, meaning you keep all travel receipts. If you had to travel at least 80 kilometers from your home, you can deduct accommodation and meal expenses at cost or the simplified meal rate is \$17.00 per meal for up to 3 per day, in addition to your travelling expenses.

Neel Roberts, Tax Consultant, PTC Canada, Vulcan, AB, (866) 485-2683

➡ The OAS clawback amount for a couple is \$64,708. Is that a net amount after taxes or before?

G.V., e-mail

The clawback for Old Age Security (OAS) is based on net income – this is the total of all your income less deductions (such as RRSP deduction, child care expenses, interest deduction etc.). This net income figure, as per line 236 of the income tax return, is the figure used to determine OAS clawbacks. This clawback threshold applies to the net income figure for individuals, not couples.

Sandy Cardy, CA, CFP, TEP, Senior Vice-President, Tax & Estate Planning, Mackenzie Financial Corporation, Toronto, ON (416) 967-2184

➡ I have purchased a government bond which is denominated in U.S. dollars. When the bond matures, I plan to roll it over to another U.S. dollar bond. Assuming there is a change in the exchange rate from the date of purchase to the maturity date, is there a capital gain/loss due to a change in the currency rate? D.P., e-mail

As with all tax matters, you should really check with your accountant as the primary source of guidance. Our accounting expert says in this situation you have two securities that are handled differently for tax matters, the bond and the foreign cash. The relevant timeframe for reporting the tax consequences on the bond that you buy and hold to maturity is the year that it is sold or matures. That is, at maturity you have a gain or loss depending upon the purchase price.

The second security is the foreign cash that you have “purchased”. Any

foreign currency holdings, in cash, are supposed to be converted annually, and any gain/loss reported. If you have not been reporting in that manner, you should report the whole gain or loss at once.

Joseph Lee, Portfolio Manager, Campbell & Lee Investment Management Inc., Oakville, ON (905) 469-4630

➡ Recently I switched the amount of money in an annuity, which matured, to an RRIF. The taxation is almost double on the same amount of money. Is the financial company accurate on the withholding tax?

T.C., e-mail

Any amount you withdraw from your RRIF is considered taxable income in the year withdrawn. What confuses the matter is that there is no withholding tax on the minimum payment amount (it doesn't mean you won't owe taxes on the income, just that there is no requirement to withhold tax). But all payments above the minimum have withholding tax taken off as follows:

Amount withdrawn above the minimum amount	Withholding tax in all provinces, except Quebec
Up to \$5,000	10%
\$5,001 to \$15,000	20%
More than \$15,000	30%

You could ask the company to break down how much of the payment is the minimum and how much is above the minimum to see if the numbers work.

Robert Abboud, CFP, PFP, Wealth Strategies, Ottawa, ON (613) 841-8550

➡ A secured line of credit offers one a lower interest rate than other forms of borrowing. But, I'm wondering if a secured line of credit affects your credit rating?

L.S., e-mail

Any current line of credit that is showing on either your Equifax or Transunion credit reports will affect your credit rating when being looked at by a potential lender. When lenders look at your credit history they are looking at your stability in your job, your home, your ability to pay back a loan and your debt-service ratio.

Secured lines of credit may carry less weight when being considered as they are less of a risk to the lender, and sometimes are the best option for people whose credit scores are a bit lower to start. Having a good payment history on any line of credit, revolving or installment, secured or not, will help to improve your overall credit score.

Of course, we recommend not using credit, if you don't have to. If you are not trying to build on

your credit rating, pay it off as soon as possible to keep

from risking your “security”, and save on interest charges to keep more of your own money! Laurie and David Lee, Good Cents Co., Nanaimo, BC (250)739-2687