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Introduction

Another year of tax filing is upon us, and again the government continues to make changes to keep us on our toes. We trust this newsletter highlights these changes and how they will affect your tax situation. We have also attached our yearly checklist which hopefully will help in preparing your necessary documents to bring in for filing.

This past May, after 9 years, Mike Kroekenstoel moved on from our firm to pursue an opportunity with a local manufacturing company. We also welcomed on Jason Van this past September, who joined our firm from another local accounting firm.

If any topic sparks a question, feel free to give our office a call and we would be happy to discuss this further with you. As always we are grateful for your patronage and look forward to servicing your taxation, accounting, and planning needs in the upcoming year.

Changes to Canadian Families

New "Canada Caregiver Amount"

For 2017 and subsequent periods, the **Canada caregiver** credit replaces the prior **caregiver credit**, **infirm dependant** credit, and **family caregiver tax** credit. The amounts of this new credit will depend on your relationship with the infirm dependent, other credits claimed for them and their income.
With the new consolidated credit:

- The dependent is not required to live with the caregiver to claim the credit; and
- The dependent is required to be infirm. This means that your family member must be dependent upon you due to a physical or mental condition or "infirmity".

Elimination of Children's Fitness and Art Credits

Effective January 1, 2017, you will no longer be able to claim any amounts for children's fitness or art related programs.

Elimination of Public Transit Amount

As of July 1, 2017, this amount has been eliminated. Claims can only be made for eligible travel on public transit for the period of January 1, 2017 to June 30, 2017. However, there is a new **Ontario Senior's Public Transit Tax Credit** for anyone 65 years of age or older and a resident of Ontario by the end of 2017.

Winter 2018

Inside this issue:

Once again, we ask everyone to keep an eye out for phishing scams. The Canada Revenue Agency will never send an email requesting personal information such as addresses, credit card numbers, and Social Insurance Numbers. CRA will only send an email if there is a message waiting for you online on My Account. If you receive a call from the CRA that you believe to be fraudulent, report it to the Canadian Anti-Fraud Centre. (1-888-495-8501)

Tax Rate Changes in 2018

For the 2018 tax year, tax rates have remained the same while tax brackets have slightly increased due to inflation.

Please see the chart below for the 2018 combined federal and provincial tax rates and tax brackets.

Combined Federal & Ontario Tax Rates & Brackets for 2018			
Tax Rates	**Tax Brackets**	**Tax Rates**	**Tax Brackets**
20.05%	Up to $42,960	43.41%	$93,208 to $144,489
24.15%	$42,960 to $46,605	46.41%	$144,489 to $150,000
29.65%	$46,605 to $75,657	47.97%	$150,001 to $205,842
31.48%	$75,657 to $85,923	51.97%	$205,842 to $220,000
33.89%	$85,923 to $89,131	53.53%	$220,000 and over
37.91%	$89,131 to $93,208		

While personal tax rate have remained the same, corporate tax rates for small business corporations have significantly been reduced.

Combined Federal & Ontario Corporate Tax Rate For Small Business Corporations (Up to $500,000)		
2017	**2018**	**2019**
15.00%	13.50%	12.50%

Please note that we are now set-up for e-transfers as a method of payment for our services. Send to: payments@elliottandassociates.ca We also accept debit, cheque or cash.

Medical Expense Tax Credit for Reproductive Technologies

Previously, those with medical conditions preventing them from conceiving a child were able to claim costs of certain reproductive technologies. The 2017 Federal Budget stated that having a medical condition is no longer a necessary condition to claim these expenses. All those who have sought medical interventions in order to conceive a child are now eligible to claim related expenses. Further, these claims can be made retroactively for any of the ten preceding taxation years.

The Tax Free Savings Account (TFSA) annual contribution limit has been returned to the pre-2015 contribution limit of $5,500 for 2018. To find out your contribution limit, give us a call – we can check online for you.

Sale of Principal Residence

Just a reminder, there is a new reporting requirement on the sale of a principal residence. If you sold your principal residence in 2016 or future years, you are required to report the sale on your tax return related to the year of the sale. This is also required if there is a change in use of the property into rental or business and vice versa. Previously you were not required to report the sale if the entire sale was exempt under the principal residence exemption.

Information needed for reporting the sale will be:

- year you bought the property
- the amount you sold it for
- a description of the property (address and postal code)

Failing to file for the principal residence exemption could result in penalties of up to $100 per month to a maximum of $8,000. In certain situations, relief from these penalties can be sought through the voluntary disclosure program.

The new reporting requirements are designed to discourage activities that CRA believes are contributing to the underground economy in Canada.

MyCRA mobile App – This web APP allows you to access and view key portions of your tax information such as your notice of assessment, tax return status, benefit and credit information, as well as RRSP and TFSA contribution room.

Tax on Split Income (TOSI)

You may have heard in the news over the summer about new tax legislation regarding how the government was targeting small businesses and their ability to split income. Although this legislation is not law yet, we are reasonably certain that the law will be similar to what is proposed and more importantly, that the new laws will take effect January 1, 2018.

Before this new legislation, there was no reasonable test on how much dividends you could pay to a shareholder of a company, even if they were not actively involved. These new rules, while very complex, attempt to put a "reasonability test" on dividends paid out to shareholders. Failure to meet the tests will result in the dividend being taxed at the highest marginal rates, which for 2018 is 45.30%.

The net result means we may have to change how we remunerate owners of corporations and their family members. Since each company is unique, this will have to be discussed on a case by case basis.

Have a Tuition Slip? Please Sign The Back

If your son or daughter has a T2202A for their tuition, please ask him or her to sign and date the back of the form in the designated boxes (we can fill out the rest of the information shown). We will still confirm tuition transfers before filing the returns to ensure it has your approval.

Changes for Students

Elimination of Tuition, Education and Textbook Tax Credits

Effective January 1, 2017, the Federal Education and Textbook tax credits have been eliminated. Also, effective September 5, 2017, the Provincial Tuition tax credit has been eliminated for the province of Ontario. Leaving only a Federal Tuition Tax credit of 15% on any tuition paid for post secondary education after September 5, 2017 for residents of Ontario.

New "Ontario Student Grant"

The new Ontario Student Grant is to replace the Ontario Tuition and Education tax credits, the Federal Education and Textbook tax credits, and the Ontario 30% off tuition grant. Starting in the 2017-2018 school year, students in families with a combined income of less than $50,000 per year will receive a grant to cover the average cost of tuition (but not other school expenses). For families with a combined income greater than $50,000, the benefit will be ground down as their income increases.

Moving Expenses

If you moved to a new residence in 2017, you can claim related moving expenses if:

- The move was related to working or running a business at a new location; **or**
- The move was related to full-time attendance in a post-secondary program

In either situation, the move must have brought you at least **40km** closer to the new work or school location. Examples of claimable expenses include:

- Transportation and storage of household items, including boats and trailers
- Travel costs for persons relocating, include vehicle costs, meals, and accommodations which take place during the actual move
- If applicable, any temporary accommodation (and related meals) located in the area of either the old or new residence
- Lease cancellation costs of the old residence
- Incidental costs, including those incurred to legally change address, replace driving licenses, and utility connections and disconnections
- Costs of maintaining the old home after the move (e.g. interest, property tax, insurance, utilities), as long as you are attempting to sell the home
- Costs related to selling the old home, and to buying the new home (e.g. advertising, legal fees, real estate commissions)

To speed up your refund, you can register for direct deposit by filling out the direct deposit enrollment form, register online through My Account, or by phone. Please contact our office if you need assistance with this.

Home Accessibility Tax Credit

The Home Accessibility Tax Credit will provide tax relief of 15% on up to $10,000 of eligible expenses (renovations to the home to make it more accessible). To qualify for this tax credit you must be 65 years of age or older or be eligible for the Disability Tax Credit. This tax credit is eligible for any expenses incurred **after** January 1, 2016.

To be considered an eligible expense, it must allow an individual to gain access to the home, be more mobile in the home, or reduce the risk of harm in the home.

The Ontario Healthy Homes Renovation Tax Credit has been **eliminated** for the 2017 and following tax years. This tax credit mirrored the Home Accessibility Tax Credit and was only available to seniors who renovated their home to make it more accessible.

Earning Income Online

Please be sure to inform us of income you have earned from online sales. Canada Revenue has been getting more aggressive taking measures to ensure this income is reported. For instance, the Federal Court of Canada has recently ordered PayPal to provide CRA with information on its Canadian business account holders. This includes information on payments sent and received from January 2014 through November 2017. CRA may then make comparisons to income reported on tax returns and may assess income it believes has not been reported, along with associated penalties and interest.

While this court order specifically targets business accounts on PayPal, please be aware that CRA may seek similar information on other online accounts, whether through PayPal or other online transaction mediums. The PayPal case also shows that CRA may look at online income going several years back.

Small Tax Tips – Did You Know?

- If you are paying child support, you are not eligible to claim the eligible dependant tax credit.
- CRA can assist the IRS in collecting a debt. If you are a US citizen living in Canada and have a US tax penalty for unfiled disclosures, you may have CRA knocking on your door.
- An individual's online CRA account (My Account) is now linked to their online Service Canada Account (EI, CPP, OAS, etc.) to provide both departments' information in a single log-in session.
- Nurse practitioners can now certify eligibility of a person for the Disability Tax Credit.
- EI changes for maternity/parental leave- Parents can choose the option that best meets their family needs: Standard parental benefits (taken over 12 months) or extended parental benefits (reduced amount taken over 18 months) Total benefits would be the same regardless of the option taken.
- Eligible pregnant workers will be able to receive EI maternity benefits earlier, up to 12 weeks before their due date.
- Effective July 1, 2017, all persons engaged in business of transporting passengers for fares through mobile app or website are required to register, collect, report, and remit GST/HST regardless of total revenues. This means all ride sharing services including Uber.

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