

2019 NEWSLETTER

Introduction

We are pleased to be sending you this latest edition of our newsletter. With the same team as last year, we here at the office are busy preparing for the upcoming tax season. Due to the ever changing tax legislation, we hope this newsletter will assist in communicating these changes to you and how they may affect your tax situation. Should you wish to discuss any items in this newsletter, please do not hesitate to give our office a call. Along with this newsletter is an updated checklist that will help you in preparing for this tax season. We thank you for all your loyal patronage and are looking forward to serving you in the upcoming year.

Changes to Canadian Families

Climate Action Incentive Credit

As of April 1, 2019, a federal carbon tax will affect Ontario, New Brunswick, Manitoba, Saskatchewan, and Nunavut. This means that there will be an added tax on resources such as gasoline and natural gas and will increase until 2024. Individuals and families will receive some of those amounts back, starting on your 2018 tax return, as a refundable tax credit called the Climate Action Incentive credit. Those who reside outside of a census metropolitan area will receive 10% more on all amounts. Only one person per family may claim the credit. These payments will increase until 2022.

Province	Climate Action Incentive Payments (\$)				Carbon Tax Cost (\$)
	Family of 4	1 st Adult	2 nd Adult	Each child	Avg. Household
Ontario	307	154	77	38	244
Manitoba	339	170	85	42	232
Saskatchewan	609	305	152	76	403
New Brunswick	256	128	64	32	202

First Time Home Buyers

Have you purchased a home? You may be eligible for home buyers' credit of \$5,000 if you meet the following criteria:

- You or your spouse or common-law partner bought a qualifying home
- You have not lived in another home owned by you or your spouse or common-law partner in the year you bought the home or the previous four years

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Once again, we ask everyone to keep an eye out for phishing scams. The Canada Revenue Agency will never call or 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 ever in doubt, please contact our office.

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.

The Tax Free Savings Account (TFSA) annual contribution limit has increased from \$5,500 to \$6,000 for 2019. To find out your contribution limit, give us a call – we can check online for you.

Remember to let us know if you have assets outside of Canada with cost of greater than \$100,000.

This includes bank accounts, shares of foreign companies (Apple, Amazon, Walmart, etc.), and rental properties.

Personal vacation properties are exempt from this calculation. Failure to report this to Revenue Canada can result in a penalty of up to \$2,500 per year.

Student Tax Credits

While 2017 was the last tax year to claim the Ontario Provincial Tuition tax credit, students may still claim the Federal Tuition Tax credit of 15% of tuition paid in 2018. Carry forwards from previous tax years will still apply.

For those with student loans, don't forget that the interest on those loans are also deductible and can be carried forward for the next 5 tax years. You can find the form through your online account with the National Student Loans Service Centre (NSLSC).

In 2019, the Ontario Government announced cuts to OSAP. The Ontario Student Grant was introduced for the 2017-2018 school year to cover the cost of tuition for students in families with a combined income of less than \$50,000 per year. While there will be a 10% reduction in post-secondary tuition fees starting in September 2019, the threshold to receive student grants will decrease so only low-income earners will be able to receive them. As well, no student will receive more grants than they do student loans. The biggest change is OSAP's decision to get rid of the six-month interest-free grace period on loans. This means less time to save up money and pay off loans after graduation.

Canada Workers Benefit

Enhancements to the **Working Income Tax Benefit** will commence in 2019, under the newly termed **Canada Workers Benefit**. This is a refundable tax credit meant to incentivize working Canadians who are in low-income brackets. The benefit is now 26% (formerly 25%) of earned income in excess of \$3,000. It is capped at \$1,355 (formerly \$1,192) for single persons (excluding single parents); whereas for single parents and married couples the maximum benefit is \$2,335 (formerly \$2,165). These maximum benefits are reduced by 12% of net income over \$12,820 for single persons (excluding single parents); and \$17,025 for single parents and married couples.

On a related note, the former WITB Disability Supplement (for working individuals eligible for the disability tax credit) will be enhanced under the new CWB Disability Supplement, with a maximum amount of \$700 in 2019.

Tax Rate Changes in 2019

For the 2019 tax year, tax rates have remained the same while tax brackets have slightly increased due to inflation.

Please see the chart below for the 2019 combined federal and provincial tax rates and tax brackets.

Combined Federal & Ontario Tax Rates & Brackets for 2019			
Tax Rates	Tax Brackets	Tax Rates	Tax Brackets
20.05%	Up to \$43,906	43.41%	\$95,260 to \$147,667
24.15%	\$43,907 to \$47,630	46.41%	\$147,668 to \$150,000
29.65%	\$47,361 to \$77,313	47.97%	\$150,001 to \$210,371
31.48%	\$77,314 to \$87,813	51.97%	\$210,372 to \$220,000
33.89%	\$87,814 to \$91,101	53.53%	\$220,000 and over
37.91%	\$91,102 to \$95,259		

While personal tax rate have remained the same, corporate tax rates for small business continue to lower for 2019 and are proposed to stay constant in 2020.

Combined Federal & Ontario Corporate Tax Rate Small Business Corporations (Up to \$500,000)		
2018	2019	2020
13.50%	12.50%	12.50%

Enhanced CPP

Canada Pension Plan will be gradually enhanced starting in 2019. If you work and make contributions to CPP, your contributions will increase, and you will receive higher benefits. This enhancement applies to CPP retirement pension, post-retirement benefit, disability pension and survivor's pension. Individuals who contribute to CPP will make these contributions on employment earnings between \$3,500 and an annually indexed earnings limit (\$57,400 in 2019). Before 2019, employees and employers each contributed 4.95% of these earnings to CPP.

The new enhancement will be gradually phased in over 5 years, as follows:

Year	Employee/ employer increase	Self employed increase	Employer/employee rate	Self employed rate
2019	0.15%	0.30%	5.10%	10.20%
2020	0.15%	0.30%	5.25%	10.50%
2021	0.20%	0.40%	5.45%	10.90%
2022	0.25%	0.50%	5.70%	11.40%
2023	0.25%	0.50%	5.95%	11.90%

Beginning in 2024, a second, higher earnings limit will be introduced, allowing you to invest an additional portion of your earnings into CPP.

CRA Processing Reviews

Each year, CRA selects a portion of individual tax returns for review. In each review, CRA will ask us to submit documentation to support any number of items on the return. If you are claiming property taxes, please ensure the property tax statement is stamped "PAID" if a balance owing is shown on the statement. If you are claiming employment expenses, form T2200 must be completed and signed by the employer each year.

Voluntary Disclosure Program (VDP)

The VDP gives taxpayers a second chance at correcting errors or omissions of a **previously filed tax return** or to file a tax return that should have been filed (available under Income tax stream and GST/HST stream)

While you would pay any taxes owing plus interest in part or full, you would be eligible for relief from prosecution and penalties that you would otherwise have to pay.

Prior to making a voluntary disclosure, you can submit information anonymously to CRA to ascertain what CRA's response will be and what repercussions may ensue.

Are you in the sharing economy?

The sharing economy takes many different forms including:

- Ride-sharing: Uber, Lyft, etc.
- Accommodation sharing: AirBnB etc.
- Music and video streaming
- Online staffing
- Peer/crowd funding

If you earn money in these sectors, you must report your earnings and can claim eligible expenses on your tax return.

GST/HST requirements

- If you earn over \$30,000 in sales in the sharing economy, you are required to register for GST/HST and start collecting and remitting GST/HST to the CRA.
- Note: If you earn money from ride-sharing, you are required to register for GST/HST regardless of whether or not you earn more than \$30,000.

Have a Tuition Slip? Please Sign The Back

If you or your child has a T2202A for tuition, please 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.



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.

Low-income Individuals and Families Tax (LIFT) Credit

For 2019 and future tax years, the LIFT credit will be a non-refundable tax credit which will be calculated as the lesser of \$850 or 5.05% of employment income. This amount will be reduced by 10% for individuals with a net income over \$30,000 and families over \$60,000. This credit will offset the Ontario provincial tax but not the Ontario health premium.

Employment Insurance Parental Sharing Benefit

The Parental Sharing Benefit increased to 40 weeks from 35 weeks, for new parents taking parental leave from work to look after a newborn or newly adopted child. Each parent is required to take a minimum of 5 weeks under the standard option. The extended option was increased to 69 weeks with each parent taking a minimum of 8 weeks off of work.

Small Tax Tips – Did You Know?

- 3 million tax returns are reviewed annually. That's about 1 in 10 taxpayers.
- If you believe you have over contributed to your RRSPs, please give our office a call. There are penalties for over-contribution of 1% per month which can be reduced if we file the appropriate paperwork.
- The Home Buyers Plan allows you to withdraw money tax-free from your RRSP to finance your home. The amount you withdraw must be paid back within 15 years.
- Ask your pharmacy, dentist, benefit provider, etc. for a print out of medical expenses for the year to save us time and you money.
- The medical expense tax credit was expanded to include service animal expenses for patients with severe mental impairment such as PTSD or severe anxiety.
- Only adoption expenses incurred at an agency which resulted in a successful adoption are eligible to be claimed. The maximum for 2018 is \$15,905.
- The first-time donor's super credit, which increased the dollar amount donated by 25% for those who had not donated in the prior 5 years, expired at the end of 2017.
- If you pay for child care so that you can go to school or work, you may be eligible to claim this expense.
- Expenses that include a recreational or educational component do not qualify as child care expenses.
- What to do when a loved one dies. The CRA provides a webpage with details to help individuals cope with this difficult situation: <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/rc4111/canada-revenue-agency-what-following-a-death.html>

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