

2020 NEWSLETTER

Introduction

We are again excited to serve you as we gear up for the upcoming tax season. We hope this newsletter helps update you with recent tax changes and how they may affect your tax situation. If you would like to discuss any of the information enclosed, see our contact information at the end of this newsletter. We have also included a checklist that will help you as you gather your information for filing.

NEW LOCATION

After the past 13 years on Wharnccliffe Road, we have moved our office location this past July. We are now at **309 Commissioners Road West, Suite 2**. Our office is about half way between Wharnccliffe Road and Wonderland Road. We are directly across the road from Storage Mart and are located in one of the three 2 storey brick office buildings on the north side of the road. Please note that we are located on the second floor with stair access only. If this is an issue, please call ahead as we have access to a boardroom on the main floor and we can make arrangements to meet you there.

Changes to Canadian Families

Climate Action Incentive Credit

As the carbon tax on gasoline and natural gas increases each year, so does the **Climate Action Incentive** credit. This affects residents of Ontario, Manitoba, Saskatchewan, and more recently Alberta. New Brunswick residents only had this credit for the 2018 tax year. Individuals and families will receive this tax reduction/refund on their 2019 tax returns. Those who reside outside of a census metropolitan area will receive 10% more on all amounts. Only one parent per family may claim this amount. These payments will increase until 2022.

Province	Climate Action Incentive Payments (\$) 2019 Tax Year			
	Family of 4	1 st Adult	2 nd Adult	Each child
Ontario	448	224	112	56
Manitoba	486	243	121	61
Saskatchewan	809	405	202	101
Alberta	888	444	222	111

Ontario Childcare Access and Relief from Expense Credit (CARE)

Ontario residents are eligible for a new refundable credit to help offset the costs of childcare. A maximum 75% of childcare costs are covered under this program. This rate gradually declines once family income reaches \$20,000 and is eliminated in full for families making \$150,000.

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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.

The Tax Free Savings Account (TFSA) annual contribution limit remains at \$6,000 for 2020. To find out your contribution limit, give us a call – we can check online for you.

Please note that we are 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.

Student Tax Credits

Any student over the age of 16 and enrolled in post-secondary level courses at accredited institutions in Canada may claim the tuition credit. Studying outside of Canada? Tuition paid to schools abroad, if you are a full-time student for at least 3 weeks, may also be claimed. Don't forget to sign your tuition tax forms (T2202) on the back. Unclaimed tuition amounts from previous tax years will carry forward.

Interest paid on your student loans in 2019, plus any unclaimed amounts in the previous five years, can be claimed as a non-refundable tax credit. In addition, the Act has been amended so that student loans will not accumulate any interest during the six-month grace period after a student leaves school, when repayments are not required. Log in to your National Student Loan Service Centre (NSLSC) account to find details on your repayment.

Canadian Training Credit

Individuals who are at least 25 years old and less than 65 years old at the end of the year may be able to claim this new credit starting in the 2020 tax year. Eligible tuition and fees paid during 2020 and subsequent tax years may be claimed as a refundable credit by the lesser of 50% of training expenses paid **or** the individual's Canada training credit limit. The limit accumulates by \$250 each year, to a maximum of \$5,000 in a lifetime, only if an individual meets the following requirements:

- files the previous year's tax return,
- is a resident of Canada throughout the year, and
- have at least \$10,000 of employment, business, and/or maternity/parental benefits income in the year

The existing tuition tax credit will be reduced by the Canada Training Credit claimed in a year.

Low-income Individuals and Families Tax (LIFT) Credit

For 2019 and future tax years, the LIFT credit is an Ontario provincial non-refundable tax credit which is calculated as the lesser of \$850 or 5.05% of employment income. Individuals with a net income over \$30,000 and families with a net income over \$60,000 will have this amount reduced by 10% of the excess. This credit will only reduce the Ontario provincial tax payable; not the Ontario health premium.

Tax Rate Changes in 2020

For the 2020 tax year, tax rates have remained relatively the same while tax brackets have slightly increased due to inflation.

Please see the chart below for the 2020 combined federal and provincial tax rates and tax brackets.

Combined Federal & Ontario Tax Rates & Brackets for 2020			
Tax Rates	Tax Brackets	Tax Rates	Tax Brackets
20.05%	Up to \$44,740	43.41%	\$97,070 to \$150,000
24.15%	\$44,741 to \$48,535	44.97%	\$150,000 to \$150,473
29.65%	\$48,536 to \$78,783	48.19%	\$150,474 to \$214,368
31.48%	\$78,784 to \$89,482	51.97%	\$214,369 to \$220,000
33.89%	\$89,483 to \$92,825	53.53%	\$220,000 and over
37.91%	\$92,826 to \$97,069		

While personal tax rates have remained the same, corporate tax rates for small business continue to lower for 2020 and are proposed to stay constant in 2021.

Combined Federal & Ontario Corporate Tax Rate Small Business Corporations (Up to \$500,000)		
2019	2020	2021
12.50%	12.20%	12.20%

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.

First Time Home Buyer Incentive

This is a brand new program that lowers borrowing costs for eligible first time home buyers. Canada Mortgage and Housing Corporation will cover 5% of the price of a purchased property, and will fund 10% of the cost of newly constructed homes. CMHC maintains an ownership interest equal to the percentage of the purchase it funds. So, while you as a participant are not required to repay the funds received from the program, you will only reap 90-95% of any increase in the home's value. You can calculate how you could benefit from the program by visiting:

<https://www.placetocallhome.ca/fthbi/eligibility-savings-calculator>

Medical Marijuana Credits

In recent years, taxpayers have been eligible to claim costs of medicinal marijuana/cannabis as part of the non-refundable medical expenses tax credit. Claimants must hold the appropriate medical document completed by their medical practitioner, and must be a registered client of a supplier with a license for sale for medical purposes. Be sure your supplier carries this license as even some legal retailers are not eligible. Further, it is only the costs of marijuana (including plants and seeds) and cannabis (including oil) that are eligible. The costs of related supplies (grow boxes, soil, lights, pots, nutrients, vaporizers, etc.) are not eligible under the medical expense credit.

Direct Deposit

Signing up or making changes for direct deposit will no longer be available on your tax return. If you are not already registered, you will now need to register to My Account with Revenue Canada, or complete the "Canada direct deposit enrolment form" which is on the Canada Revenue website, print it off and mail it to Receiver General for Canada, P.O. Box 5000, Matane, QC G4W 4R6.

If you are registered with CRA to receive emails, they will now send out Account Alerts to individuals when an address has changed, banking information for direct deposit has changed, or if mail sent by CRA was returned.

Employment Expenses

CRA has been increasingly auditing taxpayers who claim employment expenses. It is a requirement to maintain invoices and receipts, and to have your employer properly fill and sign Form T2200. For those employees deducting motor vehicle expenses, CRA is strictly enforcing the need to keep a thorough **motor vehicle log** which must indicate the number of kilometers travelled for employment purposes. The log must also show total kilometers (i.e. odometer readings) as CRA wants to see the exact percentage of all travel that was for employment purposes. Further, the log should show the date, purpose, and addresses travelled to and from for each trip. Many of our clients have downloaded mileage tracking apps on their cell phones, but you may also track by paper.

Zero-Emission Vehicles Incentives

There are a couple of significant tax incentives for zero-emission vehicles versus regular passenger vehicles. The cap for CCA and HST ITC's on zero-emission vehicles is \$55,000 versus \$30,000 for regular passenger vehicles. Also, for the purchase of zero-emission vehicles up to December 31, 2023, you can write off the full purchase price of the vehicle (up to the \$55,000) in the year of purchase. Eligible zero-emission vehicles include motor vehicles that are plug-in hybrids (with a battery capacity of at least 7 kWh) or vehicles that are fully electric or fully powered by hydrogen. There is also federal incentive of \$5,000 on the purchase or lease of eligible battery electric, hydrogen fuel cell, or longer range plug-in hybrid vehicles (battery capacity 15 kWh or more) with a MSRP of less than \$45,000. Shorter range plug-in hybrid vehicles are eligible for a \$2,500 incentive if the MSRP is less than \$45,000. A listing of eligible vehicles can be found at

<https://www.tc.gc.ca/en/services/road/innovative-technologies/list-eligible-vehicles-under-izev-program.html>

If you receive the incentive however, you are not eligible for the additional CCA write off or additional HST ITC's. If you are purchasing the vehicle for business or employment purposes it may be more beneficial to forego the incentive.

Have a Tuition Slip? Please Sign The Back

If you or your child has a T2202 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.

Parental Sharing Benefit

As of March 17, 2019, parents can receive Employment Insurance parental benefits that would provide additional weeks of Employment Insurance when parents agree to share parental leave.

When new parents apply for and share parental benefits, they may be eligible for one of the following: **5** extra weeks of parental benefits when choosing the standard option; or, **8** extra weeks of parental benefits when choosing the extended option.

Parents can share up to 40 weeks of parental benefits with the standard option and up to 69 weeks with the extended option. Both parents must take some time off in order to receive the extra weeks.

Also, maternity benefits will stay the same of up to 15 weeks; prior to taking any parental benefits.

Flipping Houses

We have recently become aware that Revenue Canada has invested more resources into reviewing short term real estate transactions (flipping) in Ontario and British Columbia. Even if you have resided in the property for a short term period, CRA may consider the sale taxable if they can determine the "purpose" of buying and selling the property was to earn income. Some factors they will consider is length of time you resided in the dwelling, number of transactions (number of sales over a period of time), expertise in the area (work in the building trade), and other factors.

Small Tax Tips – Did You Know?

- As of March 2019, the Home Buyers Plan (HBP) increased the RRSP tax-free withdrawal limit from \$25,000 to \$35,000. Any money borrowed must be paid back over 15 years.
- Canadians who pay up to \$500 for digital news subscriptions can apply for a \$75 tax credit.
- Ride-share drivers (Uber, Lyft, etc.) must register for GST/HST with the CRA no matter how much income is earned.
- Individuals who are disabled may receive the Disability Tax Credit Certificate (DTC). We can print off a form for you to bring to your medical practitioner to fill out if you qualify.
- If you moved more than 40km for school or work, you may be eligible to claim moving expenses.
- Make sure to file your tax return every year to continue receiving the Canada Child Benefit tax-free monthly payments.
- RESP's are a great way to start saving for your child's post-secondary education. Deposits into an RESP can qualify for matched dollars by government grants.
- If you are buying a home for the first time, you qualify for the First-Time Home Buyers' Tax Credit of \$5,000, which works out to \$750 in tax savings.
- Please let us know whether or not you are a US citizen as you may have other tax filing obligations.

CONTACT US

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