

## 2021 NEWSLETTER

### Introduction

2020 was a challenging year for many. We are thankful for the continued support of our clients as we navigate all the new rules and restrictions that are set in place to keep us all healthy and safe. We are now entering into another tax season and with that comes many new tax changes. Please do not hesitate to reach out to us if you have any questions or concerns or are worried about how these new tax changes will affect your tax situation.

For the upcoming tax season we are making a few changes as we navigate our second tax season through the COVID-19 pandemic. We will have a drop box on the stairwell, like last year, and you can place your records there, ring the doorbell outside, and someone will come down and grab them. We have also set up a table with plexi-glass. If you want to explain something when you drop off your information, call when you arrive in the parking lot, and someone will meet you in the stairwell to go over any questions you may have. Finally, we are offering the option of receiving an electronic version instead of a paper copy of your tax return. Please indicate on your information which version you would prefer to receive.

In 2020, we sadly said goodbye to Sylvia Elliott as she retired from Elliott & Associates after 31 years. We are sad to see her go as she was an incredible asset to us and her smiling face will be greatly missed by many. In October, we welcomed Laura Van Meppelen Scheppink to our front office/reception area.

As a gentle reminder, please note that we are now located at **309 Commissioners Road West, Suite 2**, which is approximately half way between Wharnccliffe Road and Wonderland Road.

### 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 Alberta. Individuals and families will receive this tax reduction/refund on their 2020 tax returns. Those who reside outside of a census metropolitan area will receive an additional 10% on all applicable amounts. Only one parent per family may claim this amount on their tax return. These payments will increase until 2022.

Province	Climate Action Incentive Payment (\$) 2020 Tax Year			
	Family of 4	1 <sup>st</sup> Adult	2 <sup>nd</sup> Adult	Each child
Ontario	600	300	150	75
Manitoba	720	360	180	90
Saskatchewan	1000	500	250	125
Alberta	981	490	245	123

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*“[on filing for tax returns]  
This is too difficult for a mathematician. It takes a philosopher.”  
~ Albert Einstein*

*Why doesn't Sherlock Holmes pay any tax?  
Because he makes so many brilliant deductions!*

*The Tax Free Savings Account (TFSA) annual contribution limit remains at \$6,000 for 2021. To find out your contribution limit, give us a call – we can check online for you.*

*What's the 3.141592653% tax that sailors charge? Pi Rates!*

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

*Signing up or making changes for direct deposit is no longer available on your tax return. If you are not already registered, you will now need to register to My Account with Revenue Canada. Please do not hesitate to contact us if you need assistance!*

## Home Office Expenses for Employees

The COVID-19 pandemic has caused a huge shift to working from home and with that comes changes to how employees can claim their home office costs. The CRA has introduced a **temporary flat rate method** for 2020 where you can claim a flat rate of \$2 for each day you worked full or part-time from home (if you worked more than 50% of the time from home for at least four consecutive weeks) up to a maximum of \$400. No supporting documents are required.

The **detailed method** may result in larger home office claims, but also involves more work and supporting documents. This method requires a signed T2200/T2200S from your employer. Employees must calculate the size of their work space and the size of their home in square feet or meters. If the space serves a purpose other than for work (kitchen, bedroom, living room, etc.), then the weekly hours when it is used for work is divided by total hours in a week. (E.g.  $40 \div 168 \times 100 = 23.81\%$ ) Expenses that can be claimed are electricity, heat, water, utilities portions of condo fees, internet, repair costs, office supplies, and rent. Commission employees can also claim home insurance, property taxes, and cell phone lease. All expenses must have receipts to back up these claims. Our office may charge an additional fee per return to calculate this more complicated method versus the temporary flat rate method.

## Home Accessibility Tax Credit (HATC)

If you are over the age of 65 and have decided to make your home safer and more accessible, you may be able to claim up to \$10,000 of eligible home improvements on your tax return. The renovation must allow the qualifying individual to gain access to the housing unit or reduce the risk of harm they would face gaining access to the unit. Some examples include: grab bars or handrails, wheelchair ramps, walk-in bathtubs, or renovations that accommodate a senior to live on the first floor. To qualify for the credit you must meet the following criteria:

- 65 years or older by the end of the year you are claiming the credit, or
- Living with a family member who is a senior.

It is important to note, your income does not matter – seniors and their family members at all income levels are eligible. (Devices such as wheelchairs and walkers as well as services such as home care or housekeeping are not eligible). For an extensive list, please visit: <https://www.ontario.ca/page/healthy-homes-renovation-tax-credit>

## Canadian Training Credit

Individuals who are at least 26 years old and less than 65 years old at the end of 2020 may be able to claim this credit for 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, provided they meet the following:

- Files the previous year's tax return,
- Is a resident of Canada throughout the year,
- Has a total of \$10,000 of employment, business, and/or maternity/parental benefits income in the year, and
- Has individual net income that does not exceed the top of the third tax bracket in that year.

You may be able to claim both the Canada training credit and tuition tax credit in the same year. The existing tuition tax credit will be reduced by the Canada Training Credit claimed in a year. To check if your educational institution qualifies, please visit: <http://certification.esdc.gc.ca/lea-mcl/h.4m.2@-eng.jsp>

## Motor Vehicle Employment Expenses

In recent years, CRA has been 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, it should be emphasized that 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.

# Three New “Recovery Benefits”

As many Canadians had to stop working during the early stages of the pandemic, one of the Federal government’s initial responses was the introduction of the Canada Emergency Response Benefit (CERB). This program provided \$2,000 every 4 weeks to eligible employed and self-employed Canadians, spanning March 15 to September 26, 2020. As of December 2, 2020, you can no longer make applications under the CERB program. In its place, three Recovery Benefits have been introduced: the Canada Recovery Caregiving Benefit (CRCB); the Canada Recovery Sickness Benefit (CRSB); and the Canada Recovery Benefit (CRB). These benefits are described in detail in the following paragraphs. At minimum, all following criteria must be met to apply for any of these three benefits:

- You earned \$5,000 minimum in 2019, or 2020, or in the 12 months preceding your first application. The income can only be sourced from employment, self-employment, or EI maternity/parental benefits
- You were not receiving benefits from short-term disability or EI
- You have only applied for one Recovery Benefit (CRCB; CRSB; or CRB) per period
- You were not in quarantine or self-isolation because of international travel (applies to claim periods beginning January 3, 2021)
- You were present in Canada; a Canadian resident; at least 15 years old on the first day of the period; with a valid SIN

Additional criteria specific to each benefit is outlined below. Applications to these Recovery Benefits can be made by telephone or online through CRA My Account. Applications to any given period can be made only at the end of the period (to ensure eligibility), and a 10% income tax is withheld at the source. You have **60 days** from the end of each period to make an application to any of the benefits, at which point applications are closed.

## Canada Recovery Caregiving Benefit (CRCB)

This benefit helps Canadian residents unable to work because they must care for a child under 12, or another family member that is unable to attend their school or care facility due to COVID-19. Applications opened October 5, 2020. Application periods are in weekly intervals, spanning from September 27, 2020 to September 25, 2021. You must be eligible on a period by period basis, and can only apply for a maximum 26 periods (26 weeks). \$500 is earned per eligible period, with \$450 paid after a 10% tax withholding. For each period of eligibility, in addition to the criteria outlined above, you must meet the following criteria:

- You were unable to work for at least 50% of normally scheduled work
- You are the only person from your household claiming the benefit for the applicable period
- You were not receiving paid leave from your employer

## Canada Recovery Sickness Benefit (CRSB)

This benefit helps Canadian residents unable to work due to self-isolation, for whom working at home is not an alternative. Eligible reasons to self-isolate include:

- Testing positive for COVID-19
- Coming in contact with an infected person
- Having an underlying condition that, in the opinion of a medical practitioner, makes you more susceptible to COVID-19
- Your doctor, nurse or employer has directed you to self-isolate

Applications opened October 5, 2020. Application periods are in weekly intervals, spanning from September 27, 2020 to September 25, 2021. You must be eligible on a period by period basis, and can only apply for a **maximum two periods** (two weeks). \$500 is earned per eligible period, with \$450 paid after a 10% tax withholding. For each period of eligibility, in addition to the criteria outlined above, you must meet the following criteria:

- You were unable to work for at least 50% of normally scheduled work
- You were not receiving paid leave from your employer

## Canada Recovery Benefit (CRB)

This benefit helps Canadian residents who have seen a reduction in employment or self-employment income due to COVID-19, for reasons besides those covered by the CRCB or CRSB. Applications opened October 12, 2020. Application periods are in two week intervals, spanning from September 27, 2020 to September 25, 2021. You must be eligible on a period by period basis, and can only apply for a maximum 13 periods (26 weeks). \$1,000 is earned per eligible period, with \$900 paid after a 10% tax withholding. For each period of eligibility, in addition to the criteria outlined above, you must meet the following criteria:

- Due to COVID-19, you had a minimum 50% reduction in income from employment or self-employment (or did not work at all). This 50% reduction is calculated by comparing your income in the two week application period with your average bi-weekly income from the same 12-month period used to determine your \$5,000 income threshold
- You have not voluntarily stopped working since September 27, 2020 (the start of CRB)
- You were seeking work, and did not reject reasonable work opportunities
- You were not eligible for EI (due to COVID-19, a one-time credit of 300 insurable hours is provided to Canadians, meaning only 120 insurable hours is needed to apply for EI)

## CRB Clawback

*Please be aware that you may need to repay some of the CRB benefits you received when filing your tax return. For every dollar of net income in excess of \$38,000 (not including CRB income), 50 cents in CRB income must be repaid.*

*Everyone should pay their income tax with a smile!  
I tried – but they wanted cash.*

*A digital news subscription with a Qualified Canadian Journalism Organization entitles you to a 15% non-refundable tax credit. The maximum value is up to \$500. This means you can claim a \$75 tax credit yearly.*

## HST & Short Term Rentals

Even with COVID-19, short term rentals are becoming more and more popular to help offset the high costs of carrying property. One major item many do not consider is that short term rentals are considered a commercial activity, and subject to HST. There is a \$30,000 Gross income threshold before you need to register and worry about HST. However, if you have an associated business that is already registered for HST then you must charge HST on your first dollar of income. If the **primary** use of the property is for short term rental, you could be caught having to remit HST when you go to sell the property, or if the use of the property changes to personal use or long term rental (greater than 30 days). These rules are technical and complex and every situation is unique. If this applies to you, please give our office a call to discuss further.

## Shared Custody

If you are required to make child support payments for a child, as a general rule you cannot claim the eligible dependent tax credit for that child. However, if a court order or written agreement clearly establishes that you and the child's other party must make child support payments to one another, either party can claim the eligible dependent credit. All that is needed is for both parties to agree on which of you will make the claim, otherwise neither of you can do so. If only one person pays child support, only the party who is not paying support can claim the eligible dependent.

## Ontario Childcare Access & Relief from Expense Credit (CARE)

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

## Small Tax Tips – Did You Know?

- The sale of investments (such as stocks, mutual funds, ETFs) may result in either a capital gain/loss if it is not within a tax-sheltered account (TFSA, RRSP, or RESP).
- CRA requires that tips and gratuities received directly (i.e. not controlled by your employer) be reported on your tax return
- Charlie, the CRA ChatBot, is available on their website to answer general tax filing questions.
- Vaccines are an eligible medical expense as long as there is a prescription for it. Same with air conditioners!
- The Zero-Emission-Vehicles Incentive now includes used vehicles.
- Be aware that CRA engages in information sharing with foreign governments. In exchange for sharing financial records of foreign citizens living in Canada, CRA may receive information from Canadians with foreign bank accounts. This highlights the importance of disclosing all worldwide income.
- For business owners, trips and other awards received while carrying out business activities must be included in income.
- The supply of certain medical and non-medical face masks and face shields are temporarily zero-rated.

## CONTACT US

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