

2022 NEWSLETTER

Introduction

It is that time of year again. We hope this newsletter finds you and your family well. We have included some of the most relevant changes and issues we have seen in the past twelve months. We are including our checklist to help you gather your information before you bring it in. Should you have any questions or concerns, please reach out to someone at our office.

This past May we welcomed Richard Hannah to our team full time. Richard has worked part-time and through his co-op the past two years as he finished up his schooling. We are excited to have Richard join our firm.

As we work through our third tax season during the pandemic, we are making a few changes as things are beginning to open. In person meetings will be available this taxation year. We do ask that you book ahead of time so we can limit the number of people in the office at one time and we also ask that you wear a mask when coming into the office. The drop box in the stairwell is also available should you prefer to drop off your tax documents. Please ring the doorbell so we know to come down and grab your items.

We will be offering the option of receiving an electronic version or a paper copy of your return. Please indicate on your information which version you would prefer to receive.

We look forward to seeing you in the upcoming months.

How to Verify a Call from The Canada Revenue Agency

The Canada Revenue Agency has acknowledged a rise in scam calls claiming to be from the CRA, demanding money for unpaid taxes and threatening arrest. In response to the growing frequency of these scams, the CRA has released recommended guidelines that Canadians can follow to ensure that the person on the other end of the phone is in fact a representative from the CRA. To verify a caller is a CRA employee, the CRA recommends that individuals:

1. Tell the caller that you want to verify their identity.
2. Ask for, and note the caller's name, phone number, and office location.
3. Call the CRA phone number from the official CRA website to confirm the call was legitimate using one of the phone numbers listed below:
 - a. Phonenumber for individuals: 1-800-959-8281
 - b. Phonenumber for businesses: 1-800-959-5525
4. Call the CRA employee back.

The CRA will never use threatening or coercive language to scare you into paying taxes owing. You should always confirm the identity of any individual before sharing personal information such as your social insurance number, credit card number, bank account number, or passport number.

Inside This Issue

- 1 How to Verify a Call from the Canada Revenue Agency
- 2 Setting Up a CRA My Account
- 2 Update Your CRA My Account
- 2 Repayment of Covid Benefits and 2020 Personal Taxes Owing
- 2 Ontario Staycation Refundable Tax Credit
- 3 Cryptocurrency
- 3 Principal Residence Exemption
- 3 Climate Action Incentive Payment (CAIP)
- 4 Working at Home Deduction
- 4 Motor Vehicle Expenses
- 4 Ontario Jobs Training Tax Credit
- 4 Small Tax Tips – Did You Know?
- 4 Contact Us

"The hardest thing in the world to understand is the income tax."

~ Albert Einstein

How is the CRA like the weather?

Neither can make up its mind!

The Tax Free Savings Account (TFSA) annual contribution limit remains at \$6,000 for 2022. To find out your contribution limit, give us a call – we can check online for you.

*What tax filing service do pirates use?
H & ARGH Block!*

*Payments for services can be made using a variety of options. E-transfers can be sent to the following: payments@elliottandassociates.ca
We also accept debit, credit, cheque or cash.*

*What is the definition of “accountant”?
Someone who solves a problem you didn’t know you had in a way you don’t understand*

Setting Up a CRA My Account

More and more, CRA is expecting taxpayers to access information on CRA My Account. Need help creating a CRA My Account? Here is what you’ll need to register your account online.

- Social insurance number
- Date of birth
- Current postal code
- An amount from a previously filed tax return
- Your email address

An account login can be created with a Sign-in Partner like your online banking or by creating a new CRA user ID and password. A security code will either be emailed or mailed to your last known address that the CRA has on file. Entering the code allows you to have a more detailed view of your account info. Please contact us if you have trouble locating the line-item amount

Update Your CRA My Account

It is important that you keep the CRA up to date on your current address (as tax preparers, we cannot update this information for you). You can easily update this information by logging in to your “My Account” on the CRA website. Once logged on, click on the “Personal Profile” link at the top of the page to review the current address and phone number that the CRA has on file. If this information is out of date you will need to click the link “Manage address and phone numbers” and follow the prompts from there.

The “Personal Profile” section of “My Account” is also where you can input banking information and have your tax return or other benefits directly deposited into your bank account. Direct deposits are instant and eliminate any risk of a cheque being lost in the mail. The CRA is moving in the direction of 100% digital services, and we encourage all clients to take the time to familiarize themselves with their online CRA “My Account”.

Repayment of Covid Benefits and 2020 Personal Taxes Owing

The CRA continues to review Covid relief programs and pursue repayment of any benefits claimed or overpayments made in error. If you have been contacted by the CRA regarding a benefit received, it is important that you respond as soon as possible. The CRA may require additional information to confirm your eligibility for the benefit received and without a response they will presume that you did not qualify and may demand repayment.

If it has been determined that you need to repay a Covid benefit, contact the CRA immediately to coordinate a repayment plan. The CRA has been instructed to be reasonable and understanding regarding these repayments and we have heard of clients receiving up to 2 years to repay these amounts.

We would also like to remind clients that have received interest relief on 2020 personal taxes owing that this interest relief is coming to an end in April 2022 and these balances will begin to accrue interest. Make sure to pay any taxes owing before April to avoid any interest or penalties on these amounts.

Ontario Staycation Refundable Tax Credit

For **2022**, Ontarians are incentivized to support the province’s tourism and hospitality industry. If you are an Ontario resident, 20% of eligible accommodation expenses will be refunded when you file your taxes. Families can get a maximum \$400 credit on \$2,000 eligible accommodation. Single individuals without children can get a maximum \$200 credit on \$1,000 eligible accommodation. This credit applies to stays at the following facilities: hotel, motel, resort, lodge, bed-and-breakfast, cottage, and campground. Please note that stays in a timeshare or a self-propelled vehicle (boat or train) are not eligible. This credit applies to leisure stays (business trips not included) of less than a month each, in Ontario, during the year 2022. The trip must be paid for either by you or your spouse/common law partner. Be sure to keep detailed receipts that show the location of the accommodation, date of stay, amount paid, and name of the payor. The receipt must also show GST/HST charged, as tax-free accommodations are not eligible.

Cryptocurrency

Cryptocurrency (CC) is a digital representation of value that is not legal tender. It is a digital asset that works as a medium of exchange for goods and services. Encryption is used to control how units of CC are created and to verify transactions. CCs generally operate independently of a central bank, central authority or government.

The CRA estimates that somewhere between 4-10% of Canadians own CC and has released several public statements on the tax treatment of these new and unconventional assets. The tax treatment of CC can vary drastically on a case-by-case basis.

Any disposition of CC triggers a reportable and taxable transaction. Dispositions can occur when a taxpayer:

1. Sells or gifts a CC
2. Trade or exchange CC, including trading or exchanging one CC for another
3. Covert CC to a traditional currency, such as Canadian or US dollars
4. Use CC to buy goods or services

If you have waded into the world of Cryptocurrencies, let us know so we can help analyze your unique situation and ensure transactions are reported properly on your tax return.

CEBA Loan Extension

The deadline to repay your CEBA loan and receive the debt forgiveness has been extended from December 31, 2022, to December 31, 2023.



Principal Residence Exemption

As most of you are aware you are not required to pay tax on the sale of your home. What makes the sale exempt? The default position is that the sale of any real estate is subject to income tax unless you qualify for the principal residence exemption (PRE) on the sale of a home. For a property to qualify as your principal residence for a particular tax year four criteria must be satisfied: the property must be a housing unit, you must own the property (either alone or jointly with someone else), you or your spouse or kids must "ordinarily inhabit" the property, and you must "designate" the property as a principal residence. Failure to report the selling of a principal residence could result in a penalty of \$100 per month up to \$8,000.

One question we often get asked is how long you need to own a property to be able to claim the principal residence deduction. CRA does not define a length of time, only that the residence being "ordinarily inhabited" within the calendar year. What we need to look at is what was the purpose of holding the property. CRA will look at the length of time the taxpayer was in the dwelling, sources of income and real estate buying patterns, to determine if the residence is a principal residence or in fact part of a business venture, such as real estate flipping.

Why does the CRA keep going after chiropractors? All those back taxes

Climate Action Incentive Payment (CAIP)

The Climate Action Incentive will now be paid in quarterly payments with a double payment starting in July 2022. It was previously included as a refundable tax credit on personal income tax returns. Those who reside outside of a census metropolitan area will receive an additional 10% on all applicable amounts. Only one spouse or common-law partner per family will receive the payments and will be paid out to whoever's tax return is assessed first. If you have income tax debts at the time of each quarterly payment, the CAIP will be applied to amounts owing.

Province	Climate Action Incentive Payment (\$)			
	2021 Tax Year			
	Family of 4	1 st Adult	2 nd Adult	Each child
Ontario	600	300	150	75
Manitoba	720	360	180	90
Saskatchewan	1000	500	250	125
Alberta	981	490	245	123

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.

Working at Home Deduction

Due to COVID-19, many employees have had to work from home for at least a few days, if not several days. If this applies to you, please let us know how many days you worked from home during 2021. CRA permits us to deduct \$2 for each day worked from home, to a maximum \$500. This simplified deduction, which is up from \$400 in 2020, does not require any documentation or employer signatures. However, if you wish to deduct home office expenses (utilities, internet), your employer must sign *Form T2200S*, and you must keep receipts for your expenses.

Motor Vehicle Expenses

If you plan on deducting motor vehicle expenses for your employment, make sure you keep a motor vehicle log. The log must show employment related kilometres in relation to total kilometers travelled. It must also show the date, purpose, and locations travelled for each trip.

There are apps for your smart phone to help keep track and organize your mileage.

Ontario Jobs Training Tax Credit

This is a temporary, refundable personal income tax credit available to Ontario residents between the ages of 26 and 65 at the end of 2021 or 2022. Eligible expenses include tuition and fees paid to an eligible educational institution in Canada or fees paid to certain bodies in respect of an occupational, trade, or professional exam taken in 2021 or 2022. The refundable credit is calculated as 50% of eligible expenses up to a maximum of \$2,000 per year.

This credit can also be claimed in addition to the federal Canada Training Credit.

Small Tax Tips – Did You Know?

- The government has proposed partial debt relief to students who incorrectly received CERB but were eligible for CESB for the same period. This will allow students to offset their CERB-related debt by what they would have received under CESB.
- The eligible educator school supply tax credit was increased to 25% from 15% of up to \$1,000 of eligible supplies. It was also expanded to include electronic teaching supplies like web cams and computers.
- Minimum wage was increased to \$15 per hour as of January 1, 2022.
- Regular OAS payments for seniors 75 and over will increase by 10% permanently in July 2022.
- The interest waiver on Canada Student Loans and Apprentice Loans was extended to March 31, 2023.
- The cost of disposable masks, gloves, hand sanitizer, and other similar items can be claimed as an employment expense. Note, a signed T2200 form from your employer is required.
- The Ontario Government has announced a one time 20% top up to the Childcare Access and Relief from Expenses (CARE) tax credit for 2021. Make sure to include all relevant childcare expenses when sending in your tax documents.

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