

EXACT TAX SERVICE – SERVING THE PUBLIC FOR 42 YEARS

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Happy New Year and welcome to the 2019-20 tax season – the year of many tax return changes.

NEW FOR 2019 and 2020: The year 2020 will start off with Canada's most comprehensive personal T1 Tax update, with 900 line changes, affecting 2019 tax returns. It also will be the longest tax return in history, featuring 8 pages for the Federal tax return, 4 more than previously, plus two pages for the Provincial return plus all applicable schedules. It will take considerably longer to prepare your tax returns. File as early as possible.

Please log-in to www.exact-tax.ca web-page featuring a **Facebook link** – **if you like Exact-Tax** on Facebook and you will be notified via Facebook of available updates to income tax changes.

Please note: There is a Tax Service office in Scarborough who uses the name Exact Tax Services unauthorized and is not affiliated with Exact Tax Service in Etobicoke!

Tuition receipts: A T2202 (A) must be supplied by the eligible educational institution in Canada or abroad (TL11 A/B/C/D). Qualifying institutions can be found on CRA website: <http://www.cra-arc.gc.ca>

RRSP contribution deadline for the 2019 tax year is midnight March 2nd 2020 – Refer to the bottom part of your last assessment, or re-assessment notice for your eligible **maximum** contribution amount (carefully read the small print of available carry forward or overcontribution from previous year – if applicable).

The maximum RRSP contribution limit for 2019 (if contributed by March 2nd, 2020) is \$26,500 and for 2020 it will be \$27,230

RRSP over-contributions: T1 OVP's is the form used to calculate taxes owing and the subsequent withdrawal forms **T3012A** will need to be completed

The year you turn 71 is your last chance to make an RRSP contribution. By the end of the year your RRSP's will need to be converted into a RRIF or Annuity. For more information, contact your financial adviser or your financial institution. If you still have a contribution room, you could make a Spousal contribution and still get the tax deduction.

TFSA: Contribution limit for **2020 is \$6,000.00** and the total contribution room available for this year for someone who has never contributed and has been eligible for the TFSA since its introduction in 2009 is \$69,500. These amounts are not tax deductible.

Qualifying pension income can be allocated between spouses or common-law partners. It is a standard calculation which is automatically completed to the best of your family "combined" advantage.

CPP and OAS pension payments; you may direct the payer to deduct taxes at source, to avoid a tax liability at the time of filing. In case you are facing retirement, you should know that the CPP payment maybe be split "at source" (by the Canada Pension Plan) and be paid out proportionally to each spouse. You may also delay the receipt of CPP and OAS until the age of 70.

Foreign Pension received, and income taxes paid: If you are the recipient of a foreign pension, **for tax reporting purposes it must be reported in the foreign currency** before conversion, as well as taxes paid to a foreign country should be reported in the foreign currency. You are **strongly advised to retain all** correspondence regarding foreign pensions, including the receipts or statements for foreign taxes paid, even if they are in a foreign language, since the CRA often request these documents to be submitted.

For Commission income earners – the **cash accounting method will be used;** all expenses need to be added by category and payment dates. Only expenses actually paid (not just billed) in the taxation year January 1st to December 31st are eligible.

For Self-employed individuals, Professionals and Businesses – the **accrual method** applies.

Under certain circumstances the Income tax act allows you to claim qualifying "**Office at home**" expenses, all amounts must be actual expenses and must have been **paid** in the taxation year January 1st to December 31st. <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns206-236/229/slry/wrkspc-eng.html>

If you are eligible to claim **car expenses**, a copy of your purchase or lease agreement, mileage/KM log of total KM and business KM driven in the year, and **all** costs incurred to fuel, insurance, licence and maintenance of the vehicle, toll road receipts, as well as **business** parking is required. Alternatively, in Ontario, an allowance per KM is available under certain conditions.

Please note: If you drove for Uber or Lyft, income needs to be reported as business income and HST needs to be collected regardless of size of income. Also, HST returns need to be filed.

For investment income: Sales of securities and subsequent calculation of gains or losses require the purchase and sales information for the applicable stocks or bonds. **If you made more than one purchase of the same security** (on different dates) prior to any part or all sale of the security, the average cost would have to be calculated. If you did or did not track and record all details of your purchases and sales, it is helpful to obtain a **Statement of Realized Gains or Losses** from your bank/broker. If you borrowed money or held a line of credit to earn investment income the actually paid interest portion of the loan maybe tax deductible.

Healthy Homes Renovation Tax Credit & Home and Vehicle Modification Program:

A maximum of \$10,000 per year in eligible expenses can be claimed for the eligible and/or qualifying individual. When there is more than one qualifying individual for an eligible dwelling, the total eligible expenses cannot be more than \$10,000 for the dwelling.

For more information go to: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-398-home-accessibility-expenses.html>
CRA online services make getting your refund faster

The Government of Canada is switching to direct deposit for all payment's issues in 2019. This includes your tax refund and benefit payments. Sign up for direct deposit today! For more information, go to www.cra.gc.ca/getready.

Online mail - When you open "My Account" with the CRA and register for online mail, you'll have instant access to your tax records anytime, anywhere. Choose to receive an email notification that your notice of assessment or reassessment is available online. You will need to provide your tax preparer with banking information for your T1 return, or register directly online at www.cra.gc.ca/myaccount.

Taxpayer Relief Provisions (Fairness provisions) Income Tax Act s. 220(3.1) Canada Revenue Agency (CRA) has the ability to waive penalties and interest, accept late-filed, amended or revoked income tax elections, and to provide income tax refunds beyond the 3-year period normally allowed (for individuals and testamentary trusts only). **There is a 10-year time limit** on these taxpayer relief provisions (previously termed fairness provisions). Meaning, to apply for leniency for tax year 2010, the application must be submitted to CRA by December 31, 2020. The taxpayer relief provisions, and 10-year time limit also apply to GST/HST registrants.

The taxpayer relief provisions <http://www.cra-arc.gc.ca/E/pub/tp/ic07-1/README.html> can apply when a taxpayer or registrant has not been able to meet tax obligations due to:

- Extraordinary circumstances
- Action of the CRA
- Inability to pay or financial hardship & Other circumstances

Voluntary Disclosures Program (VDP) Income Tax Act s. 220(3.1)

Taxpayers can voluntarily correct inaccurate, incomplete, or unreported information, and do so without penalties or prosecution, if a valid disclosure is made to Canada Revenue Agency (CRA). A voluntary disclosure can be made on a no-name disclosure basis. <http://www.cra-arc.gc.ca/E/pbg/tf/rc199/README.html>

A valid disclosure must meet the following 4 conditions. The disclosure:

- Must be voluntary
- Must be complete
- and must involve the application or potential application of a penalty, and must include information that is more than one-year overdue
- must be submitted prior to being requested by the CRA

If the CRA accepts the disclosure as valid, taxes and interest will still be payable, but penalties maybe waived.

Taxpayers who are unsure whether they want to proceed with a disclosure can do their VDP on a no-name basis.

If any of your personal information changed, or if you moved in 2019 or will change in 2020, please make sure you inform the CRA of the date of change.

If you sold your principal residence in 2019 you will need to report the details on your tax-return – although it is a tax-free transaction.

Ontario Land Transfer Tax Refund for First-Time Homebuyers

Ontario's land transfer tax refund for first-time homebuyers \$5,000 for conveyances or dispositions that occur on or after January 1, 2017 with an actual credit of up-to \$750.00.

Medical expenses need to be reported by the applicable **patient's name and date of payment**, and it is usually reported by the one with the lower taxable income. If your expenses are covered partially by private insurance, request an annual statement for everyone covered under that plan. Obtain an annual statement from the Drugstore(s) you deal with. Having the summary information will save you time money. The duction threshold for 2019 is 3% of net income or \$2,352.00

The Lifetime Capital Gains Exemption for 2019 is \$866,912

OAS recovery threshold for 2019 is \$77,580, If your net income exceeds these amounts part-or all of your OAS maybe clawed back.

The current Family loan rate is 2%

The Basic Personal amount for 2019 is \$12,069

The Age Amount (65 or older) for 2019 - \$7,494 and the eligible pension income amount is \$2,000

The Disability amount for 2019 is a non-refundable credit of \$8,416

The Canada Child Benefit – This non-taxable CCB for 2019 is \$6,496 per child under six, and up to \$5,602 per child from six to seventeen.

Child Care Expenses; the maximum amounts claimable are: \$8,000 for children under seven, \$5,000 for children between seven and sixteen, and \$11,000 for children eligible for the disability tax credit.

Child Tax Benefit: On July 20, 2019, the CCB will be raised, once again, to keep up with the cost of living. This means that for the 2019–20 benefit year, the maximum benefit will be **\$6,639 per child under age 6 and \$5,602 per child aged 6 through 17.**

Important dates:

E-File for 2019 returns will be available February 24, 2020. **Personal Tax Returns** for 2019 are required to be filed by April 30th, 2020. Self-employed individuals need to file by June 15, 2020, but any tax owing must be paid by April 30th.

The above information is provided curtesy of Exact Tax Service – if you have any question please contact me via etservice1978@gmail.com

Disclaimer: Exact Tax Service cannot be held liable for mis-interpreted information or last-minute changes by the CRA. Follow exact-tax service on Facebook for updates.

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