

# Personal Tax Tips 2021 Tax Filings and More

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# Welcome



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# Agenda

- What's new?
  - Tax credits/deductions
  - Enhanced pre-existing credits/deductions
- Subsidies Being Phased Out
- Medical Expenses, Investments & Cryptocurrencies, RRSPs, Home Office
- 2022 Tax Planning
- Other Admin Items

# What's New?

- T4s – boxes 57 – 60 have been eliminated
  - Were originally added last year to help CRA audit the CEWS, CERB, and CESB that were distributed
    - Code 57: Employment income – March 15 to May 9 (8 weeks)
    - Code 58: Employment income – May 10 to July 4 (8 weeks)
    - Code 59: Employment income – July 5 to August 29 (8 weeks)
    - Code 60: Employment income – August 30 to September 26 (4 weeks)
- No More PD27 either (temporary wage subsidy)
- T4As – again will report any CERB and any of the programs (older and new) received as well as taxes withheld
  - CERB, CESB, CRSB, CRB, CRCB etc.
  - Claw back \$38,000
- REPAYMENT DEDUCTION!!! Year received the benefit or year repaid it, can split the deduction also

# What's New?

- Sole proprietors – CEBA loan \$40K or \$60K
  - New deadline of December 31, 2023 for repayment
  - Loan forgiveness of up to a third of the value of the loans (up to \$20,000).
  - Outstanding loans would subsequently convert to two-year term loans with interest of five per cent per annum commencing on January 1, 2024, with the loans fully due by December 31, 2025.
  - Must include forgiveness amount in income in the year of receipt
- CRA Telephone wait times still too long
  - Automated call back service offered when wait times reach a “certain threshold”
    - **For Business Enquiries:** 1-800-959-5525
    - **For Individual Tax Enquiries:** 1-800-959-8281
    - **For Benefit Enquiries:** 1-800-387-1193
  - Register for CRA’s My Account service to obtain your personal tax information most efficiently

# What's New?

- Audits – recent - vehicle expenses
  - Continuing
    - Foreign tax credits
    - Donations
    - Medical expenses
- Audit (more intense) vs Review – verifying info submitted electronically providing support for claims
- Climate Action Incentive (CAI) payments quarterly
- Payments > \$10,000 must be made electronically

# What's New?

- Bill C-8
  - There are several refundable tax credits included in Bill C-8, *Economic and Fiscal Update Implementation Act, 2021*:
    - Return of Fuel Charge Proceeds to Farmers Tax Credit (Form T2043)
    - Eligible Educator School Supply Tax Credit
    - *Supporting legislation has NOT been enacted as yet*
- Our certified tax software does perform the calculations, BUT the CRA cannot process claims for the above items until supporting legislation has been enacted.
- Home Office Deduction increased to \$500 (discussed separately later)

# Other

- Digital news subscription credit
  - *Qualified Canadian journalism organization for digital news subscription that does not hold a broadcasting license*
- Home/Cottage Dispositions
  - Renovations and documentation
- The Canada workers benefit (CWB)
  - *Low income earners may qualify*
  - *A new “secondary earner exemption” has also been introduced.*
- Waiving of interest on late-filing
  - Prior rule if income < \$75K – only for 2020



# Subsidies Being Phased Out

- Canada Worker Lockdown Benefit
  - \$300/week for workers who are unable to work due to temporary local lockdown anytime between Oct 24, 2021 to May 07, 2022
  - Only available when a COVID-19 lockdown order is designated for your region
- Canada Recovery Sickness Benefit, Available until May 07, 2022
- Canada Recovery Caregiving Benefit, Available until May 07, 2022
- Canada Recovery Benefit (CRB) – now closed

The full details of each program can be found here:

<https://www.canada.ca/en/department-finance/economic-response-plan.html#individuals>

# Who has to file?

- You have taxes payable;
- You or your spouse are entitled to the Canada Child Benefit;
- You applied and received the Canada Workers Benefit;
- You disposed of capital property or had a capital gain in the year;
- You have to repay some or all OAS and/or EI benefits;
- You have not repaid all of your RRSP Home Buyers Plan or Lifelong Learning Plan;
- You have self employment net income greater than \$3,500 and owe CPP;
- You ceased to be a Canadian resident;
- You have received a demand to file;
- You have elected to split pension income; and
- You elect to pay EI on self-employed earnings.

# Ensure to file so that you can

- Recover an overpayment of income taxes withheld
- Receive government benefits
- Generate RRSP room
- Generate TFSA room

# Medical Expenses

- Must be paid
- Any 12 month period that ends in 2021
- Can include payments outside of Canada – travel insurance premiums and expenses
- **New** covid related item
  - *Mandatory covid tests are only deductible if accompanied by a prescription*
- Attendant care / DTC rules
- How to research what qualifies
  - <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/lines-33099-33199-eligible-medical-expenses-you-claim-on-your-tax-return.html>

# Investments & Crypto Currency

- Investments
  - Currency considerations
  - Investment summaries must be converted to Cdn funds

## Crypto Currency

- Triggers
  - *Sale or gift, trade or exchange, convert to currency, use to make purchases, mining*
- Capital gain or business income?
- *Guide for cryptocurrency users and tax professionals - Canada.ca*

# RRSPs

- Do not overcontribute
- Limits
  - *\$29,210 for 2022 plus any unused limit from prior years*
- Use them this year or next?
- Over-contribution penalties
  - *1% per month until no longer in an overcontribution position*
- Self-reporting process T1-OVP

# Employment Expenses – Home Office

- As Per Usual
- Covid – New Way
  - Temporary Flat Rate Method “Simplified”
  - Detailed Method

# “Temporary Flat Rate” - Simplified Method

- \$2 per day, max of \$500 (250 working days)
- 20 business days per month = \$40 deduction
- Rules
  - Due to COVID-19
  - Worked more than 50% from home for at least four consecutive weeks
  - Do not have to calculate workspace details
  - No supporting receipts required
  - No employer form required (T2200 or T2200S)
  - No other employment expenses
  - More than one claim per home



# Home Office Expenses – Simplified Method

- What is an allowable work day?

## What counts as a work day Temporary flat rate method

### Days that can be counted

- ✓ days you worked full-time hours from home
- ✓ days you worked part-time hours from home

and

### Days that cannot be counted

- ✗ days off
- ✗ vacation days
- ✗ sick leave days
- ✗ other leave or absence

# Home Office Expenses – Detailed Method

- Rules
  - Due to COVID-19, or your employer required you to work from home
  - Worked more than 50% from home
  - At least four consecutive weeks
  - Have a signed Form T2200S from your employer
- How do you calculate your home workspace?
  - Include finished areas of the home
  - Measure the finished areas
  - Must be reasonable
  - CRA has calculator to help you determine the %
  - Shared space – family dining room table
    - Must reduce by hours used for personal purposes
  - Designated space – separate office, only used for work purposes

# Home Office Expenses – Detailed Method

- How many workers in the home?
  - Two or more?
  - Separate workspaces
  - Shared common workspaces
    - Calculate the shared workspace square footage
    - Apply their portion Ex.50%
    - Apply their specific hours worked
  - Shared designated workspace/room?
    - Calculate the shared workspace square footage
    - Apply their portion Ex.50%



# Designated Room/Separate Area

- Designated workspace (office/separate area) is 12% of the home
- Not impacted by number of hours you work in it since it is designated
- BUT – if you someone else uses that space 50% of the time, you can only claim 6% (or  $\frac{1}{2}$  of 12%) on your return

# Shared Workspace – Dining Room Table

- Calculate number of hours worked at dining room table Ex. 40 hrs per week (rest deemed personal/non-employment) total hrs per week = 168 (24 \* 7 days)
- Dining room table area is 10% of the home square footage
- Can only claim  $40/168 * 10\% =$  or approx 2%

# Home Office Expenses – Detailed Method

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## ▼ Example: Dining room table is the work space

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Due to the COVID-19 pandemic, Sam has been working from home using her dining room table. The dining room is 12% of the total square footage of her house and she uses it for work for 40 hours out of a total 168 hours in the week.

Since the dining room is not used only for work, Sam will need to calculate the employment use of that work space.

12% (size of work space compared to the entire finished area of the home)

× 23.8% (40 hours worked per week ÷ 168 hours in a week)

× 100 (to convert into a percentage)

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= 2.8% (percentage of home that is used as a work space)

If Sam paid \$1,200 for rent, electricity, heat, and water for the period she worked at home because of COVID-19, the employment use portion is  $\$1,200 \times 2.8\% = \$33.60$ .

# Detailed Method – Eligible Expenses

All salaried employees and commission employees can claim

- ✓ electricity
- ✓ heat
- ✓ water
- ✓ utilities portion (electricity, heat, and water) of your condominium fees 1
- ✓ home internet access fees 2
- ✓ maintenance and minor repair costs 3
- ✓ rent paid for a house or apartment where you live 4

and

Commission employees can also claim

- ✓ home insurance
- ✓ property taxes
- ✓ lease of a cell phone, computer, laptop, tablet, fax machine, etc. that reasonably relate to earning commission income



# Detailed Method – NON - Eligible Expenses

## Cannot be claimed

Salaried employees and commission employees cannot claim

- ✘ mortgage interest
- ✘ principal mortgage payments
- ✘ home internet connection fees
- ✘ furniture
- ✘ capital expenses (replacing windows, flooring, furnace, etc) 5
- ✘ wall decorations

# Expense Limitations

- Telephone/Cell phone
  - Can not claim basic connection fee
  - Can claim long distance calls
  - Can claim employment use of a basic cell phone service plan
- Internet
  - Can claim home internet access fees
  - If there is no incremental increase in fees, CRA could challenge it, i.e. you were already paying for unlimited access
  - Can not claim portion of fees that relates to lease of modem/router
  - Can not claim connection fees
- Condo fees
  - Can only claim the portion that relates to utilities (elect, heat, water)
  - You may need to contact the condo administrator to obtain the above
  - If you have separate meters for the above, than can NOT claim condo fees

# Form T777S (New during 2020, still exists for 2021)

- To be completed for both the simplified and detailed methods
- For the detailed method, the taxpayer completes using the specific expenses listed
- Do not use if you are claiming anything in addition to what is eligible as listed
  - ie if you were eligible to claim employment expenses prior to COVID-19 or not specifically due to COVID-19, use the old and still existing T777

# Form T2200S (New during 2020, still exists for 2021)

- Taxpayer should request from employer
- Provided by employer to taxpayer only if taxpayer is selecting the detailed method
- Employee keeps signed form in case CRA requests
- Employer may sign the form electronically
- Short and simple form

# Comparison

	Simplified	Detailed
Simple	YES	NO
Require employer signed form T2200s	NO	YES
Must keep Receipts	NO	YES
Employee to complete form T777s	YES	YES
Optional method	YES	YES
Must work from home for at least 50% of the time for at least one month (4 consecutive weeks)	YES	YES
\$2 per workday	YES	NO
Calculate size and use of workspace	NO	YES

# Conclusion – Which method to use?

- Calculate using both methods, choose what is best for you
- If the employer reimbursed the expenses, they are not deductible
- Can only claim expenses for the period home workspace is used
  - Ex. Only worked from home March onward, can't include utilities of Jan and Feb in home office calc

# Conclusion – Which method to use?

- Can only deduct against employment income that you incurred the expenses for
- Can't create a loss, carry forward excess
- Commission employees
  - Expenses can't be greater than commission income
  - Can also claim home insurance, property tax, lease costs

***Everything must be REASONABLE in CRA's eyes***

# 2022 – All Provinces

(Taxable Income above \$220,000)	Ordinary Income & Interest	Capital Gains	Canadian Dividends	
			Eligible	Non-Eligible
Federal only	33.00%	16.50%	24.81%	27.57%
Alberta	48.00%	24.00%	31.71%	42.31%
British Columbia	53.50%	26.75%	36.54%	48.89%
Manitoba	50.40%	25.20%	37.79%	46.67%
New Brunswick	53.30%	26.65%	33.51%	47.75%
Newfoundland and Labrador	51.30%	25.65%	42.62%	44.59%
Northwest Territories	47.05%	23.53%	28.33%	36.82%
Nova Scotia	54.00%	27.00%	41.58%	48.27%
Nunavut	44.50%	22.25%	33.08%	37.79%
<b>Ontario</b>	<b>53.53%</b>	<b>26.76%</b>	<b>39.34%</b>	<b>47.74%</b>
Prince Edward Island	51.37%	25.69%	34.23%	45.23%
Quebec	53.31%	26.65%	40.10%	47.14%
Saskatchewan	47.50%	23.75%	29.64%	40.37%
Yukon	48.00%	24.00%	28.92%	42.17%



# New for 2022 – Ontario Only

Personal Taxable Income		Other Income	Capital Gains	Eligible	Non-Eligible
Lower	Upper				
0	44,740	20.05%	10.03%	0%	9.24%
44,741	48,535	24.15%	12.08%	0%	13.95%
48,536	78,783	29.65%	14.83%	6.39%	20.28%
78,784	89,482	31.48%	15.74%	8.92%	22.38%
89,483	92,825	33.89%	16.95%	12.24%	25.16%
92,826	97,069	37.91%	18.95%	17.79%	29.78%
97,070	150,000	43.41%	21.70%	25.38%	36.10%
150,001	150,473	44.97%	22.48%	27.53%	37.90%
150,474	214,368	48.19%	24.09%	31.67%	41.60%
214,369	220,000	51.97%	25.98%	37.19%	45.95%
220,001	∞	53.53%	26.76%	39.34%	47.74%

# 2022 Tax Tips and Planning

- Capital gains rates stayed same – will they change?
- Fed and Prov Budget March/April – what will we learn?
- Ontario Staycation tax credit
  - *20% of amounts paid for leisure stay of less than a month (hotel, motel, resort, lodge, B&B, cottage, campground)*
  - *Maximum claim of \$1,000 for individual, \$2,000 for family*
- Wealth tax?

# Instalments

- Instalments must be paid in the following year if taxes owing are greater than \$3,000 in the current year and either of the two prior years
- Instalments are due March 15, June 15, September 15, and December 15
- May estimate taxes payable and remit on that basis
- Interest calculated on insufficient payments (late, low, not made)
- Penalty calculated if instalment interest > \$1,000

# Other Admin

- Egnyte
- Checklists – pdf or excel
- Website






# Egnyte platform

- Safe and secure
- Safer than email
- Folders have been created for the 2021 tax season already
- PDFs easier for us to use versus picture files
- Friendly request to ensure documents uploaded are easy to read and clearly labelled

# Egnyte

< Shared / Documents / Clients Personal Tax / AA BDCA Sample / 2021 ☆

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# Personal Tax Checklists

- PDF Version
- Excel Version

# Firm Update

- ***Firm Update***

**Office:** 200 Yorkland Boulevard continues to remain open daily, with 24 hour security. A pass card is still required to get up the elevator. We maintain safety, at all times requiring social distancing and the wearing of masks in our offices. BDCA maintains a rotating schedule to minimize the number of staff in the office at any one time.

**Staff:** Wilson Woo has taken over for John Stewart. Brian Pho has also joined as supervisor of accounting services. Jeannie Tran is also working with us internal accounting. Lastly, as we are an approved training office, we have 2 more new students specifically Anthony and Viktorria that we are excited to work with. All have great personalities, diverse backgrounds, and have a great future ahead of them.



# Conclusion

- Be prepared for an audit – keep all detailed records
- Plan for 2022 and further now to save tax \$\$\$\$
- Haven't filed for some subsidies yet? There might still be time!
- Be proactive with respect to your tax and estate planning – we invite you to have a free consultation
- Call us if you have questions

# Question and Answer Period

# Free Prize Draw



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