

ANNUAL PERSONAL TAX NEWSLETTER - February 2021

2020 TAX BRACKETS

Approximately first \$48,000 of income taxed at 20%, next \$49,000 at 30%, next \$53,000 upto 37%, and higher upto 50%

FEDERAL \$13,229 to 48,535 @15%, \$48,536 to 97,069 @20.5%, \$97,070 to 150,473 @26%, \$150,474 to 214,368 @29%, \$214,369+ @33%

ONTARIO \$10,783 to 44,740 @5.05%, \$44,741 to 89,482 @9.15%, \$89,483 to 150,000 @11.16%, \$150,001 to 220,000 @12.16%, \$220,001+ @13.16%

WEBSITE AND OFFICE POLICY FOR TAX SEASON

We have launched www.srlricecpa.ca. On the "I'm A Client" page there is a "File Upload" option and a "Personal Tax Questionnaire" that can be used to respond to our questions that we would normally ask at the counter. Our new emails are now susan@srlricecpa.ca and sheri@srlricecpa.ca. Like last year, you also have the option of mailing, emailing or dropping off an envelope at the office. Call if you want to discuss anything or require an appointment. When we have prepared the return, you will either get a call with questions or to confirm is complete and options for delivery.

CYBERSECURITY FOR DOCUMENTS EMAILED

To enhance security, **any documents we send you will be password protected**. The password will always be the first five letters of your last name (first letter uppercase) + the last three digits of your SIN#... ex. "Rice123". **When you are sending us documents** by email or file upload we ask that you white out or black out the first 6 digits of your SIN# (but we want the last 3 digits left exposed to provide a double check for us).

NOT ACCEPTING NEW PERSONAL TAX CLIENTS

We appreciate your referrals but for this coming tax season, we are at capacity. Given the 'crazy' of the past year, and the uncertainty of what is to come, it is important we are able to support you and most importantly our corporate/business clients.

CANADA TRAINING CREDIT

Starting with 2020 most working people aged 26-65 who go back to school, will be eligible for a refund of a portion of the tuition. This credit is the lower of 50% of tuition and your annual limit (limit starts at \$250 and increases by \$250 annually).

MEAL EXPENSE FOR TRANSPORTATION EMPLOYEES INCREASES

Starting with 2020 transport employees can claim \$23/meal (up from \$17/meal) when using the simplified method. This deduction requires a signed TL2 form and log books to determine hours away and number of eligible meals.

PAST SERVICE PENSION CONTRIBUTIONS AND RRSP LIMITS

Current employee and employer pension contributions reduce next year's RRSP limit. But past service contributions impact the current year RRSP limit. So anytime you buy back past service, be mindful it may affect current year RRSP contributions

HST REQUIRED ON NEW BUILDS OR SUBSTANTIAL RENOVATIONS

If you build new or make substantial renovations (90% or more) to a home, and then sell or convert into a rental property, you must charge/remit HST (even if not an HST registrant). To help offset there is a rebate of HST paid out on build/reno costs.

WORKING FROM HOME DUE TO COVID

<https://www.canada.ca/en/revenue-agency/news/2020/12/simplifying-the-process-for-claiming-a-deduction-for-home-office-expenses-for-employees-working-from-home-due-to-covid-19.html>

Anyone who worked from home due to COVID, >50% of the time for 4 consecutive weeks is eligible for a special business use of home deduction. The simplified method is \$2/day (to maximum of \$400). No form from your employer or calculation of square footage and costs is required, **but no other employment expenses are allowed**. Alternatively if you have a T2200S form signed by your employer you can make your claim based on actual expenses/square footage of office vs house and times worked. Eligible expenses include utilities, internet, rent, minor repairs, supplies and phone. See the link above for detailed breakdown of eligible expenses. Renters likely to favour detailed method, and owners may like flat \$2/day allowance.

EMPLOYMENT EXPENSES

For salaried and commission employees whose normal conditions of employment already require them to incur expenses for their job (vehicle, office at home, supplies, entertainment, tradesperson tools, musical instruments, etc) the only change for you will be that internet has finally been added as an eligible business use of home expense. All of you will still use the regular T2200 Declaration of Employment Conditions, that determines what expenses are deductible. This link has a very detailed breakdown of what is and isn't deductible (noting commission employees get more deductions than salaried)

<https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4044/employment-expenses.html>

Pay attention to the chapter headings to make sure you are in the right section. Important to note that eligible business km's do NOT include driving back and forth from home and a regular place of work AND computers or equipment purchased are not deductible, but if these are leased, they are deductible.