

## ANNUAL PERSONAL TAX NEWSLETTER – January 2022

### **2021 TAX BRACKETS**

Approximately first \$49,000 of income taxed at 20%, next \$49,000 at 30%, next \$54,000 upto 40%, and higher upto 50%  
**FEDERAL** \$13,809 to 49,020 @15%, \$49,021 to 98,040 @20.5%, \$98,041 to 151,978 @26%, \$151,979 to 216,511 @29%, \$216,512+ @33%  
**ONTARIO** \$10,881 to 45,142 @5.05%, \$45,143 to 90,287 @9.15%, \$90,288 to 150,000 @11.16%, \$150,001 to 220,000 @12.16%, \$220,001+ @13.16%

### **WEBSITE FILE UPLOAD**

Reminder you have the option to upload scanned documents (other files) via our website, which allows up to 5 files (per session), but none over 10mb. We also suggest you mask a portion of SIN# on documents, to give some security.

### **\$2/DAY SIMPLIFIED WORKING FROM HOME DEDUCTION FOR 2021 AND 2022**

Although not yet passed into law, the government has said this simplified method of claiming the working from home due to covid deduction will continue for this and next year up to a maximum of \$500. Make note of the # of days worked.

### **RIF/RSP HELD AT THE TIME OF PASSING**

When someone passes away, and their RIF/RSP transfers to a surviving spouse's RIF/RSP; there are no tax implications, at that time. When instead the RIF/RSP accounts are cashed out, payments to either beneficiaries or the estate, the deceased's final return will include the 'value' of the RIF/RSP's in taxable income. Tax rates can range 0-50% depending on the amounts involved. Important to make sure that if a named beneficiary is paid out directly, the estate has cash available to cover the taxes owing.

### **FOREIGN REPORTING FORMS AND THE LATE PENALTY OF \$25/day**

Foreign reporting to CRA is required by any individual, corporation or trust that holds specified property costing more than \$100,000 outside of Canada at anytime during the year. Specified property is generally investment earning assets, which includes rental properties, shares held in non-resident corporations, interest bearing debt owed by a non-resident, etc. Assets that are not required to be reported, include personal use only property. Most yearend investment account statements will provide the information required to be reported to CRA. The "T1135 return" is separate from your personal tax return, so can be filed before your personal tax return. For most individuals the due date is April 30th, not \$25/day LATE PENALTY (max \$2,500/ person).

### **ELIGIBLE EDUCATOR SCHOOL SUPPLY TAX CREDIT**

For 2021 the list of eligible expenses for teachers was expanded to include things like calculators, data storage devices, web cam's, electronic educational toys, speakers, printers, laptops (if your employer didn't provide for you). Also the credit is increased from 15% to 25%, but the limit of \$1,000 of expenses remains unchanged.

### **PRINCIPAL RESIDENCE DESIGNATION AND THE LATE PENALTY OF \$100/month**

When a residence is sold, you usually can designate some or all the years owned as the tax free principal residence. If you only owned one property at a time, likely are exempt for the whole amount - but important to file the T2091 form on time to secure this exemption. For those with a home and cottage, they might use the designation for either or a combination of the two.

### **TRANSFERRING FULL OR PARTIAL TITLE OF COTTAGE TO FAMILY**

When someone gifts or transfers ownership of a property or partial ownership, the taxable capital gain is calculated by using proceeds equal to "fair market value" at that time. If someone sells a property (or partial ownership) at any value less than fair market value, the seller is deemed to have proceeds equal to the fair market value, but the purchaser's cost remains what they actually paid... which leads to double taxation. An alternative is to have a purchase and sale agreement valued at the full fair market value, and the seller holds back an interest free loan. Any partial payments can be applied, and forgiveness of the remaining loan is later gifted or bequeathed in your will. This allows the capital gain to be spread over a maximum of five years and the purchaser can use fair market value as their 'tax cost' (for future capital gains calculations).

### **HST CHARGED ON FOREIGN-BASED DIGITAL SERVICES AS OF JULY 1, 2021**

For any business that is an HST registrant, important to note that some of your foreign digital platform services may now be charging you HST, where previously they were not. You could watch to see if the monthly charges change in July and/or watch for information from your provider, to ensure you are not over OR under claiming your ITC's recoverable on expenses.

### **SMALL BUSINESSES AIR QUALITY IMPROVEMENT TAX CREDIT**

Expenditures of up to \$10,000 per location, purchased by a corporation or proprietor between September 1, 2021 to December 31, 2022, to improve ventilation and air filtration are eligible for a 25% tax credit (expenses incurred for a residence do not qualify)