

## **2020 BUDGET HIGHLIGHTS**

**Basic Personal Amount** – The basic personal amount is a non-refundable tax credit that all taxpayers are eligible to claim. The amount, currently at \$13,229 for 2020, is set to rise annually with inflation. The Liberals have promised to increase it more quickly. The basic amount will increase by 15% over the next four years, reaching \$15,000 in 2023. However, not everyone will be entitled to the tax break. Canadians earning more than \$150,473 in the second highest tax bracket will have the basic personal amount reduced. Those earning more than \$214,368 will not receive any tax break at all for the basic personal amount.

**Digital Subscriptions** - If you're thinking of paying for a digital subscription with a qualified Canadian journalism organization, the 2019 federal budget introduced a non-refundable tax credit equal to 15 per cent of your subscription cost, for subscriptions purchased in 2020 through 2024 inclusive. So, wait until Jan. 1, 2020, to pay for your subscription and you'll get some tax relief. Each journalism organization must apply on its own for the status "qualified Canadian journalism organization," so you can check with the organization if you're wondering whether you can claim a tax credit for your subscription.

**Medical expense tax credit – Cannabis** - To reflect the fact that cannabis is legal in Canada, the federal government will be amending the ITA. You can claim a medical expense tax deduction for any cannabis products that you buy as a patient after October 16, 2018.

**Home Buyers Plan (HBP)** – The HBP helps first time home buyers save for a down payment by allowing them to withdraw up to \$35,000 from a registered retirement savings plan to purchase or build a home without having to pay tax on the withdrawal.

Beginning in 2020, individuals who experience a breakdown of a marriage or common law partnership in the year of making a withdrawal or in any of the four preceding calendar years – will be able to access the Home Buyers' Plan, even if they do not meet the first-time home buyer requirement.

**Ontario proposes seniors' renovation tax credit** The seniors Home Safety Tax Credit would be a temporary fully refundable tax credit for the **2021** year worth 25% of up to \$10,000 on eligible expenses to make homes "safer and more accessible." Expenses would be eligible if they are paid or become payable in 2021. The expenses must relate to renovations that improve safety and accessibility or help a senior be more functional or mobile at home. Eligible claimants must retain receipts and claim the SHSTC in their 2021 personal tax returns.

**Ontario staycation** To support Ontario's tourism sector, the government is exploring ways to provide Ontario residents with support of up to 20% for eligible Ontario tourism expenses, to encourage them to discover Ontario in 2021 when public health experts advise that it is safe to do so. The government will consult with stakeholders' details will be announced later. ☺

**Canada Child Benefit (CCB)re: kids under six.** The government intends to provide families currently entitled to the CCB with four additional payments in 2021. Families with net income equal to or less than \$120,000 will receive \$300 per child under the age of six and families with net income above \$120,000 will receive \$150 per child under the age of six.

**Tax Breaks for Seniors.** Old Age Security(OAS) is being increased by 10% for seniors older than 75 yrs of age earning less than \$77,580. The change meant an increase of \$729 annually in OAS starting in July 2020. The Liberals also provided an enhancement to the survivor benefit of the Canada Pension Plan(CPP). The max pensionable earnings have increased to \$58,700 up from \$57,400. In addition, a surviving spouse, over the age of 65 and not otherwise receiving CPP benefits, is able to get 60% of their deceased spouse's pension. This means an increase of \$2,080 annually. Survivors between 60-64 yrs of age are eligible for 37.5%.

[Canada Training Benefit \(CTB\)](#) The federal government introduced the CTB to help with the disruption in the labour force due to changes in technology. This refundable tax credit is designed to lower the barrier to professional development and to provide financial support to help pay for half of the tuition and training fees. As a worker, you'll be eligible to receive up to \$250 annually as a tax credit. This amount goes into a notional account, which the worker can use for eligible purposes. To be eligible to accumulate \$250 in a year you must meet following criteria;

- File a tax return for that year
- Be at least 26 years old and no older than 65 years old at the end of the year
- Be a Canadian resident during the year
- Have eligible earnings of minimum \$10,000 and maximum \$150,000 in the year (this includes employment, self-employment, and maternity and parental benefits)

To help make it easier to keep track of your notional account balance, it will be communicated each year on the Notice of Assessment you receive from the Canada Revenue Agency (CRA) after you file your income taxes. In any given year you can claim the lesser of the balance in your notional account and half of eligible tuition and fees paid in the year.

[The low-income individuals and families \(LIFT\) tax credit](#). The LIFT credit is designed so that someone working full-time making minimum wage pays no provincial tax. It works out to tax relief of up to \$850 for individuals and up to \$1,700 for couples. Those who qualify will get a tax reduction of \$450 on average, the government estimates.

[Childcare access and relief from expenses \(CARE\)](#). This refundable tax credit aims to help families with children up to age 16 and income of up to \$150,000. The credit is in addition to the provincial and federal childcare expense deductions and includes a broad range of child-care options, such as day camps and boarding schools. Eligible families stand to receive up to \$6,000 per child under the age of seven and up to \$3,750 per child between the ages of seven and 16.

[Real Estate Agents allowed to Incorporate](#) Effective October 1, 2020, the Real Estate and Business Brokers Act was updated to allow real estate agents to incorporate. Real estate agents who wish to incorporate are limited to forming a particular type of corporation called “Personal Real Estate Corporation (PREC). Creating and operating this type of corporation involves certain requirements not imposed on other corporations.

[Tax-Free Savings Accounts – Contribution limit](#) – The annual contribution for TFSA has been maintained at \$6,000 for 2021. The annual contribution limit has changed several times since it was introduced in 2009 *see table below*

Years	TFSA Contribution limit	Total
2009-2012	\$5,000 per year	\$20,000
2013-2014	\$5,500 per year	\$11,000
2015	\$10,000 for year	\$10,000
2016 -2018	\$5,500 per year	\$16,500
2019-2021	\$6,000 per year	\$18,000
	<b>Total</b>	<b>\$75,500</b>

## **COVID RELATED INFORMATION AND CHANGES**

[Working from Home](#) To simplify the process for both taxpayers and businesses, the CRA will allow employees working from home in 2020 due to COVID-19 with modest expenses to claim up to \$400, based on the amount of time working from home, without the need to track detailed expenses, and will generally not request that people provide a signed form from their employers. This measure will help taxpayers access deductions they are entitled to receive and simplify the tax filing process. Here are the highlights;

- Employees will generally be able to claim a home office expenses deduction if they worked from home in 2020 due to COVID-19 and in particular, more than 50% of the time from home for a period of at least four consecutive weeks.
- Where the employee qualifies, they can use a temporary flat rate method or they can do a detailed calculation. A T2200 or T2200S is required to claim the detailed method.
- Under the flat rate method, the individual can claim \$2 per day for each day worked at home up to a maximum of \$400.
- The CRA has also announced that internet access costs are eligible, but only if the detailed method is used. It appears that CRA expects this cost to be prorated on the same basis as utilities such as electricity and heat.
- The T2200S is much shorter and an employer will only have to confirm whether the individual worked at home due to the pandemic, whether they were reimbursed for home office costs and whether those costs are reported on the employee's T4.

[Canada Emergency Business Account \(CEBA\) Loan](#) (Deadline to apply March 31, 2021) With the opening of the expanded CEBA program we want to remind you that the forgivable portion of the CEBA loan is taxed in the taxation year in which the loan was received. Under the CEBA program expansion, an additional \$20,000 can be advanced, of which \$10,000 is potentially forgivable. Loan needs to be repaid by December 31, 2022.

[Canada Emergency Wage Subsidy \(CEWS\) program](#) (Until June 2021) Maximum subsidy rate of 65 percent until December 19, 2020 then increasing to 75 percent for the period beginning December 20, 2020 until March 13, 2021. The maximum base subsidy remains 40%, but the top-up wage subsidy rate will increase to 35% (from 25%). As a result, employers who have experienced a revenue decline of 70% or more in their respective reference period will be eligible for a 75% wage subsidy rate for active employees, while employers who have experienced a revenue decline of between 50% and 70% will qualify for a combined wage subsidy rate of between 40% and 75% for these employees. The wage subsidy rate for other employers will remain unchanged at 80% of the revenue decline percentage.

[Canada Emergency Rent Subsidy \(CERS\) and Lockdown Support programs](#) (Until June 2021) The government proposes to extend the current rate structure for the CERS and Lockdown Support programs to periods 11 to 13. As a result, for example, eligible entities that have experienced a revenue decline of 70% or more in their respective reference period will be eligible for a 65% CERS base subsidy rate, plus an additional 25% for the lockdown support.

[New T4 reporting requirements for employers](#) Employers completing T4 slips and summaries for 2020 should be aware of new reporting requirements related to the completion of these tax documents. **ALL** Canadian employers who issue T4s to employees must report certain employment payments related to Covid-19, regardless of whether they have applied for Covid-19 related government programs or not. This additional information is intended to validate payments made to individuals under the Canada Emergency Response Benefit, Canada Emergency Student Benefit and payments made to employers under the Canada Emergency Wage Subsidy.

[PD27 required for the 10% Temporary Wage Subsidy](#) Those employers who did claim the TWS are required to complete Form PD27, the 10% Temporary Wage Subsidy Self-Identification Form for Employers. If you claimed the CEWS and not the TWS you are required to file a NIL PD27.

[Canada Recovery Benefit \(CRB\)](#) \$500 per week for up to 26 weeks to those who are not eligible for EI, and who still require income support and who are available and looking for work. See CRA website for details.

[Canada Recovery Sickness Benefit \(CRSB\)](#) \$500 per week for up to 2 weeks, for workers who are sick or must self-isolate for reasons related to COVID-19.

[Canada Recovery Caregiving Benefit \(CRCB\)](#) \$500 per week for up to 26 weeks, per household, for eligible Canadians unable to work because they must care for;

- A child under age 12 due to the closures of schools or daycares because of COVID-19
- A family member with a disability or a dependent because their day program or care facility is closed due to COVID-19
- A child, a family member with a disability, or a dependent who is not attending school, daycare, or other care facilities under the advice of a medical professional due to being at high-risk if they contract COVID-19

## **Yes, even more exciting tax updates and tips that you should know:**

- [How long should I keep my tax/business records/receipts?](#) 7 years is the magical number to be safe.
- [Receipts for my business expenses](#) Be sure to keep ALL of your receipts! CRA will not accept bank statements or credit card statements as proof of payment to claim the expense. You must have the original receipts.
- Going forward, there is a [\\$50,000 threshold on passive income](#) held in corporations. When passive income reaches \$150,000, a business owner will lose the Small Business Tax Rate. They'll be taxed as a large corporation at that time. The government numbers show that it's only the top one percent of income tax filers whose corporations will be affected by the changes.
- [Converting RRSP's to RRIF's early](#) – If you turned 65 this year, you may want to convert some of your RRSP's to a RRIF before December 31<sup>st</sup> to take advantage of the pension income tax credit, and perhaps also take advantage of pension splitting with your spouse.
- [Employer Health tax exemption will be maintained at \\$1 million after 2020](#)
- [Guaranteed Income Supplement](#) – If you are receiving the Old Age Security income and your other incomes total less than \$18,624 (single) and \$24,576 (couple both receiving OAS) you may be eligible to apply for the supplement. Feel free to inquire for more information.
- [Mileage rate will stay the same](#) for 2021 at 59¢ for the first 5,000km driven and 53¢ per km after that

## **Corporation/HST Instalments**

The Canada Revenue Agency requires corporations to make instalment payments for HST and corporate taxes payable when their prior year taxes payable were greater than \$3,000.00. If instalments are not remitted, you may be liable for interest on the instalments not paid or late payments.