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TAXSTRATEGY

Money Saving

Filing Tips

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Last month I wrote about some of the tax breaks that the government was providing to help alleviate the financial burden on many of us due to Covid-19. Of course, things are moving so fast that some of the things I wrote about a month ago have since changed. But the government's decision to extend the April 30, 2020 tax-filing deadline for individuals to June 1, 2020 has not been subject to a further extension. So while the extension was welcome news for many, we realize how quickly time flies, even when in quarantine, as June 1 will be here before we know it. So I thought that I would highlight some of the new changes for your 2019 tax return, along with some other tax filings tips that night help lower your tax bill during these times.

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New and Improved Measures

☛ **Enhanced Canada Pension Plan/Quebec Pension Plan** – As of 2019, the Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP) have been gradually enhanced such that if you contribute to either CPP or QPP, you will receive improved benefits in exchange for making higher contributions (while claiming a deduction for your enhanced contributions).

☛ **Canada Training Credit Limit** – If you meet certain conditions, you will be able to accumulate $250 per year, to a maximum over your lifetime of $5,000, to be used in calculating your Canada Training Credit. This is a new refundable tax credit that will be available for 2020 and future years. Based on information from your return, the CRA will determine your Canada Training Credit Limit for the 2020 tax year and provide it to you on your Notice of Assessment for 2019. For 2020 and future years, you may be able to claim a Canada Training Credit equal to your Canada Training Credit Limit for the year or 50 per cent of your eligible tuition and fees paid to an educational institution in Canada, whichever is less.

☛ **Canada Workers Benefit** – For 2019, the Canada workers benefit (CWB) replaces and strengthens the working income tax benefit (WITB). The CWB is an enhanced, more accessible, refundable tax credit that provides tax relief for eligible low-income individuals and families who are in the workforce. Individuals will receive $1,355 for single individuals (but it will be gradually reduced when net income is more than $12,820; no CWB is available when net income is more than $24,111). Families will receive $2,335 (but it will be gradually reduced when family net income is more than $17,025; no CWB is paid when the family net income is more than $36,483).

☛ **Kinship Care Providers** – For the CWB and the former WITB, a care provider may be considered to be the parent of a child in their care, regardless of whether they receive financial assistance from a government under a kinship care program. As a result, the care provider may be entitled to claim the child as an eligible dependent for purposes of claiming the benefit. Also, for these years, financial assistance payments received by care providers under a kinship care program are not included in income and not included when determining entitlement to benefits and credits based on income.

☛ **Home Buyers' Plan** – The maximum amount you can withdraw from your registered retirement savings plan (RRSP) under the Home Buyers' Plan (HBP) increased from $25,000 to $35,000 for withdrawals made after March 19, 2019. If you are not considered a first-time homebuyer for the purposes of the HBP, and you experience a breakdown in your marriage or common-law partnership, you may be able to participate in the HBP after 2019, under certain conditions.

☛ **Medical Expenses Tax Credit** – For expenses incurred after October 16, 2018, certain cannabis products purchased for a patient for medical purposes will be considered eligible medical expenses for the medical expense tax credit, once they become permitted for legal sale under the Cannabis Act.

☛ **Donations and gifts** – For donations made after March 18, 2019, in order to qualify for the enhanced tax incentives for donations of cultural property, the property no longer needs to be of national importance

☛ **Zero-emission vehicles** – If you are self-employed or claiming employment expenses, you may be able to claim capital cost allowance on zero-emission vehicles. Starting in 2019, there is a temporary enhanced first-year capital cost allowance of 100 per cent for eligible zero-emission vehicles. Eligible vehicles must be acquired after March 18, 2019, and become available for use before 2024. The enhanced allowance decreases if the vehicle becomes available for use after 2023 and before 2028.

☛ Investment tax credit – Eligibility for the mineral exploration tax credit for an individual (other than a trust) has been extended to flow-through share agreements entered into before April 2024.

New CRA services

☛ **2019 Income Tax Package has a new look:**

♦ some of the line numbers that were previously 3 and 4 digits are now 5 digits

♦ using plain language where possible (this is long overdue!)

♦ reducing the number of forms by eliminating schedule 1 and the Worksheet for Schedule 1. You can now find any charts that were on these forms on the Income Tax and Benefit Return and the Worksheet for the Return

♦ updating worksheets to simplify certain calculations

♦ increasing font size and white space

☛ **Payments** – You can now make your payments using PayPal through a third-party service provider.

Oldies but Goodies – Filing Tips

Make the Most of Your Losses

Take a close look at your investment balance sheet to see if there are any capital losses that might have been triggered in 2019. If so, you are allowed to file a "loss carry back" and claim the losses against previous years' capital gains going back to 2016. But before you file a carry back, you must use your losses against 2019 capital gains (if you have any) until they are completely off set before you can go back to prior years. In addition to losses on the market, loss candidates could include bad loans (such as junk bonds, a no-good advance to your company or to a business associate); investments in companies that have gone bankrupt or are now worthless and out of business, and so on.

Don't Claim an RRSP Contribution

Despite all instincts to the contrary, making a claim may not be the right choice for 2019. It's possible to make an RRSP contribution, but actually defer a deduction claim until a later year. This may be a good strategy if you expect to go into a higher tax bracket in the next couple of years.

Along the same lines, if you're thinking of making a large catch-up contribution, be careful if the deduction you claim is so large that it throws you into a low tax bracket. It may be better to make the catch-up contribution, but defer claiming the actual write-off.

Reserves

If you sold an investment for a capital gain, but you're not entitled to receive cash proceeds until after the end of the year, you're allowed to defer a portion of your capital gain by claiming a reserve. Reserves on capital gains may enable you to defer your tax over a five-year period.

Claim Interest on Disappearing Investments

If you have borrowed money for an investment or business that has been sold at a loss or gone belly-up but are still stuck with making interest payments, that interest may continue to be deductible (Note - in the event you have managed to salvage some proceeds and the money is put to personal use rather than re-invested, a portion of your continuing interest charges won't be deductible). One unhappy exception to these rules is real estate. However, this exception applies only if the real estate is "directly held", so the interest charges should continue to be deductible if, for example, the real estate was held in a partnership or a company. Also, a Supreme Court case *(Tennant v. The Queen, handed down in 1996)* validates continuing interest deductions for real estate if you have managed to salvage some proceeds from the investment that are re-invested.

Please speak to your tax advisor / accountant to determine whether any of the above tips might apply to your particular situation. ❏