HVGP

CHARTERED PROFESSIONAL ACCOUNTANTS

There have been a number of updates to eligible tax credits in 2020, so please take a moment to review those highlighted for you below. Please feel free to contact us if you have any questions regarding your returns.

UPDATES FOR 2020

- **COVID Emergency or Recovery Benefits** – If you received amounts under the following programs, Canada Emergency Response Benefit (CERB), Canada Emergency Student Benefit (CESB), Canada Recovery Benefit (CRB), Canada Recovery Sickness Benefit (CRSB) or Canada Recovery Caregiving Benefit (CRCB) in 2020, you will receive a T4A or T4E slip. You must report these amounts on your 2020 income tax return.

- **Canada Recovery Benefit (CRB) Clawback** – Amounts received under the Canada Recovery Benefit (CRB) program are subject to a clawback of $0.50 for every dollar of your Net Income in excess of $38,000.

- **COVID Emergency or Recovery Benefits Repayment –** Amounts repaid under the Canada Emergency Response Benefit (CERB), Canada Emergency Student Benefit (CESB), Canada Recovery Benefit (CRB), Canada Recovery Sickness Benefit (CRSB) or Canada Recovery Caregiving Benefit (CRCB) are deductible if the repayment was made before December 31, 2020. If you repaid the amount after January 1, 2021, the repayment will be adjusted after you file your 2021 tax return.

- **Other employment expense –** If you worked from home in 2020, more than 50%, due to COVID-19, you may be able to claim certain employment expenses. The CRA will allow employees working from home in 2020 due to COVID-19 to claim up to $400 of expenses, 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 T2200 or T2200S from their employers.

- **Digital news subscription expenses –** For the 2020 to 2024 tax years, you may be able to claim a non-refundable tax credit for expenses you paid in the year for a digital news subscription with a qualified Canadian journalism organization.

- **Canadian journalism labour tax credit (CJLTC)** – For 2019 and later tax years, if you are a member of a partnership that is a Qualifying Journalism Organization, you can claim this new, refundable credit allocated to you by the partnership.

- **Your tuition, education, and textbook amounts** – The Canada training credit that the student claims for the year reduces the amount that they can use to calculate their tuition tax credit, transfer to a designated individual, or carry forward to a later year.

- **Mineral exploration tax credit for flow-through share investors** – This investment tax credit is extended for an additional 5 years to March 31, 2024.

- **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% 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.

REMINDERS

- **Tax on Split Income [TOSI]** – On June 21, 2018, the government had passed new rules with the objective to eliminate the tax benefits of income splitting where the recipient of the income (a related family member) has not made a sufficient contribution to the family business. Essentially all income amounts and types are subject to the new rules. Any income taxed under the TOSI rules is subject to tax at the highest personal marginal tax rates, eliminating any advantage achieved from income splitting.

- **Foreign reporting** – If you held specified foreign property (examples – tangible property, funds deposited outside of Canada, shares of a company that is non-resident in Canada (i.e. US public companies)) with a total cost in excess of $100,000 at any time during 2019, you are required to file form T1135 – Foreign Income Verification Statement.

- **Reporting the sale of your principal residence** – You are required to report basic information when you sell your principal residence (date of acquisition, proceeds on sale and address).

- **Canada Caregiver Credit (CCC)** – The CCC replaces the Caregiver Tax Credit, Infirm Dependent Tax Credit, and the Family Caregiver Tax Credit. The credit consists of $6,883 tax credit in respect to infirm dependents who are parents/grandparents, brothers, sisters, aunts, uncles, nieces, nephews or adult children; or $2,150 supplement to an infirm dependent spouse or common-law partner if the individual claimed the spouse or common-law partner amount; an infirm dependent if the individual claimed an eligible dependent credit; or an infirm child who is under the age of 18 at the end of the tax year. The credit will be reduced dollar for dollar by the dependent's net income above $16,163.

- **Ontario Caregiver Tax Credit (OCTC)** – This credit is similar to the Canada Caregiver Credit (CCC). The amount is reduced when there is a claim for an eligible dependent.

- **Medical Expense Tax Credit** – This credit has been expanded to allow expenses related to service animals who are specially trained to perform specific tasks for a patient with severe mental impairment that help the patient cope with the impairment. Eligible expenses paid in the year include the cost of the animal, the care of maintenance of the animal (food and veterinary care), reasonable travel expense paid for the patient to attend a school, institution, or other facility that trains in the handling of these animals, and reasonable board and lodging expenses paid for the patient's full-time attendance at a school, institution, or other facility.

- **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.

- **Tuition, education, and textbook tax credits** – The federal education and textbook credits are no longer allowed to be claimed. Ontario also eliminated the tuition and education tax credits. However, if you carried forward credits from previous tax years, you may claim these credits in 2019 and later years.

- **Canada Training Benefit –** As of January 1, 2019, 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, 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% of your eligible tuition and fees paid to an educational institution in Canada, whichever is less.

- **Enhanced Canada Pension Plan/Quebec Pension Plan –** Starting in 2019, the Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP) are being gradually enhanced. This means that if you contribute to either the CPP or the QPP, you will receive improved benefits in exchange for making higher contributions. You can claim a deduction for your enhanced contributions to the CPP or QPP.

- **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.

- **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 home buyer 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.

- **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.