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*This publication is a high-level summary of the most recent tax developments applicable to business owners, investors, and high net worth individuals. Enjoy!*

## TAX TICKLERS... some quick points to consider...

- An individual may go back, up to 10 years to access Disability Tax Credits, as well as certain other items, if not previously claimed.
- Scientific Research & Experimental Development credits may be available where a business invests funds to improve manufacturing efficiency.
- The Federal Government has proposed changes which may make the sale of goodwill more costly in the future.



Contact us if you have questions or wish to discuss!

## FAMILY TAX CUT: Income Splitting and Other Benefits for Families with Children

On October 30, 2014, Prime Minister Stephen Harper announced **personal tax changes** with respect to families. These changes were passed into law on December 16, 2014.



- The **Family Tax Cut** is a new **non-refundable credit**. Essentially, you get a Federal tax credit intended to simulate the annual Federal tax benefit of **income splitting** with a **lower income spouse** to a maximum transfer of \$50,000 and a maximum tax benefit of \$2,000.

This will start on **2014** personal tax returns.

To be **eligible** for the credit, you must meet all of the following criteria:

- be **married** (including **common-law** partners) to a Canadian resident at the end of the year;
- have a **child under age 18** who resides with you;
- **not** make a **pension splitting** election (either spouse);
- **file** a return (both spouses);
- be **resident** in Canada;
- **not** become **bankrupt** in the year; and
- **not** be **incarcerated** for a 90 plus day period in the year.

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- Universal Child Care Benefit (**UCCB**) payments will be **increased by \$60 per month** for all children **under age 18** (so you get \$160 per month for children under age 6 and \$60 per child age 6 to 17). This is effective **January, 2015** but payments will not begin until **July, 2015**. A **Canada Child Benefits Application Form** will be required for parents who have not previously completed such a Form to get other benefits, or for those whose situation has changed.
- The **Child Tax Credit** (worth \$338 per child under age 18 in 2014) will be **eliminated** in 2015. Instead of a \$338 Federal tax credit, the taxpayer will receive \$720 (\$60 per month as indicated above) in new UCCB payments to be reported by the lower income spouse. Even at a 50% tax rate, the taxpayer will still be ahead. The enhanced portion of the credit for an **infirm child** will remain available, despite the base credit being eliminated.
- The annual limit on **Child Care Expenses** will increase to \$8,000 per child under age 7, \$5,000 per child age 7 to 16, and \$11,000 per disabled child, a bump of **\$1,000 per child** in each category. This will also be **effective in 2015**.
- The **Fitness Tax Credit** doubles in 2014. For eligible expenses of \$1,000, a Federal credit of \$150 is obtained (\$1,000 @ 15% = \$150). This credit will become refundable in 2015. "Refundable" means that in situations where less than \$150 in tax is assessed, federal taxes will be reduced to \$0 and the unused portion of the credit will be refunded to the taxpayer. The Arts Tax Credit remained unchanged.

**Action Item: Ensure your children, aged 17 and under, are registered for UCCB.**

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## CANADA JOB GRANT: Government Funds Available to Train Employees

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This Grant is available to employers to help **train new or existing employees** for jobs that need to be filled. The program is not restricted to technical training, but is also open to professional and management development. Two-thirds of the cost of the training, to a maximum government contribution of **\$10,000 per employee** application, is **available**. The Grant must be reported as revenue on the employer's tax return. This program is available to most sizes of employers. The application, however, must generally be **approved prior to enrolling in the training program**.

As the Grant is **administered** at the **provincial/territorial level**, there are differences in administration and eligibility rules across the country. Some of the aspects which may vary include:

- whether the training must result in a **credential**;
- whether the program must last a **minimum number of hours**;
- whether **salaries** paid to participants may count towards the employer's share;
- whether the training must be **incremental** to normal training programs;
- the **funding limit** per organization;
- what **costs** qualify (tuition, books, travel etc.); and,
- whether the individual has to be an **employee** before and after the application.

The Grant is **available** in **most provinces** and territories across the country (except for Quebec, New Brunswick, and Nunavut, as of the date of publication).

**Action Item: As there are limited government funds allocated to the program annually, ensure to apply for funding before the money runs out!**

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## DISABILITY TAX CREDIT: Make sure to Apply!

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**Individuals** who have a **severe and prolonged impairment in physical or mental functions** may **apply** for the disability tax credit (**DTC**). The **federal** tax credit is valued at over \$1,100 (15% x 7,766) in 2014, with the possibility of an additional disability supplement for certain individuals under the age of 18 at the end of the year. **Provincial** tax credits may also be available.



The DTC is a **non-refundable tax credit** used to reduce income tax payable on an individual's income tax return. All or part of this amount may be **transferred** to an individual's **spouse** or **common-law partner**, or another supporting person.

Being eligible for the DTC can open the door to other federal, provincial, or territorial programs such as the **registered disability savings plan**, the **working income tax benefit**, and the **child disability benefit**.

For individuals that may have been eligible for the DTC for a number of years, but have not applied, taxpayer relief may be an option to access these credits for the prior 10 years.

**Action Item: If you think you may be eligible for this generous DTC, contact us to discuss.**

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## EMPLOYMENT EXPENSES: Are You Eligible?

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An individual can **deduct certain expenses** they paid to earn employment income if they meet certain conditions including:

- their **employment contract** required them to pay the amount; and,
- they **did not receive an allowance** for the expenses or the allowance they received is reported as income.



Employees must obtain a signed **T2200**, Declaration of Conditions of Employment, from their employer to deduct employment expenses from their income.

Eligible employment expenses are quite **limited**. However, they may include, for example, **motor vehicle expenses**, **supplies**, and **certain work space in the home** if you meet particular criteria. Additional expenses may be available to commissioned salespersons.

**Action Item: Obtain a signed Form T2200 from your employer before deducting employment expenses.**

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## GOVERNMENT COLLECTION POLICIES: When You Owe the Government Money Other than Taxes

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CRA collects amounts owed for not just tax programs, but also for other government programs, including, for example:



- defaulted **Canada Student Loan**;
- **Employment Insurance** overpayment;
- **Canada Pension Plan** overpayment;
- **Old Age Security** overpayment;
- **Labour Program** receivable; and
- other Employment and Social Development Canada (ESDC) programs.

On November 1, 2014, CRA provided a general overview of the **Government Programs Collection Policy** for individuals, businesses and organizations that **owe money other than taxes** to the Crown.

They noted that amounts owed to the Government of Canada are **payable in full** without delay although, if a taxpayer cannot pay the total amount or the minimum payment owing on their statement of account immediately, they could **contact the Revenue Collections and Client Services Division** with respect to making **payment arrangements**.

CRA also noted that if amounts are not paid voluntarily, CRA may take **legal action** to:

- **recover** amounts from any benefits or other applicable credits they may receive from **ESDC**;
- **recover** from credits the **Crown** may owe to the taxpayer such as **income tax refunds** and/or **GST/HST credits**;
- **garnishee** income sources and/or bank accounts; or
- use **any other means** under any applicable statutes or law to collect an amount owing.

**Garnishment action** allows the Government to **intercept funds** payable to the taxpayer by a third party, such as a taxpayer's employer, bank, or other sources of income.

Similarly, if any other Federal Government department owes the taxpayer money, a **statutory set-off** to that department may be made to have all, or part, of that money sent to the department to which the taxpayer is indebted.

**Action Item: If you are struggling to pay your Government debts, contact us sooner, rather than later as options may be available.**

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## GST/HST AND TAXABLE BENEFITS: Impact on Employee and Employer

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The provision of **some benefits** to employees may be subject to **GST/HST**. Essentially, the CRA wants to ensure that the **same amount** of GST/HST is paid whether an employee purchases a good or service on his/her own, or whether he/she receives it from his/her employer.



When providing the benefit, the employer must first determine if it is subject to GST/HST. If so, the tax must be calculated and **remitted on the GST/HST tax return** that covers the last day of February in the following year.

The GST/HST is then **included** in the **value of the benefit** on the **T4** for the employee.

Taxpayers can usually claim an **input tax credit** for the GST/HST paid or payable on goods and services supplied to employees or their relatives as a benefit if it is related to the business' commercial activities.

**Guide T4130 (Chapter 5) – Employers Guide, Taxable Benefits and Allowances** is a resource which discusses the GST/HST requirements for employment benefits.

**Action Item: Consider GST/HST on taxable employment benefits.**

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## GIFTING TAX SHELTER: Settlement Letters Offered by CRA

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CRA has commented on **settlement offers granted to certain taxpayers** who have filed Objections with respect to denied charitable contributions made through **gifting tax shelters**.



The **settlement offers** note that if the **terms are accepted**:

- the Objection would be resolved, and the return would be reassessed; and,
- acceptance would conclude the dispute process.

If the **offer is refused**:

- CRA will take further action on the taxpayer's Objection without advance notice;
- CRA will maintain its position that the taxpayer is not entitled to the donation tax credit in question; and,
- in most cases, the next step would be to pursue the matter before the Tax Court of Canada.

CRA has noted that they are **continuing to issue these letters** and may contact the taxpayer in writing in the coming months to resolve some of these Objections.

It appears that CRA may allow the **cash** portion of the claim if it is **at least 20% of the total donation** amount for which the tax credit was claimed.

**Action Item:** *If you are involved in a gifting tax shelter, inform us as there may be a settlement option available.*

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## RESOURCE FOR AMERICANS ABROAD: Check this Website

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**American Citizens Abroad** is a **non-profit organization** which aims to represent Americans living abroad. The organization has a network of individuals spanning more than 60 countries.

[www.americansabroad.org](http://www.americansabroad.org) provides a wide range of information on topics such as **taxes, banking, voting, citizenship, social security, FATCA** (Foreign Account Tax Compliance Act), the **FBAR** (Foreign Bank Account Report), **Medicare**, and **healthcare**.

**Citizenship Requirement FAQs** and **Table of Transmission Requirements** are also available, both of which can assist in determining whether an individual is a U.S. Citizen.

**Action Item:** *Check out this useful resource for Americans in Canada or abroad.*

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## FEDERAL NOT-FOR-PROFIT CORPORATIONS ACT: Did You Miss the Transition?

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Industry Canada published a list of **Frequently Asked Questions** to assist **corporations incorporated** under Part II of the Canada Corporations Act who were required to **continue under** the new Act (**Canada Not-For-Profit Corporations Act**) but have not yet done so. Continuation under the new Act was to be done by October 17, 2014.



The website noted that a corporation can **still transition after the deadline** as long as the corporation has not been dissolved. A **Transition Guide** is available on the website.

**Action Item:** *Federally incorporated NPOs should ensure, if appropriate, that they correctly continued under the new Act.*

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## DISTRIBUTING ESTATE PROPERTY: An Executor may be Personally Liable for the Estate's Tax Bill!

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In an August 8, 2014 **Technical Interpretation**, CRA reminded taxpayers that an **Executor** should obtain a **Clearance Certificate** before distributing property under their control.

The Certificate attests that **all amounts** payable by the Estate have either been **paid** or the Minister has accepted security for such amounts. If the Executor distributes the Estate's property **without first obtaining a Clearance Certificate**, the **Executor** may be **personally liable** for amounts that are outstanding to the Government.

The Clearance Certificate protects the Executor only in the above-noted capacity. CRA can still **pursue** the **beneficiaries** of the Estate for any **unpaid taxes** even where a Clearance Certificate is issued.

**Action Item:** *Executors should consider obtaining a Clearance Certificate to avoid personal liability.*

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The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions in a newsletter such as this, a further review should be done by a qualified professional.

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For any questions... give us a call.

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