

SADOVNICK MORGAN LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

IMPORTANT INFORMATION FOR YOUR 2018 PERSONAL INCOME TAX AND BENEFIT RETURN(S)

We are commencing preparation of 2018 Personal Income Tax Returns. Personal income tax returns are due to the Canada Revenue Agency ("CRA") on or before April 30th, 2019. Non-incorporated proprietors and members of non-incorporated business partnerships have until June 17, 2019 to file their personal tax returns. However, if you have a balance owing for 2018, you still have to pay it on or before April 30th, 2018 even if you get the extension. In addition, you may have to file additional information returns in certain situations. We are pleased to assist you with the preparation of your personal income tax and benefit return(s) for the 2018 tax year.

To assist you in gathering and organizing your information we have provided a Tax Organizer in this package. It is your sole responsibility for gathering the necessary information for your tax return and ensuring it is complete.

- We recommend that you review your prior year tax return to ensure that you have received and are providing to us all the required documents. Significant penalties may apply if income is omitted.
- Please include a copy of your 2017 Notice of Assessment from the CRA.
- Let us know of any new developments or changes in your personal circumstances.

We wish to bring to your attention some recent tax changes for 2018:

- **The top tax rate for 2018 in BC** is 49.8%. The top rate in **Alberta** is 48%.
- The **TFSA** increase for 2019 will be \$6,000.
- **The 2018 Average Foreign Exchange Rate** for US to Canadian dollars is \$1.2957.
- Do not forget to file your **Vacancy Tax / Speculation Tax** documents with Vancouver / BC. If you are subject to these taxes please let us know to consider if the amount is deductible.
- Starting in 2019, **BC will be charging related/associated businesses with payroll over \$500,000 an Employer Health Tax**. This will require you to register with the BC government.

We wish to bring to your attention some important reminders for 2018:

- You can **elect to Stop CPP Contributions** if you are 65 and 70 years old. The form CPT30 needs to be filed with your employer and the CRA. You may also wish to **defer your CPP or OAS until you are 70** to gain larger future payments.
- The **Canada Caregiver Credit** may be available to you, if you support a spouse or a dependant with a physical or mental impairment during the year.
- The **Sale of a Principal Residence** must now be reported, along with any principal residence designation. The CRA is collecting the information to aid them in enforcement programs.
- **Capital Gains (Losses) on Foreign Currency** changes in excess of **\$200** needs to be reported on your tax return. The gain is reportable once it is triggered by either converting to another currency or purchasing goods in the foreign currency. Tracking can be difficult, please speak to us if you have gains or losses to report.

- Starting in 2018, dividends and distributions from privately held related corporations, trusts and partnership which you are not actively involved may be considered **split income (TOSI)** and be subject to top marginal rates. If you are concerned that you may have this type of income, please let us know upon providing your tax documents.
- **Cryptocurrency (Bitcoin) gains** may be treated as capital gains or income depending on how involved in the market you have been. A gain/loss is recognized every time you “use” a coin, whether it is sold for cash or if used to purchase goods.
- **Home accessibility expenses** can be claimed up to **\$10,000 for eligible expenses you** incurred for work done or goods acquired for an eligible dwelling.
- **Form T1135 – Foreign Income Verification Statement** is required with your tax filing if at any time in the year the total cumulative cost amount of all ‘specified foreign property’ (generally comprised of non-Canadian investments, including foreign stocks held at a Canadian securities dealers) you owned or held a beneficial interest in was more than \$100,000 CDN. If this applies to you, you may need to file a completed T1135.
- **Make sure you file on time** as the CRA has been strictly assessing penalties. It is your responsibility to sign the documents and get them back to us. We cannot file your returns without the signed documents. While we may attempt to follow up with you, the responsibility for filing on time rests with you.
- **Are you at risk because of the amount of time you spend in the US?** Both the Canadian and the United States government have been tracking how much time you spend in each country. Spending too much time in the US could result in adverse tax consequences, such as, US taxation on worldwide income, US information return filing requirements, and potentially a Canadian exit tax. The determination of whether your time in the US is considered substantial presence is determined based on a formula which factors in the number of days in the US over the last three years.
- **United States Personal Income Tax Return** – Are you a US citizen, resident, green card holder or other US Person? If you answered yes, let us know and we can assist in determining your US filing obligations and preparing your US filing requirements.

Our fee for the preparation of tax return(s) is based on time spent calculated at our hourly rates. In order to minimize your costs, we suggest that the information provided be organized and complete. **Our minimum fee is \$375.00 plus GST.**

Your records may be dropped off between Monday to Friday from 8:30 am to 5:15 pm. Weekend and after-hours meetings may be arranged by appointment.

We are providing an engagement letter for you (and your family). Please review the engagement letter thoroughly and return the signed and dated original letter to us with your information. We will not be preparing the return(s) until we receive a signed document. If you require additional engagement letters, please let us know.

We look forward to being of service to you. If you have any questions about what is needed for your 2018 tax return, please do not hesitate to contact us.

Yours truly,

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