

SADOVnick MORGAN LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

IMPORTANT INFORMATION FOR YOUR 2019 PERSONAL INCOME TAX AND BENEFIT RETURN(S)

We are commencing preparation of 2019 Personal Income Tax Returns. Personal income tax returns are due to the Canada Revenue Agency ("CRA") on or before April 30th, 2020. Non-incorporated proprietors and members of non-incorporated business partnerships have until June 15, 2020 to file their personal tax returns. However, if you have a balance owing for 2019, you still have to pay it on or before April 30th, 2020 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 2019 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 2018 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 2019:

- **The top tax rate for 2019 in BC is 49.8%. The top rate in Alberta is 48%. The top tax rate in 2020 in BC is increasing to 53.5%.**
- The **TFSA** increase for 2020 will be \$6,000.
- **The 2019 Average Foreign Exchange Rate** for US to Canadian dollars is \$1.3269.
- In 2019, **BC eliminated MSP but began charging related/associated businesses with payroll over \$500,000 an Employer Health Tax.** This will require you to register with the BC government.
- The **RRSP Home Buyer Plan** program increased the maximum withdrawal to \$35,000 from \$25,000. A new **Shared Equity Mortgage** was also brought in where the government may purchase up to 5% or 10% of your first home with you. Consider its use in years of low income.
- A new refundable tax credit called the **Canada training credit**, which may be used for eligible tuition and fees paid for courses taken in 2020 and subsequent taxation 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.
- When it is time to convert your **RRSP at age 71**, you will now have more options beyond just a RRIF. Ask your financial advisor for details.
- There are new incentives to reduce the cost of a **Zero Emission Vehicle**, check with us or your car dealer if you are interested in learning more.
- a new non-refundable tax credit worth up to \$75 (15% of \$500 maximum claim) for amounts paid by individuals after 2019 and before 2025 for qualifying **digital news subscription expenses**. Eligible subscriptions have not yet been announced.

- Alberta residents will be getting the **largest carbon tax rebate** in 2020 at \$888 for a family of four. BC will not get any, other provinces may get based on a Federal Government formula.
- Certain **cannabis** products purchased for a patient for medical purposes will be considered eligible medical expenses for the **medical expense tax credit**.

We wish to bring to your attention some important reminders:

- If you received dividends from a private corporation that you are not the sole owner/manager of, please let us know, as the **tax on split income (TOSI)** rules may apply to you.
- 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. If you started collected OAS, but it makes sense to defer it because of claw back and you are under age 71, you can retroactively defer it within 6 months of starting. If you apply for your **OAS** pension after you become eligible for it, you may be eligible for a retroactive payment.
- In 2019, CPP contribution rate increased to 5.1% (10.2% for employer and employee). This will be go gradually up to 5.95% by 2023 (11.9% for employer and employee). For 2020 the contributions are required until your income is \$58,700. Starting in 2024 to 2025 the maximum contribution will not be reached until your income is around \$79,400.
- 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 be reported, along with any principal residence designation. The CRA is collecting the information to aide them in enforcement programs.
- 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.
- Do you ever wonder if your **business expenses are within the range**? Check out this resource from the Government of Canada - <https://www.ic.gc.ca/eic/site/cis-sic.nsf/eng/home>
- CRA has been going after **taxable benefits** from employers to employees. If you have any benefits that you are not sure should be included in your income please contact us. These may include items such as parking passes, company car, childcare expenses, gifts or gift cards, and many others.
- **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. The CRA puts the onus on the taxpayer to track their transactions during the year.

- **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.

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

We have provided an engagement letter for you (and your family). Please review the engagement letter thoroughly and sign accordingly. 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 2019 tax return, please do not hesitate to contact us.

Yours truly,

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