

SADOVNICK MORGAN LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

IMPORTANT INFORMATION FOR YOUR 2020 PERSONAL INCOME TAX AND BENEFIT RETURN(S)

We are commencing preparation of 2020 Personal Income Tax Returns. Personal income tax returns are due to the Canada Revenue Agency (“CRA”) on or before April 30th, 2021. Non-incorporated sole proprietors and members of non-incorporated business partnerships have until June 15, 2021 to file their personal tax returns. However, if you have a balance owing for 2020, you still have to pay it on or before April 30th, 2021 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 2020 tax year.

To assist you in gathering and organizing your information we have provided a Tax Organizer in this package which can also be accessed through an online version here - <https://www.smlp.ca/smlp-tax-organizer-interactive>. 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 2019 Notice of Assessment from the CRA.
- Let us know of any new developments or changes in your personal circumstances.

COVID IMPACT ON TAX SEASON

As a result of the ongoing pandemic, we encourage you to send your documents electronically to our office (<https://smlp.sendsafely.com/dropzone/info>) and arrange meetings through Zoom or whichever system you would like to use. In order to support your electronic submissions we have the following available on our website – www.smlp.ca/taxdocuments :

- T1 Engagement Letter
- Sole Proprietorship Excel
- Client Tax Organizer WebForm (It prompts when need)
- Estate Planning WebForm
- Work from Home WebForm

In addition you can book meetings with Michael online at <https://calendly.com/sadovnick/taxseason> and Lucy at <https://calendly.com/lucyliang>

To arrange a meeting with Arnie please call 604.688.7898 or email him at arnie@smlp.ca. To arrange a meeting with Peter please call 604.688.7885 or email him at peter@opeterskov.com

>> If you are coming to the office, you must comply with COVID protocols <<

We wish to bring to your attention some recent tax changes for 2020:

- **The top tax rate for 2020 in BC** is 53.5%, **Alberta** is 48% and **Ontario** is 53.53%
- The **TFSA** increase for 2021 will be \$6,000.
- **The 2020 Average Foreign Exchange Rate** for US to Canadian dollars is \$1.3415.
- Alberta residents will be getting a **carbon tax rebate** in 2020 at \$981 for a family of four. BC will not get any, other provinces may get based on a Federal Government formula.
- Did you receive **CERB** or fund from a similar program? If so and your income is below \$75,000 you may have an extended period of time to pay.
- If you are self-employed through a sole proprietorship, you may have received federal, provincial, or territorial government COVID-19 assistance for your business, such as the **Temporary Wage Subsidy** or the **Canada Emergency Wage Subsidy**. Generally, you have to either include these amounts in business income or reduce your expenses by the amounts that you received. You may also have received a government loan (ie. **CEBA**). The loan itself is not taxable, but you have to include in your business income any portion of the loan that is forgivable.
- If you received the **Canada Recovery Benefit**, you may have to repay all or part of it, if your net income after certain adjustments is more than \$38,000. The repayment is calculated on the return, as part of the social benefits repayment calculation.
- **Digital news subscription** expenses may be eligible 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. Ensure you have a tax receipt (different from a regular receipt) from the company, it will identify a QCJQ designation number.

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 2020, CPP contribution rate increased to 5.25% (10.5% for employer and employee). This will go gradually up to 5.95% by 2023 (11.9% for employer and employee). For 2021 the contributions are required until your income is \$61,600. 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 occur when you sell or use the currency in transactions. This will be treated as taxable income and needs to be reported. CRA and other countries are increasing the enforcement on the use of Cryptocurrencies and have been requesting information from crypto wallet companies, and once they have the customer identities, they will be able to review all the transactions in the customer's history as it is on the public ledger. The CRA puts the onus on the taxpayer to track their transactions during the year and we do not expect much forgiveness on not reporting gains.
- **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.
- **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.**

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 2020 tax return, please do not hesitate to contact us.

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