

2023 NEWSLETTER

Introduction

It is our hope that this newsletter finds you and your family well. Another Tax Season is upon us, and we want to ensure that we provide you with all the help and information you need. In our Newsletter we have compiled some of the most pertinent information that we feel is important for you with respect to your taxation needs. Our checklist will help you gather your information before coming to see us at the office. Please do not hesitate to reach out should you have any questions or concerns.

Our office continues to remain open, and we are available for in-person meetings. Please call our office to book a time when we can sit down with you and answer any questions that you may have. We will continue to have our drop box in the stairwell should you prefer to drop off your tax documents. Please remember to ring the doorbell so we know to come down and grab your items. We have also installed a mail slot that is available for afterhours drop offs. Please ensure your documents are in an envelope so that they do not become mixed together with another client's.

Electronic and paper copies of your returns will be available again this year. Please indicate on your information which version you would prefer to receive.

We look forward to seeing you in the upcoming months.

Home Accessibility Expense Credit

Those who are eligible for the Disability Tax Credit, or who are 65 years and older, may qualify for a home renovation tax credit. Up to \$20,000 in eligible expenditures can be claimed, an increase from \$10,000 in prior years. This credit can be claimed by either the qualifying individual, or their spouse. In some situations, other family members can claim the credit. The renovation must allow the qualified individual to gain home access, be mobile/functional within the home, or reduce the risk of harm within the home. The renovation must be of an enduring or permanent nature.

Different renovations can be claimed depending on who performs the work:

- If the work is performed by the person claiming the credit, eligible costs include building materials, fixtures, equipment rentals, building plans, and permits, but not labour or tools.
- If the work is performed by a family member (who is not claiming the credit), they must be operating as a business with an HST number, otherwise the expenses are not eligible.
- If the work is performed by a professional, all invoiced work is generally eligible.

The eligible home must be owned and ordinarily inhabited, either by the qualifying individual or by the person claiming the credit on their behalf.

Increase to the First Time Home Buyers' Amount

First time home buyers can claim a credit of \$10,000 on the purchase of a qualifying home in 2022. If you lived in another home that you (or your spouse) owned in the year or acquisition, or any of the four preceding years, you cannot claim the credit. The \$10,000 amount, an increase from \$5,000 in prior years, can be shared among spouses.

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*"I shall never use profanity except in discussing house rent and taxes."
~ Mark Twain*

*What kind of insect helps people with their taxes?
An account-ant*

The Tax Free Savings Account (TFSA) annual contribution limit has increased to \$6,500 for 2023. To find out your contribution limit, give us a call – we can check online for you.

*Why are Sherlock Holmes' taxes so low?
Because he's a master of deduction*

*Payments for services can be made using a variety of options. E-transfers can be sent to the following: payments@elliottandassociates.ca
We also accept debit, credit, cheque or cash.*

*Why are accountants always so tired after work?
Because their job is so taxing.*

Underused Housing Tax (UHT)

Starting in 2022 the Federal government has implemented a new 1% tax on the value of residential real estate considered to be vacant or underused.

While the tax is intended to target properties owned by non-Canadians there are still filing requirements that extend to many Canadian individuals and entities.

If you own any residential properties within a Canadian Controlled Private Corporation or Partnership, you will likely not owe any tax on the properties, *but you still need to file a return with the Government by April 30, 2023.*

The penalties for a failure to file the return on time are quite punitive - \$5,000 for individuals and \$10,000 for corporations. These penalties can still apply, even if the Underused Housing Tax owing is \$0.

If you own any residential properties in a Corporation or Partnership, please check in with us so we can review your situation and file the appropriate return.

Multigenerational Home Renovation Tax Credit

This new refundable tax credit, effective January 1, 2023, is to help Canadians with expenses related to building a secondary suite in their home to accommodate a family member over the age of 65 or with a disability. Family members with disabilities may include grandparents, parents, children, grandchildren, siblings, aunts, uncles, nieces, or nephews. The suite must have a separate entrance, bathroom, kitchen, and sleeping area. Eligible expenses include cost of labour, professional services, building materials, fixtures, equipment rentals, and permits. Costs of appliances, furniture, and security monitoring do not qualify. You may claim 15% of up to \$50,000 in qualifying expenses with a maximum tax refund of \$7,500.

New House Flipping Rules

Starting January 1, 2023, the Federal government has implemented new rules for profits from what it considers to be a "flipped residential property".

Properties that are deemed to be flipped will be treated as business income, rather than as capital gains. The CRA is increasing the number of audits relating to these types of transactions, which can lead to hefty penalties and interest for non-compliance.

Under the new rules a flipped property is considered to be any property that is located in Canada, not recorded as inventory by the taxpayer, and owned by the taxpayer for less than 365 consecutive days.

There are exceptions for qualifying life events such as relationship breakdown, marriage, birth of a child, relocation for work/business, insolvency, etc.

If you have disposed of a property in the last year, make sure to let us know so we can properly record the transaction on your tax return.

Ontario Staycation Refundable Tax Credit

Just a reminder that for 2022 the Ontario government is providing a refundable tax credit to Ontarians. The maximum credit is \$400 for families and \$200 for individuals.

The tax credit is 20% of eligible accommodation expenses up to a maximum of \$2,000 for families and \$1,000 for individuals.

Keep in mind that the credit is on leisure stays in the following facilities: hotel, motel, resort, lodge, bed-and-breakfast, cottage, campground. Airbnb's can qualify, if the receipt shows the HST charged and separates out the accommodation fee from any other fees like cleaning. If you would like to claim this credit, please include your receipts for accommodations only.

Please **do not** include receipts for meals, activities, travel costs, or post cards, or photos from the trip.

New Canada Dental Benefit

This is a new interim benefit to help families cover dental expenses for children under 12 years old. To qualify your family income in 2021 had to be below \$90,000 and you must have qualifying expenses. Qualifying expenses are any out-of-pocket dental expense for children under 12. You can access this benefit through your MyAccount portal.

The maximum benefit is \$650 per child; however, it is income dependent and is reduced gradually to \$0 as your adjusted family net income reaches \$90,000.

There are two qualifying payment periods announced so far. The first one is open currently and reimburses any qualifying dental expenses between October 1, 2022, and June 30, 2023. The second period opens July 1, 2023, and runs to June 30, 2024.

Keep in mind - this is a reimbursement - so any expenses that are covered by private insurance or reimbursed through other government programs, (like Healthy Smiles Ontario), will not qualify for this benefit. As always, make sure to keep your receipts on-hand in case the CRA requests them. Another note, any expenses reimbursed through this program **will not** qualify for the medical expense tax credit on your personal return.

Tax-Free First Home Savings Account (TFHSA)

The TFHSA is an exciting new option for first-time home buyers to save for the purchase of a home. This account is expected to become available sometime in mid-2023. The contributions will be deductible from income like an RRSP while growth and withdrawal will be tax-free like a TFSA. Unlike the HBP from an RRSP, you won't need to repay the amount you withdrew for a home purchase. There are, of course, a few caveats:

- Must be at least 18 years of age and a resident of Canada
- Must not have lived in a home that you or your spouse owned within the four preceding years
- The account will automatically close after 15 years since opening; at the end of the year that the individual turns 70; or when a withdrawal is made to purchase a qualifying home
- Annual contribution limit of \$8,000 up to a maximum lifetime contribution of \$40,000
- Contribution room only carries forward from the previous year's unused portion
- Spousal contributions are not permitted
- Must purchase a home within 30 days of withdrawal or the full withdrawal will be considered taxable income
- Unlike an RRSP, contribution within the first 60 days of the year will not be deductible for the previous tax year

Some other benefits to this account include:

- Both spouses can use their individual accounts for the same qualifying home purchase
- Individuals can continue to contribute after emigrating from Canada; but cannot make a withdrawal as a non-resident
- You may transfer funds from your RRSP to your TFHSA
- Funds from your TFHSA can be transferred to your RRSP/RRIF without effecting RRSP contribution room
- Individuals may use both the HBP and TFHSA to purchase the same qualifying home
- TFHSA deductions can be carried forward on the tax return and claimed in a later year

Climate Action Incentive (CAI)

The climate action incentive will continue to be paid in quarterly payments. Those residing outside a census metropolitan area will receive an additional 10% on all applicable amounts. Only one spouse per family will receive the payments. Please see the following table for the quarterly amounts you can expect.

Quarterly CAI Payment Amounts for Ontarians, 2023-24		
	Reside inside a CMA	Reside outside a CMA
First Adult	\$122.00	\$134.20
Second Adult	\$61.00	\$67.10
Each Child	\$30.50	\$33.55
Family of 4	\$244.00	\$268.40
Payment Dates	April 2023, July 2023, October 2023, and January 2024.	

Crypto Losses

If you lost any money on the sale of crypto currencies in 2022 (we feel your pain), make sure to let us know so we can carry those losses forward for future years.



My son wants to be an accountant when he grows up. I warned him that it's accrual world

Canada Housing Benefit

Low-income renters may be eligible to receive a one-time tax-free \$500 top-up to help with the cost of renting. You can apply through your CRA My Account, an online application form, or by phone if your individual net income is less than \$20,000 or family net income is less than \$35,000.

Business & Employment Expenses

Remember if you plan on deducting meals and/or motor vehicle expenses for your employment or small business you must keep records of these expenses. For motor vehicle expenses you must keep a log that shows all employment related kilometers in relation to total kilometers travelled. For both meals and vehicles, you need a log that shows the date, purpose, and location for each expense.

We have seen an increase in the CRA reviewing these expenses, so please make sure to keep you logs up to date and accurate. There are apps available for your smart phone that can help you keep organized.

Canada Workers Benefit (CWB)

In new proposed legislation, individuals who received the CWB for the previous year will be automatically entitled to the CWB for the current year through quarterly advance payments, provided that their income tax return for the previous year is received and assessed by CRA before November 1 of the current year. Advance payments would be issued automatically starting in July 2023 for the 2023 taxation year.

Designated Immediate Expensing Property

Canadian businesses, including corporations, proprietorships, and partnerships, may be able to write off the full amount of capital expenditures. This provision applies to private corporations (CCPCs) that purchase property between April 19, 2021 and December 31, 2023. For sole proprietorships and partnerships (trusts excluded), the write-off applies to property acquired from January 1, 2022 to December 31, 2024. The property must also be available for use within these same time periods. The total write-off is limited to \$1.5 million per taxation year, and this limit must be shared among associated businesses. This immediate expensing does not apply to purchases of buildings or intangible property, nor does it apply to purchases from a non-arm's length party.

Automobile Deduction Limits and Expense Benefit Rates

Non-taxable allowances paid by an employer to an employee for the use of a personal vehicle for business purposes increased to \$0.68/km (\$0.61/km in 2022) for the first 5,000km driven, and \$0.62/km (\$0.55/km in 2022) for each additional kilometer.

The capital cost limit for CCA of passenger vehicles will increase to \$36,000, up from \$34,000 for 2022. Zero-emission vehicles limit also increased to \$61,000, up from \$59,000 for 2022.

Monthly leasing costs limit for 2023 increased to \$950 per month, up from \$900 for 2022.

Small Tax Tips – Did You Know?

- The temporary \$2/day claim for working from home is still in effect for 2022 with a max credit of \$500.
- People with Type 1 Diabetes now qualify for the Disability Tax Credit retroactive to 2021.
- Tradespersons may claim eligible tools with a total cost of more than \$1,287 for 2022.
- As of April 1, 2023, all Canada Student Loans will no longer accumulate interest.
- Individuals who register new small businesses will need to have an online CRA My Account and My Business Account before we can get authorization to access your business account.

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