
WHAT'S NEW THIS YEAR?

2018



SAWATSKY

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TOP MISSED TAX CREDITS

We have put together a few of the personal tax write-offs and credits that we see missed most often, as well as a few little-known tax tips. If you think you may have missed any of these in the past, your returns may be able to be amended, so let us know!

- **Premiums paid on private health insurance plans**, as well as amounts paid in excess of the insurance coverage
- **Medical expenses** paid for any 12-month period ending in the current filing year. The claimable portion depends on your income for the year, so a few large medical expenses paid in the same 12-month period could significantly increase your claim.
- **Moving expenses** can be claimed if you have moved at least 40 km closer to a new place of work. If you have paid for movers, temporary storage, address updates, utility changes, legal fees or real estate commission, it may be claimable, so keep all your receipts!
- **Home Buyers Amount** tax credit, worth up to \$750 in tax savings, is available for first time homebuyers (5-year rule). Further, up to \$4,000 of land transfer tax paid in Ontario can be refunded.
- **Political contributions**, whether federal or provincial qualify for up to 75% of your contribution.

TOP MISSED TAX CREDITS

- **Capital Losses.** If you are expecting to report a capital gain, a portion of the taxes could be offset by “selling your loser investments”. If you own securities that have lost value, selling them in the same year as you report capital gains can be a tax saver. Seek investment advice first.
- **Interest paid to earn income.** For example, if you borrowed money to invest in a small business or to invest in public securities, the interest paid on the loan can reduce your personal taxes payable.
- **Disability Tax Credit.** If you, or those in your care, have a permanent or prolonged physical or mental impairment which restricts the ability to perform basic daily functions, you may qualify for the Disability Tax Credit. See form T2201 .
- **Canada Caregiver Tax Credit** is available to individuals primarily responsible for the care of a relative with a permanent or prolonged physical or mental impairment. The credit can be claimed for more than one individual if the same conditions are met. These conditions may also permit the transfer of the disability tax credit onto the caregiver’s tax return.
- **Home Accessibility Tax Credit** is available on the first \$10,000 spent on renovations to your house in order to make it safer or more accessible for any senior or disabled person living with you. The renovation expenses may also qualify as a medical expense claim.

- **Avoid late filing penalties.** If you know that you will owe taxes that you will be unable to pay, it is important to file your tax return on time in order to avoid penalties of 5% of balance owing plus interest at 1% of the balance owing per month up to a maximum of 12 months. If you have been charged a late filing penalty in any of the previous 3 years, CRA will charge double the penalties to 10% of balance owing plus 2% of the balance owing per month up to a maximum of 20 months! A payment arrangement or, in certain situations, taxpayer relief, may be available.
- **Canada Pension Plan Splitting.** Although the ability to pension split with your spouse is common, there is another lesser-known way to split income at retirement. You may be eligible to split CPP benefits with your spouse. See Form ISP-1002 and, if eligible, send to Service Canada.
- **Failure to report income penalty.** The CRA will assess up to 10% of the amount you failed to report if you omit reporting income in the current year and have failed to report income in any of the previous 3 years.
- **Keep all receipts.** Keep all receipts and tax slips for 7 years but some documents need to be maintained for longer. For example, documents related to property that you still own such as real estate or stocks and bonds, must be retained to support tax costs when reported for tax purposes upon disposition or death.

FEDERAL CHANGES

Principal Residence Exemption

Have you moved in the past year?

New legislation requires all homeowners to report the sale of their principal residence, whether fully exempt from tax or not. If not reported, taxpayers will be subject to an extended reassessment period for their tax returns and a potential penalty of up to \$8,000 for failing to report these sales. Be sure to let us know! We require date of purchase, date of sale, selling price and your new address. Owning more than one property for personal use, such as a cottage, provides opportunities to save tax but there is only one principal residence exemption per family.

Climate Action Incentive

A new refundable federal tax credit is available to all Ontario residents, beginning with the 2018 personal tax filing. The first adult in a couple will receive \$154 per year, with an additional \$77 for the second adult in a couple, and an extra \$38 for each child under age 18. Every single 18 year old will be eligible as the first adult. Good news for students!

A 10% increased credit is available to residents of small and rural communities (like Orillia!) for a maximum credit for a family of four of \$337.70. To determine if you qualify for the increased credit, visit the map at:

canada.ca/census-metropolitan-areas

FEDERAL CHANGES

Changes to CPP

From 2019 to 2023, the contribution rate for employees will gradually increase by one percentage point (from 4.95% to 5.95%) on earnings between \$3,500 and the annual earnings limit. This is expected to cost an additional \$300 per year in CPP contributions.

Year	Increase	Employer/Employee Rate
2019	0.15%	5.10%
2020	0.15%	5.25%
2021	0.2%	5.45%
2022	0.25%	5.70%
2023	0.25%	5.95%

In 2024, 4% will be required to be paid on earnings in excess of the Year's Maximum Pensionable Earnings (YMPE), up to 107% of the YMPE. For example, if the YMPE is \$70,100, the additional limit will be approximately \$75,000 ($\$70,100 \times 107\%$). The 4% rate will be applied to the difference of \$4,900 ($\$75,000 - \$70,100$) between the two numbers. For 2025 and later years, the 107% multiplier will be increased to 114%.

FEDERAL CHANGES

Tax on Split Income (TOSI)

On December 13, 2017, the government expanded the TOSI rules to apply to a broader range of payments received from a corporation. If you are a shareholder of an incorporated business and your spouse or adult children are receiving income, such as dividends, the expanded TOSI rules may apply. This could carry a significant additional tax liability. There are three main exclusions to the TOSI rules, including excluded businesses, excluded shares and reasonable returns. An in-depth discussion with tax advisors at our office is recommended.

Sign up with Canada Revenue Agency for Online mail - This service notifies taxpayers by email when new correspondence is available to view in My Account. In addition to notices of assessment/reassessment and benefit notices, new correspondence that is available includes benefits notices and slips, and instalment reminders. Taxpayers can sign up for online mail by entering their email address on their income tax return, on Form T183 or by registering through My Account or the MyCRA mobile app.

Employer Health Tax

Effective January 1, 2019, the EHT exemption is increased from \$450,000 to \$490,000. The EHT exemption is adjusted according to inflation every five years using the Ontario Consumer Price Index.

Labour Legislation

The planned increase in general minimum wage from \$14 per hour to \$15 per hour (previously to be effective January 1, 2019) is cancelled. The general minimum wage rate remains at \$14 per hour until at least 2020. Beginning in 2020, the minimum wage will see an annual increase indexed to inflation.

The planned expansion of the right to 10 personal emergency leave days per year, including two paid days if the employee is employed for one week or longer, has also been cancelled. This rule remains in effect for workplaces of 50 or more employees. Instead, workplaces with less than 50 employees will be required to provide up to three unpaid days for personal illness, two for bereavement and three for family responsibilities.

Low-income Individuals and Families Tax (LIFT) Credit

Effective January 1, 2019, a new non-refundable provincial tax credit of 5.05% of employment income will be available to low-income Ontario taxpayers who are earning less than \$38,500 or where the family income is less than \$68,500. The credit has a maximum value of \$850 per person at employment income of \$30,000, or family income of \$60,000, and will be reduced to nil for incomes in excess of the above thresholds.

OHIP+ Program

As of January 1, 2018, OHIP+: Children and Youth Pharmacare began for Ontario residents under age 25. OHIP+ provides free prescription drug coverage on approximately 4,400 drugs listed under the Ontario Drug Benefit (ODB) program. The program pays 100% of the cost with no deductible. Coverage ends on an individual's 25th birthday. Individuals under age 25 need only show their health card when obtaining a prescription at any Ontario pharmacy.

Effective April 1, 2019, children and youth in Ontario who are 24 years old or younger and have private insurance that includes prescription drug coverage will no longer be eligible for the OHIP+ program. Only individuals without private insurance coverage will continue to have access to the OHIP+ program.

Visit www.ontario.ca/page/learn-about-ohip-plus#section-1 for more information.

Thanks

If you have any questions about the above, or anything else regarding your personal income tax return, feel free to give us a call at **(705) 329-7700** or email us at info@sawatsky.com

We appreciate your business and look forward to another successful tax season.

- *The Sawatsky Team*

