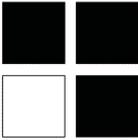


# “LOOPHOLES”™

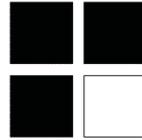
## 2018 –2019



**“A tax planning checklist  
for all taxpayers”**



**Rossworn Henderson *LLP***  
*Chartered Professional Accountants*  
*Farm Tax Consultants*



***“Tax Planning Professionals”***

[ch@rhllp.ca](mailto:ch@rhllp.ca)

[ds@rhllp.ca](mailto:ds@rhllp.ca)

[nm@rhllp.ca](mailto:nm@rhllp.ca)

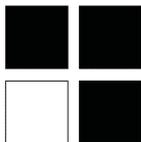
Toll free 1-888-818-FARM

[www.farntax.ca](http://www.farntax.ca)

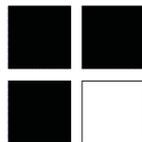
“Loopholes” is a tool that can be used to reduce the overall taxes that you pay. This is not an exhaustive list of tax planning ideas, but is simply a summary of the more significant savings and planning opportunities available today in British Columbia. Professional advice should be sought to ensure that a particular idea is applicable to your personal situation.

**Please review the checklist, and if any of the items seem to relate to your situation, please do not hesitate to call.**

“A fine is for doing something wrong.  
A tax is for doing something well.”



**Rossworn Henderson *LLP***  
*Chartered Professional Accountants*  
*Tax Consultants*



***“Tax Planning Professionals”***

Chris Henderson	ch@rhllp.ca
Dustin Stadnyk	ds@rhllp.ca
Nathalie Merrill	nm@rhllp.ca

Toll free 1-888-818-3276

[www.rhllp.ca](http://www.rhllp.ca)

## HOW TO USE THIS TAX PLANNING GUIDE:

This “Loopholes” tax planning guide has been divided into the following sections:

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1. Read each section that applies to you. Check the  box of each “loophole” that could be used in your circumstance.
2. **BE SURE TO TAKE NOTE OF THE MANY NEW TAX RULES FOR THIS YEAR, WHICH HAVE BEEN UNDERLINED.**
3. Bring this booklet with you when we are tax planning for you or preparing your income tax return and we will show you how to get the maximum benefit from those planning points. If you miss on available deductions or planning points, it may cost you thousands of dollars.
4. These “loopholes” represent various methods to use existing tax laws to your greatest advantage. **As a taxpayer, you should always look at the tax rules from different angles and structure your tax planning in a way that will result in a benefit for you and your family.**
5. For further information regarding your tax issues, please contact our offices at:  
Armstrong: 250-546-8665      Enderby: 250-838-7337  
Lumby: 250-547-2118      Salmon Arm: 250-832-5129  
Sorrento: 250-675-3440      Out of town (toll free): 1-888-818-FARM

Email:	Chris Henderson	ch@rhllp.ca
	Dustin Stadnyk	ds@rhllp.ca
	Nathalie Merrill	nm@rhllp.ca



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**QUICK REFERENCE TAX FACTS**

**2019 COMBINED FEDERAL & BC TAX BRACKETS:**

		Regular Income (%)	Eligible Dividends (%)	Ineligible Dividends (%)	Capital Gains (%)
\$ -	\$ 12,069	-	-	-	-
12,069	40,747	20.06	-9.60	10.43	10.03
40,747	47,630	22.70	-5.96	13.47	11.35
47,630	81,416	28.20	1.63	19.80	14.10
81,416	93,476	31.00	5.49	23.02	15.50
93,476	95,259	32.79	7.96	25.07	16.40
95,259	113,506	38.29	15.55	31.40	19.15
113,506	147,667	40.70	18.88	34.17	20.35
147,667	153,900	43.70	23.02	37.62	21.85
153,900	210,371	45.80	25.92	40.04	22.90
Over \$210,371		49.80	31.44	44.64	24.90

**2019 EMPLOYEE WITHHOLDINGS:**

**CPP**

**EI**

Maximum annual earnings	\$ 57,400	\$ 53,100
Employee rate	5.10%	1.62%
Employer rate	5.10%	2.27%
Maximum contribution (employee)	\$ 2,927	\$ 860
Maximum contribution (employer)	\$ 2,927	\$ 1,204

**2019 SOCIAL BENEFIT/CLAWBACK LIMITS:**

Guaranteed Income Supplement (GIS)	Annual income		
	max benefit		no benefit
Single	\$0	to	\$18,240
Family, if both spouses receive OAS	\$0	to	\$24,096
Family, if only one spouse receives OAS	\$0	to	\$43,728
Old age security clawback	\$75,910		\$125,696



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“LOOPHOLES”

**2018 MILEAGE RATES:**

Non-taxable mileage allowance

First 5,000 km	\$0.58 / km
Remainder	0.52 / km

**IMPORTANT DEADLINES for 2019:**

**March 1**

- last day for RRSP contributions

**April 15**

- due date for filing U.S. tax returns

**April 30**

- due date for general income tax returns  
- due date to pay taxes owing to avoid interest

**June 15**

- due date for income tax returns if self-employed

**December 15**

- due date for final personal tax instalment payments

**December 31**

- due date for one-time instalment for personal tax  
Instalment if you are a farmer



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FOR ALL TAXPAYERS

Tax Law

- ❑ Your province of residence on December 31 will determine which provincial tax rate you will pay for the year.
  
- ❑ Even if you can't afford to pay the income tax that you owe, you should file your tax return by the annual deadline to avoid any late-filing penalties
  
- ❑ Canada Revenue Agency (“CRA”) has severe penalties for income tax evasion for taxpayers and their advisors. **There are severe penalties for repeated failure to report income. If possible you should submit a “voluntary disclosure” when filing any late tax forms.**
  
- ❑ You have a legal right to request adjustments for the last 3 years to your tax return. The “taxpayer relief provision” provision allows you to go back 10 years in some circumstances.
  
- ❑ CRA is bound by law to give your situation a fair hearing and apply the relevant tax law equitably.

Planning Point

- Consider stepping up your move to take advantage of a lower tax rate province or deferring your move to next year if going to a higher rate province
  
- The late filing penalty is 5% of the balance owing, plus 1% for each full month that your return is late, to a maximum of 12 months. If you have incurred late-filing penalties in any of the three preceding taxation years, your late filing penalties are doubled.
  
- Be sure that your tax planning is *inside* with current tax law. Claim every *legally* available deduction or credit and arrange your affairs to reduce your income taxes as far as *legally* possible. Make sure all T-slips and other income are reported each year. If you are assessed repeated non-reporting penalties and have reasons why you have missed reporting income, apply under the “Taxpayer Relief Provisions”.
  
- If you have missed deductions or credits in prior years, try to re-file back as far as possible. This used to be called “fairness”, but it wasn’t necessarily fair.
  
- If you disagree with a CRA assessment you must file a Notice of Objection within 90 days of the assessment. If CRA is delaying assessments unduly, or you have complaints about CRA staff, you can file a service complaint. Our experience is that you get very rapid responses to these formal complaints. Also, consider an application to the “Taxpayers Ombudsman”.



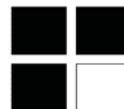
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**Tax Law**

**Planning Point**

- CRA has the authority to review any claims for deductions or revenues that you have reported. Generally, CRA is restricted to the most recent 3 year filings. However, in some cases, they can look back up to 7 years.
  - If you have not filed tax returns for a long period of time or have missed reporting income, a “voluntary disclosure” may reduce penalties.
  - CRA can apply a refund from one agency towards a debt owing in another. For example, CRA can withhold a GST refund to pay for outstanding taxes, EI, child tax, or student loan.
  - If you owed more than \$3,000 personally in either of the two preceding tax years, CRA may require you to make instalments next taxation year. CRA charges interest if you do not make these instalments, but does not pay interest if they are unnecessary.
  - Protect yourself against fraudsters claiming to be CRA. Many people have received emails or phone calls this year from someone claiming to be from CRA.
  - Many tax credits are non-refundable and do not carry-forward.
  - Tax rules for taxpayers leaving or coming into Canada from another country are very complex and may result in a significant tax liability.
- Keep good documentation of all transactions. You might consider having us review your documentation prior to sending it to CRA to ensure you have not provided potentially incriminating information that was not requested. Only send to CRA what they ask for, nothing more. Remember you are guilty until you can prove yourself innocent!!
  - This is only available if CRA has not requested any filings, and you have not used a voluntary disclosure in the past.
  - CRA commences these collections immediately upon issuance of a Notice of Assessment. If you do not agree, you can file a Notice of Objection.
  - If your taxable situation is expected to differ significantly from that estimated by CRA, your instalments can be adjusted to ensure you do not over or under install.
  - **CRA will never request payments by credit card, and will not send an email with a link or ask you to divulge personal or financial information.**
  - If possible, increase income or postpone deductions to avoid losing them.
  - Obtain proper advice to ensure you plan your emigration or immigration from or to Canada.



**Tax Law**

**Planning Point**

- If you are a **U.S. Citizen** severe penalties exist for not filing a U.S. tax return, regardless of whether you live there or not.
  - For individuals spending more than 183 days in the U.S., they may be considered a U.S. resident and may be required to file a tax return with the IRS reporting their worldwide income.
  - The Federal Home Accessibility Tax Credit allows a senior or an individual who is eligible to claim the disability tax credit, to claim a 15% credit of up to \$10,000 of expenses per year for costs incurred to improve the mobility of the person in and around their principal residence.
  - If you are a volunteer fire fighter, CRA offers a \$1,000 tax-free allowance to offset this income, **or** a 15% non-refundable credit based on \$3,000 amount.
  - Search and Rescue Volunteers are also entitled to a 15% non-refundable credit based on an amount of \$3,000.
  - An adoption tax credit is available for eligible adoption expenses. For 2018, the maximum claim is \$15,905, for the completed adoption of a child under 18.
  - The Canada Workers Benefit (“CWB”) refundable tax credit is available to low income taxpayers that are 19 or older in the year. A British Columbia couple can receive a refund of \$2,335. If both taxpayers qualify for the disability tax credit, a couple could receive a refund of up to \$3,735.
- Specialized advice may be necessary as the US/Canada rules are in flux.
  - Be cautious, it may be possible to fall into this US tax trap with less than 183 days. Snowbirds should consider filing a Form 8840 – Closer Connection Exemption Statement.
  - Certain “supporting individuals” may also qualify. Expenses qualify if they are of an enduring nature and integral to the dwelling or certain supporting individuals. If there are two qualifying individuals in the same principal residence, the maximum is \$10,000 related to that principal residence.
  - Be sure that your T4 takes the tax-free allowance into account. There is no requirement to prepare a T4A for the first \$1,000 of contribution.
  - Don’t miss this opportunity to save up to \$600 in taxes.
  - Allowable expenses include adoption agency fees court and legal fees foreign agency fees travel and meals.
  - File a tax return even if you did not make more than the personal limit, as this tax credit can result in a tax refund. If you have control over your income, you can plan into this and receive a cheque from CRA or have CRA pay into your CPP for you.



**Tax Law**

**Planning Point**

- You may apply for an advance payment of one-half of the Canada Workers Benefit to which you are entitled for the year
  - Family trusts can offer individuals significant tax savings by allocating earnings to beneficiaries (such as children). This benefit is eliminated where beneficiaries are under 18.
  - There is a Registered Disability Savings Plan (“RDSP”) for taxpayers eligible for the Disability Tax Credit (“DTC”). To assist, the government may provide a grant based on your contributions. A parent’s or grandparent’s RRSP can be rolled into an RDSP at their date of death.
  - Beneficiaries of RDSPs with shortened life expectancies of 5 years or less can withdraw up to \$10,000 per year without penalty.
  - If the RDSP is primarily government assisted, the maximum annual withdrawal limit will be increased.
  - MSP monthly premiums paid by individuals will be eliminated effective January 1, 2020.
- If approved, the prepayments will be made as part of your GST /HST credit payment.
  - There is a cost to setting up and maintaining a family trust, so it is generally used only by higher net worth individuals, or people who have businesses that are increasing in value.
  - To receive the maximum government grant of \$3,500, you need to contribute \$1,500 annually. If the disabled taxpayer has low-income, the government may deposit an additional bond of up to \$1,000 to his/her RDSP. By putting \$1,500 in you may end up with \$6,000 in an account for the disabled person.
  - Make sure you obtain the proper approval prior to doing this.
  - There is a calculation available for these types of plans. If this applies to your situation, please contact our office.
  - MSP will be replaced by the Employer Health Tax (“EHT”). The EHT will be a new payroll tax that will apply to all employers with payroll in B.C. greater than \$500,000.



**IF YOU ARE AN EMPLOYEE**

- ❑ It is possible to be both a shareholder and an employee, thereby entitling numerous non-taxable allowances and benefits permitted by CRA to employees.
- ❑ If you are required to use your vehicle, purchase supplies, or provide office space for your employment, the expenses are deductible against the employment income.
- ❑ Employers can pay employees a non-taxable traveling allowance (including meals and vehicle use). For 2019, the rate in B.C. is \$0.58/km for the first 5,000 kilometers and \$0.52/km thereafter. Also, overtime meals & allowance of \$17 per day are tax free to employees.
- ❑ An employee can opt to pay CPP on income that is not covered by the CPP rules.
- ❑ Employees should pay their own disability insurance premiums.
- ❑ There are special expense deductions provided to clergy, traveling salespeople, musicians, artists, apprentice mechanics and certain transportation employees.
- ❑ A tradesperson can deduct up to \$500 for amounts paid in excess of \$1,178 towards the purchase of “eligible” tools required for their employment. To receive the full deduction, your income from employment as a tradesperson and total cost of eligible tools you bought in 2018 must exceed \$1,678.
- CRA usually considers a benefit to be in the capacity of employment if other employees or others in the industry receive similar benefits.
- Have your employer sign the T2200, TL2 or other prescribed forms so you can deduct these expenses. Also, claim-back the GST on the eligible employment expenses.
- If actual vehicle expenses (insurance, repairs, fuel, loan interest, etc.) exceed this rate, actual costs can be claimed. However, receipts must be maintained to support the claim.
- This would include tips, casual employment or under-remitted income from working for more than one employer.
- When employees pay their own premiums for disability insurance, any benefits to the employee from the insurance in the future will be tax-free.
- Consult our office if you fall into any of these professions and we will discuss the specific deductions available to you.
- The tools must be new and you must have receipts to document the purchase. Your employer must complete Form T2200.



**Tax Law**

**Planning Point**

- ❑ An individual employed as an apprentice mechanic may be able to deduct their tools purchased during the year based on their apprentice employment income.
  - ❑ If you reside in a Northern Canadian area on a permanent basis for at least six consecutive months you are eligible to claim the Northern Residents deduction.
  - ❑ An employer may pay money into a retiring allowance in recognition of long service. This also includes severance packages.
  - ❑ An employer can make loans to an employee for purchasing a house, a car, or shares in the company.
  - ❑ An employer can grant an employee a Stock Option Plan.
  - ❑ Employers are permitted to provide **non-cash** gifts totaling up to \$500 annually for each arms-length employee. The employees can also receive up to \$500 every 5 years as a years of service award.
  - ❑ Depending on your employment arrangement, consider operating through a company to pay lower tax rates.
- Any amounts not deductible in one year can be carried forward and used in future years. GST paid on tool expense can be recovered.
  - Be sure and claim both the residency deduction and the deduction for travel benefits if provided by an employer.
  - There is a limit of \$3,500 per year of service up to 1989, \$2,000 per year from 1989 to 1996. The eligible amount of the retiring allowance can be transferred to an RRSP on a tax deferred basis and does not affect your RRSP contribution room.
  - Loans must be at a prescribed rate of interest as determined by CRA. **For the first quarter of 2019, this rate is 2%.**
  - The tax consequences can be deferred to the date the options are exercised (as opposed to when the option is granted).
  - Be sure and take advantage of these non-taxable awards and gifts. Beware that gift certificates are considered cash, so do not qualify.
  - Care must be taken so that you are not characterized as a Personal Service Corporation, which is taxed at a higher rate.



**Tax Law**

**Planning Point**

- Moving expenses are deductible against employment income earned in the new work location. If the moving expenses exceed the income in the new location in the year of move, they can be carried forward until you have income from your new work location. Both spouses can claim moving expenses.
- Moving expenses are deductible if you move 40 kms closer to your new work location (determined to be by the normal route as opposed to as the crow flies).
- Transportation employees that are required to travel away from their hometown are permitted to claim a deduction their meals. The allowance rate is \$17.00/meal, calculated as 1 meal/trip for trips less than 10 hours and 3 meals/day for trips more than 12 hours.
- Generally, only 50% of meals are deductible. However, long haul truckers are eligible for an enhanced deduction of 80%.
- Some union dues or other dues may have a GST component that can be claimed back
- The maximum amount under the “Canada Employment Amount” will increase to \$1,195 in 2018.
- Claim all amounts relating to moving expenses, including:
 
  - real estate commission
  - mortgage penalty on selling old home
  - costs of maintaining a vacant former residence
  - travel
  - storage costs
  - meals and lodging
  - legal services and property purchase tax on the new home
  - temporary quarters up to 15 days
- A home-based business is considered a work location, so a move of more than 40 km may qualify.
- If actual meal expenses exceed this rate, actual costs can be claimed. However, receipts must be maintained. To claim the allowance permitted by CRA, the employee must file form TL2 with their personal tax return.
- GST may also follow these enhanced deductible percentages. Be sure to update your bookkeeping to make sure you maximize your deductions and GST refund.
- Be sure to identify these amounts as they can be recovered on your personal income tax return.
- If possible, try to ensure all family members have at least this amount of employment income to claim this credit.

**If you own your own company be sure and give all family members a T4 for this credit. It also may help with the Working Income Tax Benefit.**



**Tax Law**

**Planning Point**

- Apprentices registered in the 1<sup>st</sup> or 2<sup>nd</sup> year of most trades may be eligible for a cash grant from the BC or Federal Government.
  - You can request a reduction of the withholdings on your payroll cheques if you are expecting to get refunds at the end of the year because of RRSPs, alimony and maintenance deductions or other items not found on your TD1 Form.
  - If you have an employee between the ages of 65 and 70 who wants to stop contributing to the Canada Pension Plan (“CPP”), they must file an election form, even if they are collecting CPP.
  - Self-employed individuals have more deductions than employees.
- The grant may be taxable to the individual, and may be included in income on their tax returns. There is a separate application for some grants. **Don’t miss the deadlines!**
  - CRA does not pay interest on withholdings paid, so you are better to have use of the money over the year, as opposed to waiting for a large refund when you file your tax return.
  - The employee must be collecting CPP and needs to fill out a CPT30 form that must be forwarded to CRA (and a copy kept with the employer payroll records).
  - If possible, try and characterize your relationship as a contractor instead of employment/employee.

**IF YOU ARE A BUSINESS OWNER**

- If you or your spouse are self-employed, you have a June 15 deadline for filing tax returns, however, any taxes owed are still due on April 30. CRA may charge interest for unpaid taxes as of April 30.
  - Small business corporations benefit from a preferential tax rate of 11% on profit under \$500,000, as compared to a tax rate of up to 50% for individuals.
  - If your company has taxable income below \$500,000, it may qualify for quarterly corporate tax instalments.
- Consider making a lump-sum instalment before April 30 to cover the estimated taxes owing if you cannot file your return by that date.
  - Therefore, you can pay down debt or accumulate assets 39% faster by using a company.
  - You might consider continuing with monthly instalments so that cash flows stay more manageable and there is less likelihood of forgetting a payment.



## “LOOPHOLES”

### Tax Law

### Planning Point

- A loan by a corporation to a shareholder may result in a deemed taxable benefit.
  - The penalty for late filing T4 and T5 returns is approximately \$10 per day.
  - On April 1, 2013 BC returned to charging GST at a rate of 5% (previously HST at 12%)
  - On April 1, 2013 BC returned to a provincial sales tax (PST system)
  - PST has several different tax rates for different industries. Make sure you are registered under the right industry.
  - There are generally 3 reasons to incorporate a business:
    - You want to limit your personal exposure to lawsuits
    - You have excess cash and want to pay lower tax, or
    - You intend to sell the business or transition it to your children.
  - If your company has a significant interest in a partnership the tax deferral opportunities have been eliminated.
  - Pensioners can earn up to \$3,500 of employment income before it affects their Guaranteed Income Supplement.
- Care must be taken in the timing of salary or dividend payments to clear shareholder loans.
  - It may be beneficial to pay a small penalty to CRA to do some “retroactive” tax planning.
  - Consider using the “quick method” of calculating GST. It may result in paying less GST than using the regular method.
  - PST is a retail sales tax that applies when a taxable good is acquired for personal or business use, unless a specific exemption applies.

If your sales are over \$10,000 per year or you operate from a commercial premise you may need to reregister for a PST account, if you have not already done so.
  - Please contact our office if you have any questions or you can also visit [www.gov.bc.ca/PST](http://www.gov.bc.ca/PST) for more information.
  - Each of these reasons must be examined in relation to your current situation and your expectations for the future. There are additional costs to having an incorporated business, so it is important to ensure the benefits will outweigh these costs.
  - Ensure your corporations and partnerships have the same year end to avoid “phantom income”.
  - If you are 65 or older, consider issuing yourself and your spouse a T4 of \$3,500 each.



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# “LOOPHOLES”

## Tax Law

## Planning Point

- ❑ Pooled Registered Pension Plans (PRPP) are a new kind of deferred income plan designed to provide more savings options for employees or self-employed individuals who do not have workplace pensions.
  - ❑ A change in tax law has been proposed whereby the deductibility of losses would be gauged on whether there was a personal element to an activity.
  - ❑ The government has extended optional E.I. benefits for maternity, parental, sickness and compassionate care benefits to self-employed individuals.
  - ❑ The existing CPP base of 4.95% will be increased annual starting in 2019, eventually reaching a base of 5.95% by 2023. More changes will take place until 2025.
  - ❑ Effective January 1, 2019, the Employer Health Tax (“EHT”) will be introduced. The EHT will be a new payroll tax that will apply to all employers with payroll in B.C. greater than \$500,000 and will apply to B.C. employment income and taxable benefits, as defined under the Income Tax Act (Canada). This includes:
    - Salaries;
    - Advances;
    - Casual labor;
    - Bonuses;
    - Vacation time;
    - Gratuities and tips (if paid through employer);
    - Taxable allowances;
    - Director fees;
    - Stock options;
    - Contributions paid to an employee’s RRSP and/or group life insurance premiums;
- PRPPs can offer investment and savings opportunities with lower administration costs.
  - Ensure you have documentation supporting a Reasonable Expectation of Profit. This only applies to proprietorships and not for corporations.
  - Care must be taken when opting in to this E.I. program since if you receive any benefits you may have to contribute if you are self-employed.
  - These changes are designed to allow for higher pension payouts on retirement.
  - The EHT is not applicable on employee earnings for employees who go to work at a premise located outside of the province of B.C. Only the employers with EHT owing (remuneration is greater than \$500,000 in the year) will be required to file an annual employer health tax return which will have a due date of March 31st of the following calendar year. Registration for the new program begins January 7, 2019. If you are associated with other employers, you will share the \$500,000 exemption.

Instalments payments are required quarterly if your health tax would have exceeded \$2,925 for 2018 (had the tax been in effect at that time) and your payment would be based on 25% of the previous years tax or 25% of the current year’s estimated tax. If you must pay



**Tax Law**

- RPP contributions;
- PHSP contributions;
- Deferred profit share plan contributions; and
- Retirement compensation arrangement contributions.

**Planning Point**

instalments in the 2019 calendar year, you must register by May 15, 2019 and your first instalment is to be paid by June 15, 2019.

All other employers are required to register by December 31, 2019 and must file and pay by March 31, 2020. If your business already has an eTaxBC account, your health tax can be added to and registered to that service.

- ❑ CRA allows businesses a deduction for the depreciation of equipment, referred to as the Capital Cost Allowance (“CCA”). The amounts for different types of equipment are set by CRA and only ½ of claim is permitted in the year of acquisition.
- ❑ For assets purchased after November 20, 2018, CRA has increased the first year’s depreciation from half the normal rates to 50% more than the normal rate. This accelerated rate will be phased out beginning in 2024. This does not apply to assets purchased from a non-arm’s length party or assets transferred through a rollover.
- ❑ If an asset has had too much CCA claimed on it over the years, the tax value will be lower than the fair market value. When sold, such an asset will result in an income inclusion called “recapture”.
- ❑ If you sell assets for a gain within a corporation, or if the company receives life insurance proceeds, and it results in a capital gain, only half of the gain is taxable. The non-taxable portion of the gain goes in to a capital dividend account (“CDA”).

- Make capital purchases close to the end of the year. In this way, you get a half-year claim when only owned for a few days. Wait until the beginning of a new year to dispose of equipment as there is no CCA claim in the year of sale.
- Be sure to let you accountant know of any purchased you made after November 20, 2018 as this will provide you with a much better write off.
- Transfer asset Classes 2-12 to Class 1 to defer the recapture of capital cost allowance when you sell assets. The purchaser, including children, can put the purchase into normal classes.
- A shareholder can apply to withdraw this amount from the company on a tax-free basis. Capital dividends are tax free to the recipient and a great way to increase shareholders loan.



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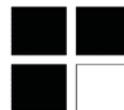


## “LOOPHOLES”

### Tax Law

### Planning Point

- The portion of expenses that relate to personal use (i.e. inventory that you consume personally) is not deductible by the business.
  - 50% of meals and entertainment expenses are deductible.
  - Leasing equipment is an alternative to purchasing, and the lease payments are 100% deductible.
  - If your worksite is more than 80km from the nearest urban center of at least 1,000 people, meals are 100% deductible. GST input tax credits also follow this rule.
  - Certain manufacturing assets and technological equipment can be put into a separate class when acquired so that when disposed of, a tax savings can be realized if the selling price is lower than the tax value.
  - There is currently a CCA rate of 50% on a declining-balance basis for machinery & equipment acquired after 2015 and before 2026 primarily for use in Canada for the manufacturing and processing of goods for sale or lease. The rate has increased to 100% for these assets purchased after November 20, 2018. This accelerated rate will be phased out beginning in 2024. This does not apply to assets purchased from a non-arms' length party or assets transferred through a rollover.
- Generally, it is easier to increase the reported income in the business to include sales to yourself. Although you can decrease the expenses if identifiable.
  - Keep good records to support your claim, including who you attended with and for what purpose.
  - Ensure it says “lease” if you want lease treatment. It can be structured just like a loan with a \$1 buyout and still qualify. **Be careful as to what the lease rates are. They are often much higher than financing costs.**
  - Be sure and claim 100% of such expenses if the work site qualifies as a “remote work location.”
  - Consider putting these assets into these special classes if you anticipate they will depreciate faster than the CCA rate permitted.
  - Ensure manufacturing and processing machinery and equipment included in the appropriate CCA class to take advantage of this increased deduction. There are enhanced CCA claims for clean energy generator and electrical generator from waste heat.



**Tax Law**

**Planning Point**

- ❑ A business can pay individuals as subcontractors, saving you the cost of Canada Pension Plan (“CPP”) and Employment Insurance (“EI”) remittances.
- ❑ **Effective January 1, 2018, there are new rules that prohibit income splitting through a private corporation.**
- ❑ **There are new rules that may force your company to share the Small Business Deduction with family members you conduct business with.**
- ❑ Effective for taxation years that begin after 2018, the small business deduction will be reduced once investment income in the Canadian Controlled Private Corporation (“CCPC”) exceeds \$50,000. For every \$1.00 of investment income that exceeds \$50,000, the small business deduction will be reduced by \$5.00 in the subsequent year. Once investment income exceeds \$150,000, the small business deduction will be eliminated.
- ❑ Effective for year-ends after 2018, the budget proposes that Refundable Dividend Tax on Hand (RDTOH) will only be refunded in cases where a private corporation pays an ineligible dividend.
- ❑ A company can accrue a bonus at the end of a year to reduce corporate taxes. However, it will not be taxable to the employee until received. CRA requires that the amount be paid within 179 days of being declared.
- There are specific criteria to consider if a worker is a subcontractor or an employee. Ultimately, the risk of any additional tax liability resulting from an incorrect assessment falls on you, so be sure before you start.
- **It may no longer be possible to split income with your spouse if you are an incorporated professional or service provider.**
- **These new rules do not apply if gross income with those related persons is less than 10% of your gross income. You may want to review your business structure to make sure changes are not required.**
- The definition of investment income for purposes of these rules starts with the normal definition of aggregate investment income, then makes the certain specific additions.
- There is an exception to this rule where you build up RDTOH through eligible dividends received. In this circumstance, a 2nd RDTOH pool will build up and eligible dividends will trigger the new RDTOH pool to be refunded.
- If your company has a year-end of July 31 (or later), the company gets a deduction in one year and the income to you is not taxed until the next year. This helps equalize personal income across years and avoids having income in the



**Tax Law**

- You can deduct home office expenses if you use your home office exclusively to earn business income and it is used on a regular and continuous basis for meeting clients, customers or patients. A recent tax court case said telephone contact was sufficient for “meeting clients”.
- Home office expenses cannot be claimed in a situation where it will increase the loss of a business. However, unclaimed amounts can be carried forward.
- Where a website will have a relatively short useful life the costs can be expensed. However, if it is expected to have a long useful life it should be capitalized.
- Membership fees and dues to any club providing dining, recreational, or sporting facilities (i.e. golf or yacht club) are non-deductible. However, expenses of entertaining at the club may be deductible if there is a business purpose.
- CRA considers gym memberships paid on behalf of employees to be a taxable benefit, stating it is not sufficient that it increases employee morale, health, and efficiency at work.
- A business can deduct premiums to Private Health Services Plans (“PHSP”). The plan can be self-administered.
- If you use your life insurance policy as collateral for a business loan, you can deduct a portion of the premiums paid.

**Planning Point**

high tax brackets. Good legal documentation is necessary, including how fees were arrived at, details of services rendered and that the fees vary from year to year.

- Keep all home related receipts (hydro, gas, insurance, mortgage interest, property taxes, repairs, etc.). The percentage of these expenditures relating to the home office is generally based on square footage of the office as compared with the remainder of the house..
- Always calculate the home office expense and keep a running balance.
- Ensure to breakout the regular maintenance fees of the website, as those items can be expensed.
- The standard rate for meals and entertainment is 50%. However, if the purpose of the expenses relates to a charity fundraiser, an office event, or a legitimate networking event, the expenses are then 100% deductible.
- Instead, you might try showing that your business benefits by securing customers from this membership or that good physical health is necessary for the employee to carry out their duties.
- It is often more beneficial to deduct these expenses in a business as they are 100% deductible. If claimed personally as a medical expense, they are subject to the 3% of income threshold.
- The allowable deduction is based on the cost of pure term life insurance with a face value equal to the loan balance.



## “LOOPHOLES”

### Tax Law

### Planning Point

- Dividends can be paid to one class of share, to the exclusion of another class.
  - An individual can receive about \$35,000 of dividends without having to pay federal tax, assuming no other sources of income.
  - “Eligible” dividends are taxed at a significantly lower tax rate than regular dividends.
  - An unpaid dividend can be reported on a separate tax return for a deceased taxpayer, effectively providing two low brackets.
  - The federal personal exemption for 2019 is \$11,809 (BC - \$10,412), under which no income tax is paid on earnings.
  - If you are in the construction business, you may be required to report all payments to subcontractors.
  - If your business pays fees or amounts greater than \$500 to subcontractors, you may be required to file a T4A forms.
  - Effective March 22, 2017, the work in progress deduction for professionals was eliminated.
- Use different classes of shares for spouses, to allow for income splitting. Consider using a family trust to allocate income amongst family members.
  - Consider both dividends and wages when structuring shareholder remuneration in any given year.
  - If your company has active income more than the small business limit, you should review whether paying “eligible dividends” is more tax advantageous than management bonuses. Dividends are often useful when a shareholder is getting CPP or other disability payments as wages often reduce the disability payments (dividends do not).
  - If you are elderly or of ill health, consider declaring a dividend in your company, but not paying it. This allows another \$35,000 to the estate tax-free. Also, a \$10,000 death benefit can be deducted by the business & not be taxable to the employee.
  - Pay reasonable wages to family members (especially children) to take advantage of these tax-free limits. The wages to kids decrease family income for Child Tax Benefit purposes and other social benefits.
  - Keep good records and file the required T5018 summaries. The penalty is up to \$2,500 for not filing.
  - The required T4A’s must be filed on time with CRA. Failure to comply may result in interest and penalties.
  - Professionals consist of accountants, dentists, lawyers, medical doctors, veterinarians, and chiropractors.



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## “LOOPHOLES”

### Tax Law

### Planning Point

- If you sell business property (including shares of a company) and replace it with a similar business property, it may be possible to defer the tax on the initial sale until the new property is sold.
  - The Lifetime Capital Gains Exemption is available on the sale of shares of qualifying companies, and the sale of qualifying farm/fishing property.
  - The Lifetime Capital Gains Exemption available on the sale of shares of qualifying companies is \$866,912 in 2019, and \$1,000,000 the sale of qualifying farm/fishing property.
  - If the value of your business exceeds your capital gains exemption, consider sharing with other family members.
  - Businesses that spend money to create childcare spaces for their employees are eligible for a 25% investment tax credit up to \$10,000 per child care space.
  - Interest on loans for capital withdrawals from partnerships or corporations is deductible.
  - Interest on money borrowed to earn business income is deductible. The purpose of a loan is what determines whether a loan is deductible.
- These Replacement Property rules are only available on business properties, not rental properties. Generally, there is a 1 year time restriction on the repurchase. Assets purchased in advance of the sale may sometimes be considered replacement assets.
  - There are very specific rules for property to qualify. You should review these rules several years ahead of a potential sale to allow for any necessary changes. Ensure you don't go offside on a “go forward” basis.
  - Try and structure your financial affairs to be able to use this huge deduction. It has the possibility of saving an individual up to \$215,861 of taxes on shares of qualifying companies and \$249,000 of taxes for qualifying farm/fishing property. Try and multiply this deduction so all family members can benefit from it.
  - An “estate freeze” can multiply the Capital Gains Exemption. A Family Trust has many benefits in this situation.
  - Eligible expenditures include cost of equipment, landscaping, licensing, permits, architectural fees, and children's educational materials.
  - Consider obtaining financing within the business to pay off personal debt. In this way, the interest becomes deductible, where it was previously not.
  - Always structure loans to be for a business purpose to make them deductible. If required, personal assets can still secure the loan. If structured properly a mortgage loan for your house can be tax deductible.



**Tax Law**

**Planning Point**

- CRA has stated that payments of mixed debt must be split pro-rata based on the personal and business percentages. ➤ You might consider splitting your financing in two separate loans (business vs. personal) and pay down the personal loan first.
- If a debt is not repaid to creditors, there may be certain amounts included in your income. ➤ Ensure that the “forgiveness” of the debt is structured properly to avoid this income inclusion.
- CRA provides a tax credit to taxpayers who carry out qualifying scientific research and experimental development. Your business must do something that is a “technological advancement”. ➤ Apply if you think you could be eligible. Almost any area of “technological advancement” qualifies.
- There is a tax credit for salaries paid by a film or video company. ➤ Try to have as much of your salary shown as “production salary” as possible.
- A business in B.C. that employs a registered apprentice in most trades is eligible for a tax credit equal to 10% of salaries paid, to a maximum of \$2,000 per year per apprentice. ➤ To claim this credit, you will require the appropriate trade code and apprenticeship contract # for your employee.
- Business losses created on or after 2005 can be carried forward for 20 years, except for those resulting from an ABIL. ➤ If your business has losses that are about to expire, it may be possible to renew these, so that they are available for another 20 years.
- Tools with a cost less than \$500 are considered Class 12 additions for tax purposes, and are fully deductible in the year of purchase. ➤ It is important to ensure these are appropriately recorded, as the alternative is Class 8, which is a deduction at 20% per year.
- A business is permitted to deduct education costs for its employees, if they provide a benefit to the business. ➤ If you run a business and have children attending school, you may wish to have the business pay for the tuition and other costs. There is a risk that CRA would deem this to be a taxable benefit, unless it can be shown that the program provides skills that are applicable to the business.



**IF YOU USE A VEHICLE FOR BUSINESS**

- Expenses relating to a vehicle used for business purposes are deductible based on the percentage of kilometers driven for business purposes, which must be supported by a travel log. CRA auditors have stated that if a log is not available, they consider the vehicle to be 100% for personal use, and no deductions are available. CRA may allow a simplified log book based on a sample period of time.
- Employers are permitted to deduct a traveling allowance paid to employees for vehicle use, which is non-taxable to the employees. For 2019, the rate in B.C. is \$0.58/km for the first 5,000 kilometers and \$0.52/km thereafter.
- If an employee uses a business vehicle for personal use, the employer is required to calculate an “operating benefit” and a “standby charge” based on the number of personal kilometers and include these amounts on the employee’s T4. For 2019, the “operating benefit” rate is \$0.28/km. The “standby charge” is 2/3 of the annual lease cost or 24% of the original cost.
- A vehicle defined as a “passenger vehicle” by CRA has special rules that reduce the allowable deductions for depreciation, lease costs, recapture and interest. The maximum cost for depreciation is \$33,600 (which includes GST and PST), the maximum lease cost is \$800/month, and the maximum interest is \$300/month. If not determined to be a “passenger vehicle”, the full expenses are deductible.
- Receipts must be kept to support the expenses claimed. If you are audited and do not have a log, you may be able to prepare a log after the fact based on timesheets, appointment books, or other means, and appeal the re-assessment. Also, GPS log books are now available to help automate the log book process.
- If actual vehicle expenses (insurance, repairs, fuel, loan interest, etc.) exceed this rate, actual costs can be claimed. However, receipts and a mileage log must be maintained to support the claim.
- The “standby charge” is reduced if personal use is less than 50% and less than 20,000 km/year in total. Because the standby charge is so onerous, a vehicle should generally only be owned by a business if it is used more than 90% for business use and personal use will be less than 1,000 km/month.
- A vehicle is not a “passenger vehicle” if:
  - It seats 3 or less people and is used more than 50% for business, or
  - It seats more than 3 people and is used more than 90% for business. This vehicle must be a van, pick-up or similar vehicle and used to transport goods, equipment, or passengers to earn income.
 These tests only apply in the year of acquisition. Acquire new vehicles just prior to the end of the year and ensure it



## “LOOPHOLES”

### Tax Law

- ❑ CRA regards travel to and from work as personal use. However, recent tax court cases have determined that a home office can be considered a work location. Therefore, travel between your home office and your other office maybe 100% deductible.
- ❑ An employer can loan money to an employee for the purchase of a car. These loans must bear interest at the prescribed rate of interest at time the loan is made. For the first quarter of 2019, the prescribed rate is 2%.

### Planning Point

meets the test for this short period. There are special rules for the disposition of a “passenger vehicle”.

- If you do not have a home office, consider traveling from your home to a client or supplier on the way to your office. This may make the trip 100% deductible.
- There is no requirement to increase this interest rate once the loan is made; therefore, this allows for a non-taxable benefit to the employee if the market interest rate exceeds the prescribed interest rate.

## IF YOU ARE A FARMER

- ❑ There are several tax rules designed solely for farmers, many of which are very complex.
- See our separate booklet titled **“LOOPHOLES FOR FARMERS”** for a review of these specific tax planning points.

## IF YOU HAVE INVESTMENTS

- ❑ All Canadian residents must report on Form 1135 “specified foreign assets” over \$100,000. CRA is enforcing this requirement by assessing penalties of up to \$2,500 for absent or late-filed forms. Corporations and Trusts that have investments must also report on form 1135.
- This includes shares in U.S. companies, even if purchased through a Canadian broker. It does not include active businesses, foreign property held by a Canadian mutual fund, or property held in an RRSP or personal use property such as vacation homes used personally
- ❑ In 1994, CRA permitted all taxpayers to make a special election to utilize up to \$100,000 of their lifetime capital gains exemption. This may result in an increased cost base for that item, which may reduce the taxes when it is sold.
- If you are selling any investments (including property) that were owned prior to 1994, always refer back to your 1994 tax return to determine if there is an increase to the cost base.



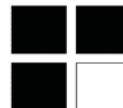
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**Tax Law**

**Planning Point**

- Capital gains are taxed at 50% as compared with income, which is taxed at 100%. However, capital losses are only deductible against capital gains as compared with income losses, which are deductible against all sources of income.
  - If you sell a capital asset for a gain but don't get all the proceeds immediately, a “reserve” can be claimed to spread the gain over a maximum of 5 years.
  - If you sell an investment for a loss, you must wait 30 days before reacquiring the investment otherwise the loss is classified as a “superficial loss” and may be denied by CRA.
  - Investment losses (both capital and non-capital) can be carried-back 3 years.
  - Transfers and gifts of property to children, parents and siblings must be at fair market value. If a transaction is not at fair market value, CRA can adjust the transaction.
  - If you have invested money into a business and don't have any chance of getting it back, you can claim an “allowable business investment loss” (ABIL). An ABIL can be used to reduce income from other sources and is not restricted to capital gains.
  - Venture Capital Corporations investments allow a 30% tax credit as well as a full RRSP deduction.
- If you have a gain on the disposition of property, try and have it classified as a capital property. However, if you have a loss, try and have it classified as a business loss. The main factors that CRA looks at include:
    - period of ownership
    - frequency of transactions
    - amount of improvements
    - reason for the sale
    - intention at time of purchase.
  - For sale of property and small business corporation shares this reserve can be extended to 10 years in some circumstances.
  - In some cases, the superficial loss rules can be used to shift capital losses to a spouse where they can be used.
  - If your investments are suffering a decline in value, consider selling to recover taxes paid on gains in the previous 3 years.
  - Double taxation can occur because CRA may only adjust one side of the sale. To avoid this, property can be gifted so CRA is forced to adjust both sides.
  - If you have previously claimed a capital gains exemption, the ABIL may be reduced by that amount.
  - If you invest \$5,000 you can get a \$4,000 tax refund after the 1<sup>st</sup> year (depending on your income) but beware of the RISK!



**Tax Law**

**Planning Point**

- Rental income from property held within a corporation is taxed at a higher rate than business property. However, CRA regards any property that employs more than 5 full time employees to be an active business, thereby eligible for the low rate tax.
  - Investment income earned within a corporation is taxed at a rate slightly higher than the highest personal tax bracket.
  - Although investment income is initially taxed at a very high rate, it is possible to recover a portion of that tax by paying out dividends.
  - If money is gifted to other family members to invest, the income generated may be “attributed” back to the “gifter”. However, if it is loaned at a “prescribed rate”, no attribution occurs.
  - Interest on loans for investment purposes is tax deductible. Interest on loans for RRSPs and other registered plans is not deductible because the investment income is not taxed.
  - Fees for investment counseling and portfolio management are deductible against investment income.
  - Reinvested distributions from mutual funds are added to the cost base of the mutual fund.
  - “Return of capital” distributions from mutual funds are reductions to the cost base of the mutual fund.
- If possible, try and structure your rental as a business. Don’t forget to pay your spouse and children reasonable wages for work performed.
  - A wage can be paid to shareholders to reduce the corporate tax, but it may reduce social benefits such as OAS, GIS, and child tax. Incorporating investment income may lead to good results.
  - For every \$3 of dividends paid, you can recover \$1. However, be cautious of the effect it will have on your personal tax return. Dividend Refund will recently increase from 33 1/3% to 38 1/3% effective for tax years that end after 2015.
  - It is very important that the interest is paid by January 31 of each year and T5s must be issued. If one year is missed, the entire plan is off side. There is no attribution of active business earnings.
  - If possible, borrow for new investments and use old investments for personal acquisitions such as vehicles. It may also be possible to restructure existing debts to make it deductible.
  - If your accountant is giving you investment advice, it may also qualify as a write-off.
  - Be sure to add the distributions to the adjusted cost base to reduce the resulting gain.
  - The cost base of a mutual fund can become negative, which is taxed as a capital gain in that year.



## “LOOPHOLES”

### Tax Law

- ❑ There are many tax shelters that are designed to give immediate tax relief, including mineral and oil and gas flow through shares, Canadian films and venture capital plans.
- ❑ If you are investing in marketable securities, you can claim them as capital gains or business income. Capital gains are  $\frac{1}{2}$  the tax rate as business income. However, capital losses give you only  $\frac{1}{2}$  the benefit of a business loss.
- ❑ “Eligible” dividends are taxed at a significantly lower tax rate than regular dividends.
- ❑ Capital losses can be carried forward indefinitely.
- ❑ Mutual fund distributions are taxable when received.
- ❑ Taxpayers can register for a Tax-Free Savings Account (“TFSA”). This is not a tax deduction like an RRSP. However, both the investment growth and the withdrawal are tax-free. Shares of privately held companies where you own less than 10% can be put into a TFSA. The yearly contribution limit has changed since its inception. For 2019 it is \$6,000, however, you can “catch up” on any missed prior years’ amounts.

### Planning Point

- You should only make an investment in a tax shelter if there is a reasonable expectation of profit. There is no point in losing \$100 to save \$50 of tax. Also, make sure the tax shelter has the appropriate designation from CRA.
- CRA permits a taxpayer to file an election treating all future dispositions of marketable securities as capital in nature. This is irrevocable and applies to all future years. The election is not available if you are a registered stock broker.
- Most dividends from Canadian public companies may be “eligible dividends”. These may be reported separately on your T5 that is received from these companies.
- To take advantage of capital losses carrying forward, you should consider selling some of your well performing securities to trigger a gain. You can then repurchase those assets if they continue to meet your investment objectives.
- Most funds distribute in late December. If you purchase a fund in early December, you may pay tax on those distributed earnings even though they were earned by someone else.
- You might consider using this account for high-risk investments to increase the amount of tax saving if the investment does well. If you withdraw from the TFSA that amount can be replaced BUT you can’t put the money back until the following calendar year. Beware of TFSA investments doing poorly as they may limit future contributions.



**Tax Law**

**Planning Point**

- If you sell investments within a corporation and it results in a capital gain, only half of the gain is taxable. The non-taxable portion of the gain goes in to a capital dividend account (“CDA”).
  - Life insurance policies accumulate free of tax and are not subject to tax on death.
  - If you own property in the U.S., you may have to include any gain on its sale on your Canadian tax return. You may also have to file a U.S. tax return and pay taxes in the U.S.
- A shareholder can apply to withdraw this amount from the company on a tax-free basis. Capital dividends are tax free to the recipient and a great way to increase shareholders loan.
  - You can borrow against this policy to create cash flow during your lifetime.
  - U.S. taxation is very different from Canadian taxation and requires specialized advice. If you do pay U.S. taxes, you may be eligible for a Foreign Tax Credit on your Canadian return.

**IF YOU OWN RRSPS/RESPS/RDSPS**

- RRSPs, RESPs, RDSPs and RPPs allow investments to grow on a tax-free basis until withdrawn from the plan. In BC, it appears Registered Plans are creditor proof.
  - RRSP contributions made in the first 60 days of the year are deductible in that year or the preceding year. Unused deduction room can be carried forward for use in subsequent years.
  - An RRSP purchase results in a tax reduction, giving a guaranteed rate of return between 20% and 50% in the first year, based on your tax bracket.
  - RRSP contribution room is calculated as 18% of your earned income in the previous year. This is aggregated over your lifetime.
- Maximize contributions to registered plans before investing in non-registered investments. Individual Pension Plans offer high income tax payers additional shelters of taxable income.
  - If you are at low rates of tax one year and high rates the next year, it is better to deduct the RRSP in the high-income year. It can still be purchased in the low-income year, just don’t deduct it.
  - When the RRSP is withdrawn, you may pay tax, however, you may likely be in a lower tax bracket so may have saved tax. Be cautious of making RRSP contributions when you expect to retire at a higher tax bracket as you may end up paying more tax in the long run.
  - If a child has any earned income, a tax return should be filed even if non-taxable, if only to increase future RRSP contribution room.



## “LOOPHOLES”

### Tax Law

- ❑ Effective 2019, the maximum RRSP contribution limit has been increased to \$26,500. To reach the maximum contribution limit in 2019, you will need income of approximately \$147,222 in 2018.
- ❑ You can withdraw RRSPs, however, the issuer is required to withhold tax at the following rates:

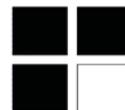
\$5,000 or less	10%
\$5,000 - \$15,000	20%
over \$15,000	30%
- ❑ The maximum age at which you can contribute to an RRSP is 71.
- ❑ If you have not owned a residence in the last 4 years, you can use the Home Buyers Plan (“HBP”) to withdraw up to \$25,000 from your RRSPs to buy the home without paying the tax on the RRSP withdrawal.
- ❑ A taxpayer can contribute to a spousal RRSP. Provided the spouse waits for 3 years from the date of the last contribution to withdraw from the spousal RRSP, the resulting income is taxed in the spouse’s hands.
- ❑ If you don’t have sufficient cash for your RRSP purchase, you can borrow from the bank to make your RRSP contribution. Interest on the loan is **not** deductible.
- ❑ The year in which you must “mature” your RRSP into a RRIF is the year you turn 71. The minimum amount that annuitants are required to withdraw from a RRIF in 2015 and subsequent taxation years has been lowered from approximately 7% to 5%.

### Planning Point

- Your ability to contribute to an RRSP is based on earned income. Interest, investment and property income **do not** qualify as earned income. To increase these earnings, you might consider moving your investments to a corporation and paying yourself a wage.
- Make several smaller withdrawals to lessen the withholding rate. Don’t draw out RRSP in a high-income year as it is taxed at the high tax rate in that year. When you file your return, the actual tax payable from the RRSP cash out will be determined.
- If you are 71 or older you can still contribute a spousal RRSP if your spouse is under 71.
- You must repay the RRSP (or include the withdrawal in income) over a 15-year period. If you are disabled or are the supporting person of a disabled person you can use the HBP even if you have previously used it or you currently own a home.
- If a spousal RRSP is purchased on December 31 and is withdrawn on January 1<sup>st</sup> of the second following year, the spouse can, in effect, withdraw the spousal RRSP in a 2-year period.
- Such a transaction is usually only beneficial if the loan can be repaid within a year or if you are expecting lower taxable income in a future year.
- Be sure not to miss the deadline otherwise all accumulated funds in your RRSP may be added to your taxable income. You can base the withdrawals out of the RRIF on the younger spouse’s age.



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**Tax Law**

**Planning Point**

- You may be eligible to receive a tax credit up to \$2,000 on your pension income (OAS and CPP not eligible).
  - A retiring allowance can be rolled directly into an RRSP on a tax-free basis.
  - You can contribute certain qualifying investments, such as shares and mortgages, into your RRSP. Shares of your own company in certain conditions (less than 10% ownership) are qualified property for RRSP contributions.
  - You can convert some of your RRSPs into a non-RRSP investment by using the RRSP meltdown strategy.
  - The lifetime limit for contributions into a RESP has been increased to \$50,000. Generally, RESPs can now be transferred between siblings without penalties.
  - The loss in value of RRSPs or RRIFs after the death of a taxpayer can be applied against the deemed income inclusion reported on final tax return.
- For individuals that do not have a pension and are 65, you should consider transferring funds from your RRSPs to a RRIF to benefit from this credit.
  - You don't need any RRSP contribution room to do this.
  - You may have a capital gain if the investment has gone up in value. However, a capital loss is denied if the investment has gone down, so you are better to sell the investment at a loss and put cash into your plans. Severe penalties exist for putting ineligible investments in RRSPs.
  - In this strategy, you borrow funds to invest in a non-registered investment. RRSPs are then cashed in and the interest expense may help offset the RRSP income.
  - To maximize the government top-up, you must contribute \$2,500/year. Spreading out a lump-sum payment is therefore beneficial. There are supplementary government grant programs which match some RESP contributions. These are the Canada Learning Bond and the Canada Education Savings Grant.
  - The RRSP or RRIF must be wound up by December 31<sup>st</sup> of the year following the year of death.



**IF YOU MAKE DONATIONS**

- ❑ Publicly-listed securities and ecologically sensitive land can be donated to a registered charity or private foundation without having to report a capital gain on the appreciation of these assets.
- Instead of selling these assets and donating the cash to a charity, donate the asset directly. This translates into a larger donation receipt for you and more money to the charity or foundation.
- ❑ Charitable donations are eligible for a 20% credit on the first \$200 donated and a 44% credit on the remainder.
- Combine your charitable donations with your spouse to have a larger balance over the low rate threshold. If your net income is greater than \$200,000, you may be eligible for a 48% credit on the remainder.
- ❑ Charitable donations are limited to 75% of taxable income.
- Claim donations on the higher income spouse’s return to increase the maximum allowable contribution limit. Split the contributions between spouses only if over this limit.
- ❑ A donation made but not claimed can be carried forward for 5 years.
- Consider accumulating the donations for two or more years to have a larger balance over the low rate threshold.
- ❑ Qualifying first time donors may be eligible for an additional tax credit of 25% on the first \$1,000 of donations. This includes anyone, or their spouse or common-law partner, who has not claimed any charitable donations after 2007. This is available until 2017.
- If you’re not going to make the maximum donation of \$1,000 you should consider making several smaller donations over the next few years and then claim the cumulative amount all at once to maximize the additional 25% benefit.
- ❑ In the case of a deceased person, the limit on charitable donations is increased from 75% to 100% of net income. Any unused donations can be carried back to the prior year or used by a spouse.
- You can now name a charity as a beneficiary of a life insurance policy or RRSP as part of your estate planning to reduce taxes on death.
- ❑ It is generally more advantageous to make donations personally rather than through a corporation due to significantly higher personal tax rates.
- Ensure that donations are paid by personal funds and that the donation receipt is in your personal name.



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**Tax Law**

**Planning Point**

- ❑ Contributions to a registered political party or an officially nominated candidate result in a tax credit of 75% for the first \$400; 50% for the next \$350; and 33 1/3% for the next \$525. There is no credit for contributions beyond \$1,275.

- The tax savings from political contributions exceeds that of charitable donations, but is more limited in the amount you can claim. Consider a mixture of both to maximize your tax return and your personal objectives.

**IF YOU OWN A HOME**

- ❑ CRA provides for a taxpayer to sell their home on a tax-free basis using the “principal residence exemption”. The principal residence exemption is generally limited to the home and the ½ hectare (1.2 acres) it is situated on.

- Tax court decisions have allowed significantly more than the standard ½ hectare of land for the principal residence. If you have more than ½ hectare, talk to our office to see what needs to be done to qualify. As a senior you can opt to postpone property tax payments to when you sell your house.

- ❑ **On October 3, 2016, there was a change by CRA which requires you to report the sale of your principal residence on your tax return beginning with the 2016 tax year.**

- **You may not have to pay tax on any gain from the sale. You will need to report basic information such as date of acquisition, proceeds of disposition and description of property.**

- ❑ You can only claim the principal residence exemption on 1 house per family per year. If you have more than one residence (*i.e.* a home and a cottage), you can designate different homes as your principal residence for different periods. You do not need to live in a residence on a continuous basis over the year. CRA only requires that it was “ordinarily inhabited” for a period each year.

- Prior to January 1, 1982 you and your spouse could each own a principal residence (“PR”). Designate the residence with the greatest increase in value as the PR to minimize the taxes. When acquiring a second property, obtain a current valuation of the first property as well to aid in the above determination. Keep a record of the adjusted cost base of each property to be able to calculate the gain.

- ❑ If you leave your house on a temporary basis, you can maintain its principal residence status for a period of 4 years after you have left it.

- During the years that you rent your principal residence, you may deduct various costs and expenses but **not** capital cost allowance.



# “LOOPHOLES”

## Tax Law

## Planning Point

- If you own a rental property and subsequently move into this property, you can elect to have it treated as your principal residence.
- A First-Time Home Buyer’s Tax Credit of \$5,000 is available for first time home buyers who acquire a home after January 27, 2009. This saves \$750 on your tax return.
- The property value, at which the BC Home Owner Grant is phased-out, was increased to \$1,650,000 in 2018.
- For property transfer tax purposes, the threshold for eligible residential property under the First-Time Home Buyers' Program is \$475,000. The partial exemption applies to homes valued between \$475,000 and \$525,000.
- Effective February 21, 2018, the general property transfer tax rate increased from 3% - 5% on the portion of a property transferred where the value is in excess of \$3,000,000. The rate on the first \$3,000,000 of a property’s value remains unchanged.
- Effective January 1, 2018, a new speculation tax was introduced on residential properties in BC. This new tax will target both foreign and domestic home owners who do not pay income taxes in British Columbia. Households with high worldwide income but who pay a small amount of tax in BC may also be liable to pay the tax.

- You cannot have rented for more than 4 years, and cannot have claimed CCA during this period.
- This credit is to anyone who has not owned a home in the last 4 years. If you are disabled, you do not have to meet the 4-year test.
- For properties assessed above the threshold, the grant is reduced by \$5 for every \$1,000 of assessed value in excess of the threshold.
- This allows eligible first time home buyers to save up to \$7,500 in property transfer tax on the purchase of their home. To qualify, you must have never owned an interest in a principal residence anywhere in the world at any time.
- This change in the property transfer tax amount for properties over \$3,000,000 does exempt commercial land but does not exempt properties classified as residential and farm, or that is residential mixed class (i.e. residential and commercial).
- This new tax is administered by the Province of British Columbia but falls outside of the normal property tax system and property tax cycle. All owners of residential property in the designated taxable regions of B.C. must complete an annual declaration. This includes Kelowna and West Kelowna.  
  
To claim your exemption, you must register your property by March 31, 2019 – either by phone or online. The information you’ll need to register your property declaration will be mailed by



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**Tax Law**

- If you rent part of your house out or use it for business purposes, you can still claim principal residence on the whole house.

**Planning Point**

mid-February to all owners of residential property within the taxable regions.

- Be sure and claim less than 40% of common expenses, don't make structural changes and don't claim CCA.

**IF YOU HAVE (HAD) A SPOUSE**

- If you are legally married (or living common law) you are able to claim a tax credit for a low-income spouse.
- A CPP retirement benefit can be split with your spouse.
- Currently, CPP survivor's pensions are paid at a reduced rate for someone who is under age 45 unless they are disabled or have dependent children. CPP survivor's pensions are not payable at all if someone is under age 35 and doesn't meet either of those same two conditions. These restrictions have recently been eliminated.
- Dividends can be reported on a spouse's tax return in certain circumstances.
- Several credits can be transferred to a spouse if certain conditions are met.
- A taxpayer can transfer up to 50% of their pension income to their spouse.

- Common-law partners cohabitating for a 12-month period, or longer, are subject to the same rules as legally married spouses. However, if you are separated for more than a 90-day period during the year then you may not be considered common-law for tax purposes or can be considered to be separated (for legally married couples).
- If your tax rate is higher than your spouse's, contact CRA to have the CPP benefit split to reduce overall family taxes.
- Anyone who is currently receiving a reduced, under-age-45 survivor's pension will automatically have their survivor's pension increased in 2019, and anyone who was denied a survivor's pension because they were under age 35 when their spouse died can reapply for a survivor's pension to start effective in 2019." You will need to apply for this.
- Calculate whether it's best for you or your spouse to report the dividends.
- These credits include: the pension amount, age amount, disability amount, amount for children or tuition.
- At the very least, \$2,000 of pension income should be reported by both spouses to avoid wasting the pension income tax credit.



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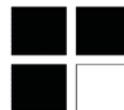


## “LOOPHOLES”

### Tax Law

### Planning Point

- Each spouse is taxed on his/her own income in Canada. Less tax is paid if both spouse's income is equal as opposed to one spouse having the bulk of the income.
  - Transfers of property to a trust in favor of lower income spouses can provide good income splitting opportunities.
  - **Testamentary trusts lose their ability to use graduated tax rates after 36 months.**
  - New reporting requirements will be introduced for certain trusts that will require disclosure of trustees, beneficiaries, settlors and protectors. These new rules will be applicable for the 2021 and subsequent taxation years.
  - Each family is allowed one principal residence exemption, but each separated person is allowed his or her own principal residence exemption.
  - After a marriage breakdown, attribution rules no longer apply. All RRSPs and RRIFs can usually be transferred to your ex-spouse without any immediate tax. Spousal RRSPs can be cashed in without adverse tax consequences to the contributing spouse.
  - Child support payments based on post May 1, 1997 settlement agreements are not deductible to the payor and are not included in the recipient's income.
  - Alimony and spousal maintenance payments are deductible to the payor and taxable to the recipient
- Have the higher income spouse pay for all living expenses and have the lower income spouse put their earnings into investments.
  - A spousal trust established on death allows for utilization of an additional low tax bracket.
  - **To avoid high rate tax, try to have graduated rate estate trusts wound up in 36 months.**
  - A new beneficial ownership schedule will be required to be completed, and failure to do so will see penalties attached that are similar to information returns (\$25 a day for late filed schedules, \$100 minimum penalty, \$2,500 maximum).
  - When the family owns more than one property at time of separation, ordinarily it makes sense to give each spouse one property.
  - In a marriage breakdown situation, try and work with your ex-spouse to reduce the overall tax bite of RRSPs and RRIFs. **Ensure that CRA does not determine that part of the RRSP/RRIF split is in lieu of child support. If they do, that amount may be taxable.**
  - Where the payor and recipient jointly elect with CRA they can use the new rules even if their agreement was effective before May 1, 1997.
  - Alimony agreements can result in the shifting of income from a higher income to a lower income spouse resulting in an overall tax saving.



**Tax Law**

**Planning Point**

- Legal fees to collect spousal support have been allowed as a tax deduction by recent tax courts. Legal costs of child support issues have also been deductible.
- Make sure that your lawyer clearly breaks out these costs in their invoices so they can be deducted.

**IF YOU HAVE CHILDREN**

- Effective July 1, 2016, the Universal Child Care Benefit is replaced by the Canada child benefit. However, you can still apply for previous years.
- Basic tax free benefit for July 2018 to June 2019 is \$6,496 per year for each eligible child under the age of six and \$5,481 per year for each eligible child aged 6 to 17 years of age. This amount is reduced when your family net income is over \$30,450.
- CRA permits the Canada Child Benefit payments to be held in a child’s name without attribution of the income back to the parents.
- If you have control over your family income, pay heed to these new thresholds!
- Starting April 1, 2018 parents with children in participating licensed care will be eligible for fee reductions of up to \$1,250 per child per month. This will be phased in over the next 3 years, fully implemented by 2020. The benefits will be paid directly to eligible licensed service providers and will replace the existing child care subsidy.
- Providers who have been approved for the child care fee reduction initiative are required to inform families with children in their care that their facility has been approved. Parents who are unsure about their provider's opt-in status are encouraged to look up their provider's opt-in status at: <https://www2.gov.bc.ca/gov/content/family-social-supports/caring-for-young-children/running-daycare-preschool/child-care-operating-funding/child-care-fee-reduction-initiative-provider-opt-in-status>
- The B.C. Early Childhood Tax Benefit, provides a monthly payment of \$55 for each child under the age of six.
- Family net income exceeding \$100,000 will grind the benefit paid, and the benefit will be eliminated when family net income reaches \$150,000.
- If you are single, but support a family member (such as a child) in your home, you are eligible to claim the eligible dependent tax credit.
- This credit gives you the same benefit as having a low-income spouse. This can also benefit spouses that have separated during the year and have had no support from their spouse during the separation.



## “LOOPHOLES”

### Tax Law

### Planning Point

- ❑ The maximum amount of the childcare expense deduction is \$8,000 for each child under 7 and \$5,000 for each child between 7 and 17. In cases where a child of any age claims the disability tax credit, the maximum is \$11,000.
  - ❑ If your children are grown and have their own minor children, consider bequeathing funds in your will to your grandchildren in a trust.
  - ❑ RRSPs and RRIFs can now be left to financially dependent children and grandchildren or to their RDSP.
  - ❑ You can sell shares of a small business corporation to your children. Future growth in the company may then be taxed in the hands of the children but you can still control the company until your death.
  - ❑ The government provides a grant of up to \$500 per year based on contributions into a Registered Education Savings Plan (“RESP”). If the child does not go to post-secondary school, up to \$50,000 (lifetime limit) of the RESP can be transferred to your RRSP.
  - ❑ The BC Training and Education Savings Grant provides a grant of \$1,200 per child born after January 1, 2007.
  - ❑ Children over 18 years of age are eligible for a principal residence exemption.
  - ❑ The Child Disability Benefit is \$2,730 per child for each child eligible for the Disability Tax Credit (“DTC”) that is under 18 years of age. This is in addition to the regular DTC.
- Be sure to claim all childcare expenses including babysitters, boarding schools, summer camps, sports camps and wages to other children 18 or older for looking after your children 16 or younger.
  - On your death, the funds will go in trusts with your children as trustees and the grandchildren as beneficiaries. The grandchildren’s income will be taxed in the child’s name.
  - Doing so may eliminate any taxes that would otherwise be payable when cashing-in the RRSPs or RRIFs.
  - This “estate freeze” is a very effective way of transferring future income and capital gains to children.
  - If possible, ensure you contribute at least \$2,500 to each child’s RESP to capitalize on the government grant. The effective return on this investment is 20%. The maximum grant paid by the government is \$1,000 per year, provided there is room carrying forward.
  - No matching or additional contributions are required. However, you need to open an RESP account at your bank and apply.
  - Consider purchasing a second residence in your adult child’s name. creditors/matrimonial reasons.
  - You will need to have a doctor complete the necessary forms and file these with CRA if you have not already done so.



**IF YOU ARE A SENIOR**

- You may have the option to defer receiving your OAS pension for up to 5 years. In exchange, you may receive a higher monthly amount (0.6% every month delayed to a maximum of 36% at age 70).
- OAS is “clawed back” by 15 % of an individual’s net income over \$75,910 for 2019 (\$74,788 for 2018). The “Age amount” is also reduced if your income exceeds \$36,976. These claw backs result in a large hidden tax.
- If you are receiving Old Age Security, you may be eligible for **Guaranteed Income Supplement (“GIS”)**, depending on your income.
- If you are employed or self-employed and between the ages of 65 and 70, and you want to stop contributing to the Canada Pension Plan (“CPP”), you must file an election form, if you are collecting CPP.
- CPP does not qualify for pension splitting like other pensions on an annual basis for tax purposes.
- Based on your family history, if you think you may live longer than the average you might want to consider deferring you OAS to benefit from higher monthly payments. Also, if you are in a high tax bracket and your OAS may be clawed back then you should consider deferring your OAS.
- Try to restructure your holdings to split income with your spouse and/or limit remuneration from your company. Also, consider delaying deducting your RRSP contribution in the last 2 years before retirement, which can be carried forward to reduce your future taxable income in those years.
- **An application must be filed to receive this GIS - it is not done automatically when you file a tax return.**
- The election form required is called a CPT30 form. It must be forwarded to CRA and a copy should be kept with your records. You must be a recipient of CPP to make this election.
- If over 60, you can apply to have your CPP benefits split between you and your spouse to reduce taxable income. You can call HRDC and request the actual payment be equalized among spouses.



**Tax Law**

**Planning Point**

- ❑ **A disability tax credit is available if you have a prolonged mental or physical impairment that is certified by a medical professional. Unused disability credit can be transferred to related persons.**
- ❑ If you incurred any renovation costs that were necessary to help you stay in your home, you may be eligible for the Seniors Home Renovation Tax Credit. The tax credit would be 10% of the eligible renovation expenses to a maximum of \$1,000 per year.
- ❑ Attendant care expenses are a deductible medical expense.
- ❑ A \$2,000 pension tax credit is available for retirees who have qualifying pension income.
- ❑ If you receive a German pension, you may have to file a German tax return.
- ❑ Probate fees may be eliminated using gifting, setting up trusts, named beneficiaries, joint tenancy, etc.
- ❑ “Eligible” dividends are taxed at a significantly lower tax rate than regular dividends.
- If this condition existed over the last 10 years, you should re-file back until that time. In some cases, this can result in refund of almost \$20,000 in income taxes.
- This includes the addition of such items like handrails, walk-in bathtubs, ramps, etc. This is available for either rental units or houses that are owned. This credit is available to either the senior or a family member sharing their home to a senior.
- Be sure to keep receipts as they may be required by CRA.
- If you are over 65, consider converting RRSP funds into a RRIF or term deposits into qualifying annuities. This may permit you to receive \$2,000 of income from these investments on a tax-free basis.
- If this applies to your situation and you require further assistance, please contact our office.
- **Be careful not to generate immediate income taxes when doing probate planning. Also, consider creditor and family law issues. Serious consideration should be given before putting assets in joint tenancy with intended beneficiaries. Legal advice should be sought in this regard.**
- Although taxed at a lower rate, “eligible” dividends have a higher gross-up resulting in higher taxable income. This may result in a reduction in your GIS or OAS payments. This should be considered if you have the choice between “eligible” and “ineligible” dividends.



**Tax Law**

**Planning Point**

- If you stayed home to care for children born after 1958, you may be eligible to have a credit applied to your CPP contributions in lieu of this time spent away from the work force.
- You may need to complete the CPP Child Rearing Drop-out Provision at the same time you apply for your CPP benefits. If you are already collecting CPP and did not know about this opportunity, we may be able to get this increase to your CPP amounts paid retroactively.

**IF YOU CARE FOR YOUR PARENTS**

- If you are single, but support a family member (such as a parent) in your home, you are eligible to claim the equivalent to spouse tax credit. Also, if the parents are disabled, you can transfer the disability tax certificate to yourself.
- You may also be eligible to claim the caregiver tax credit if you are residing with a parent over 65 or a dependent relative who has a mental or physical infirmity.
- If you have a dependent with an impairment in physical and or mental functions you may be eligible to claim an additional tax credit for the Family Caregiver Amount.
- An additional credit of \$2,121 may be claimed for the Family Caregiver Amount for an infirm dependent (including a spouse or an eligible dependent). CRA may ask for a statement from the doctor to verify when the impairment began and the expected duration.

**IF YOU ARE PAYING MEDICAL EXPENSES**

- Medical expenses **paid** over 3% of your net income or above the annual threshold entitle you to a tax credit. Some allowable expenditures include:
  - payments to doctors, dentists, chiropractor, etc.
  - glasses, hearing aids, dentures
  - prescription drugs
  - premiums paid for extended medical or dental plans
  - equipment purchases and renovations for handicapped
- Claim medical expenses on the lower income spouse’s return to decrease the level of the 3% threshold.
- Travel expenses can be calculated using the simplified method, meaning CRA permits a standard mileage and meal allowance for medical trips. However, claims for lodging, parking, etc., must be supported by receipts.
- You may deduct amounts paid for you, your spouse, dependent children, and



**Tax Law**

**Planning Point**

- access of residence
    - institutional care or home care
    - travel expenses to obtain medical care not available in your area
    - medical services
    - cosmetic surgery is **NOT** a medical expense in most cases.
  
  - Medical expenses are eligible if paid in a 12-month period ending in the taxation year (on a date of death return, this can go back 24 months).
  
  - If you are a low-income individual with high medical costs, you may be able to recover some of these costs even if you would not otherwise pay tax.
  
  - Effective January 1, 2018, BC Medical annual premiums have been reduced by 50%.
  
  
  
  
  
  
  
  
  
  
  - Be sure and claim all medical expenses relating to your well-being, including travel expenses and construction expenses on your home for enabling better access. This includes moving expenses of up to \$2,000 and the purchase of a vehicle modified for a disabled person of up to \$5,000.
  
  
  
  
  
  
  
  
  
  
  - **A disability tax credit is available if you have a prolonged mental or physical impairment that has been certified by a medical professional. Unused disability credit can be transferred to related persons.**
- any other family member that you support (i.e. parent or grandparent).
  
  - Choose your own 12-month period to include the highest total medical expenditures (for example March to February).
  
  - You may need receipts to document this claim. The refundable medical expense supplement can get you up to \$1,172 back from CRA. Consider splitting medical expenses with a spouse, as each of them are eligible for the refundable credit.
  
  - Keep good records of all your medical expenses and be sure they get deducted.
  
  - Maximum monthly rates for an individual is \$37.50 and \$75.00 for a couple. If you have annual income below \$26,000 make sure you are registered for premium assistance. You have to apply for it.
  
  
  
  
  
  
  
  
  
  
  - The tax savings that results from claiming the disability tax credit are substantial. If there is any possibility that you may qualify, you should walk through the process of making this claim.
  
  
  
  
  
  
  
  
  
  
  - If you have a relative with little income the disability tax credit could be transferred to you, saving approximately \$1,600 in taxes per year.



**IF YOU ARE GOING TO SCHOOL**

- ❑ As of January 1, 2019, the B.C. education credit was eliminated.
- ❑ All scholarships and bursaries (elementary, secondary, and post-secondary) are non-taxable if you have a T2202 in the current or prior year.
- ❑ The education tax credit and textbook tax credit are available based on full-time or part-time status. A tuition tax credit is also available for any tuition paid or examination fees paid.
- ❑ Using the Lifelong Learning Plan (“LLP”), an individual can withdraw up to \$10,000 per year over 4 years, to a maximum of \$20,000, from an RRSP on a tax-free basis to fund their education.
- ❑ If a student has borrowed money on the Canada Student Loan program, the student can get a tax credit for the interest paid on the loan. There are many provincial government grants for students. Most provinces have a grant portion of the loan that does not have to be repaid.
- If you have unused tuition and education credits from previous years, you may claim the carry forward amounts in 2019 and future years.
- If you run a business and have children attending school, you may wish to offer a scholarship to your child. This would be deductible to the business and non-taxable to your child. There is a risk that CRA would deem this to be a taxable benefit to yourself, but this is reduced if the scholarship is available to all employees and selection is based on a defined set of criteria.
- Up to \$5,000 can be transferred from students to parents or grandparents. Tuition and education tax credits must be used before donation or dividend tax credits, and unused credits are carried forward. Education and Textbook Tax Credits were eliminated for 2017.
- The amount withdrawn must be repaid (or reported as income) over a 10-year period.
- The student should always pay off non-deductible loans first, to maximize tax interest tax credit. If the loan is refinanced outside the Canada Student Loan program, interest may no longer be deductible. If parents are employing their children who are students, they might want to consider the income tested grants and bursaries before paying taxable wages to the children.



- If you have moved to study full time at a university or college you may be eligible to claim moving expenses.
- Your new home must be at least 40km closer to the educational institution.

**GST & PST**

**PERSONAL**

- If your family income is less than \$36,000 you are eligible for the maximum GST credit. If your family income exceeds this, you may get a reduced credit depending on the number of people in your family.
- Be sure and apply for the GST credit on your personal income tax return.
- Personal GST credits are changed every quarter if your family circumstances change.
- If you turn 19, have a birth in your family or have a change in your marital status, supply the information to CRA as the GST is adjusted quarterly.

**BUSINESS**

- If you are registered for GST, input tax credits (“ITCs”) can be claimed for GST paid out to earn taxable revenue.
- A “notional” ITC can be claimed in many cases, if you bring personal equipment or automotive equipment into a registered business.
- CRA permits small businesses with less than \$400,000 of revenue to report GST using the “Quick Method”. This gives the business the benefit of claiming ITCs at a specific percentage of taxable sales regardless of the type of expense incurred to earn those sales.
- In cases where the primary expense to the business is wages or some other non-taxable supply, the “Quick Method” may likely result in smaller GST remittances. Please note that ITCs on capital purchases can be recovered under the quick method.
- When you trade-in a vehicle and purchase a new vehicle, you should only pay GST on the difference.
- Be sure that your final purchase agreement reflects this.
- The GST on real estate transactions is quite complicated.
- If you are planning to purchase property, determine the GST obligation in advance and take steps to mitigate this liability. It may be too late to take



- When you cancel your GST registration for a business, you must pay GST on any assets kept by you personally.
  - You are required to file GST at regular intervals.
  - Tangible goods brought, sent or delivered to BC may be subject to PST.
  - PST has several different tax rates for different industries. Make sure you are registered under the right industry.
- **Careful consideration should be given to closing your GST account and the valuation of assets that you hold. This is an “audit point” for CRA.**
  - Be sure and file on time. Most CRA income tax audits occur because of poor compliance with GST.
  - You may be required to self-assess on your PST return for that period.
  - Please contact our office if you have any questions or you can also visit [www.gov.bc.ca/PST](http://www.gov.bc.ca/PST) for more information.

**PRIVACY POLICY**

- Federal and Provincial Privacy Legislation require that a firm or financial institution maintain the privacy of personal information in its possession or control. A Privacy Policy sets out the principles and procedures that the firm follows in meeting its privacy commitments to its clients and to comply with privacy legislation.
- You should ensure that your financial institution has advised you of its Privacy Policy. If you are in doubt, contact the Privacy Officer at the institution for more information. Our privacy officer can be reached at [ls@rhllp.ca](mailto:ls@rhllp.ca)



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**NOTICE TO USERS:** This information is of a general nature. We try to ensure its accuracy and timeliness. No one should act on it without appropriate professional advice after a thorough examination of the facts of a particular situation. Information in this booklet is current to January 31, 2019. Changes after that date are NOT INCLUDED.