

## 2020 Income Tax Season

### Preparing for the upcoming tax season

An unthinkable year, 2020 was like no other. Due to the COVID-19 pandemic there are numerous tax issues to be aware of this year. We have outlined the key issues in the checklist below. \*Please let us know if you have received support from the government or incurred costs related to your income earning activities due to COVID-19.\*

#### COVID-19

Official tax slips for income, support and benefits received under COVID-19 relief program may have been issued for some, but not all. Some of these benefits are taxable while others are not. Please provide details on all Federal, provincial, and other support received.

Federal personal support programs:

Name of program	Taxable?
Canada Emergency Response Benefit (CERB)	Yes
Employment insurance (EI)	Yes
Canada Recovery Benefit (CRB)	Yes
Canada Recovery Sickness Benefit (CRSB)	Yes
Canada Recovery Caregiving Benefit (CRCB)	Yes
Canada Emergency Student Benefit (CESB)	Yes
One-time payment – disability support	No
One-time payment – GST/HST credit	No
One-time payment – Canada Child Benefit	No
One-time payment – OAS/GIS	No

Federal government support for business and rental income:

Name of program	Taxable?
Canada Emergency Wage Subsidy (CEWS)	Yes
Canada Emergency Rent Subsidy (CERS)	Yes
Canada Emergency Business Account (CEBA)	Yes

The forgivable portion of the interest-free loan under the CEBA is **taxable in the year the loan is received**. Please provide the details, such as amounts received and the period to which they relate.

Because of COVID-19 many employees **worked from home in 2020**. CRA has provided two new methods to claim home office expenses related to employment:

- **Flat rate method** is available for those who worked from home more than 50% of the time for at least 4 consecutive weeks in 2020 due to COVID-19, and were not reimbursed for their expenses. Employees can claim a flat amount of \$2/day to a maximum of \$400. Please provide the number of days you worked from home if you met this test. No employer certification or supporting documentation are required.
- **Simplified detailed method** – for employees who want to claim actual home office expenses supported by receipts. Employer certification is required. Please provide details on the portion of your home that was used

as a work space. If the space was not used exclusively for employment purposes, provide the approximate employment related time.

The requirements for employees claiming employment expenses other than home office expenses (e.g. motor vehicle costs) are unchanged.

## **2020 Personal Taxes**

As usual, take a look at your tax return from last year. You should have similar slips this year, unless something has changed. Most of the tax slips distributed by early March. However, a deadline for issuing some investment slips, such as T3 and T5013, is at the end of March.

In addition, go through the following personal income tax check list:

### **1. New for 2020**

- Canada Training Credit (CTC) – refundable tax credit available for eligible tuition associated with work-related training for individuals aged 25 to 64 years old at the end of the year. The maximum credit in 2020 is \$250. Eligible individuals will accumulate \$250 each year up to a maximum amount of \$5,000 over a lifetime. Foreign educational institutions are **not** eligible for this credit.
- The digital news subscription tax credit is a non-refundable tax credit for up to \$500 paid by individuals after 2019 and before 2025 to a qualified Canadian journalism organization.
- Saskatchewan Home Renovation Tax Credit – non-refundable tax credit will provide a credit on up to \$20,000 of eligible home renovation expenses to a Saskatchewan taxpayer's principle residence located in SK. Eligible expenses must be incurred between October 1, 2020 and December 31, 2022. Tax credit can be claimed on 2021 and/or 2022 tax returns.
- Saskatchewan volunteer firefighters, search and rescue volunteers, and volunteer emergency medical first responders tax credits are non-refundable tax credits of \$3,000 and can be claimed if you completed at least 200 hours of eligible services.
- CRA increased the rate for meal expenses from \$17 to \$23 per meal. The increase is retroactive to January 1, 2020.

### **2. Personal information:**

- **Has anything changed?** Name, address, email address, marital status, phone number, children?  
If there has been a marital status change in the year, please provide the date of the change.  
For your dependants/children include their income, birth date and SIN (if available).  
If we are not preparing your spouse or common-law partner's personal tax return, please provide their return for review and tax planning.
- **Did you sell your home?** Even if the principal residence applies for the entire time you have owned the home and is therefore **tax exempt**, we must report the disposal on your tax return. We need to report the proceeds on the sale, the address or legal description of the property and the year of acquisition. These rules also apply for deemed dispositions occurred as a result of death or if there is a change in use of the property (personal residence converted to rental or business operation). A late-filing penalty can be imposed by the CRA if the disposition of the principal residence is reported late.
- Are you a U.S. citizen, Green Card Holder, or were you, or your parents born in the United States? You may have U.S. filing obligations.
- Advise us if you have, or may have, immigrated or emigrated to/from Canada.

### **3. Income:**

**Are you employed?** You should have a T4 slip from every employer

- Do you have employment expenses? If you are required to pay for anything out of pocket as part of your employment, you should have a T2200 **signed by your employer** stating the requirements, and documentation of the expenses you incurred. If you are required to use your vehicle for employment purposes, you should maintain a logbook, listing date, destination, client name, purpose and number of kilometers you drive. The statement of employment expenses in your return is T777 if you want to check last year's information.

### **Are you self-employed?**

- We will need to know your total income and expenses. Check last year's return for your business statement (T2125) and ensure that you are providing us with all relevant information. If you have any questions about what you need or whether something is considered income or expense, call us.
- Did you purchase any assets? If so, include any receipts with your information.
- Internet business activities – please provide the address of webpage(s) or website(s) that your business generates income from, and the percentage of income generated from the Internet.
- Are you providing services or selling goods that are taxable supplies for GST/HST and PST purposes? We can help to prepare and file applicable returns.

### **Do you have investments?**

- *Some T3 and T5 slips are very late in arriving, so if you don't have all of the slips you had last year, call your financial advisor and ask if you should be expecting more.*
- Did you sell any investments during the year? Look for a capital gains summary.
- Did you pay management fees for **non-registered** investment consulting services? Those fees are tax deductible.
- Did you own **foreign property at any time in 2020** including cash, investments, cryptocurrency, real estate, and other assets with a cost of more than \$100,000 CAD at any time during the year? Please call us to ensure we have the information we need for reporting purposes. Certain penalties apply for late filing.
- Did you receive interest, dividends, or benefits from a business in which a relative is a key party in terms of ownership or involvement? That income may be subject to tax on split income.
- Did you purchase **cryptocurrency** (bitcoin, litecoin, ethereum, etc.)? Are you engaged in the mining of bitcoins? You may have investment or business income that must be declared on your tax return.

### **Do you receive pension income?**

- Eligible pension income can be split between spouses.
- OAS clawback starts when your net income exceed \$79,054. If your income situation has changed and you think the OAS clawback should be reduced, you can request a change. We can help you to file it.

### **Do you have a rental property (ies)?**

- Look at your rental statement (T776) from last year to use as a checklist of what documentation to bring us this year. Call us with any questions.

### **Do you participate in the sharing economy arrangements?**

- Are you renting part or all of your property for a short period through Airbnb or VRBO? You have to report it as rental income on your tax return. You may have to register and start collecting GST/HST.
- Are you providing ride sharing services (Uber)? It is taxable business income. You are required to charge GST/HST and remit to the CRA. The \$30,000 "small supplier" threshold is not applicable to taxi services.

### **Details of taxable income for which no T slips are issued:**

- Tips and gratuities
- Alimony
- Director fees
- Executor fees

## **4. Deductions and tax credits**

### **Children**

- Child care expenses – babysitting, daycare, and camp.

- Adoption expenses – eligible expenses up to \$16,563 for each child under age 18.

### **Moving expenses**

- If you moved at least 40 km closer to your new work location.
- Advise us if you received a reimbursement or an allowance from your employer.

### **Medical Expenses**

- Medical expenses may be eligible for a tax credit. In Saskatchewan almost any service provided by a medical practitioner may be eligible. NOTE: Massage and Acupuncture are NOT eligible expenses in Saskatchewan even if you have prescription.
- If you have multiple prescriptions, please ask your pharmacist for a printout for the year; it ensures completeness and ease of processing. **If a summary is not provided, we will add a service charge for more than 10 prescriptions per individual from any one pharmacy.**
- Medical Insurance plan premiums are a deductible expense and any amounts not covered by the plan are also deductible. *If receipts have been submitted to an insurer, we only need the final documentation from the insurer. This will help to avoid duplication.*
- Travel expenses such as mileage may be claimed if you travelled 40 km or more (one way) to get medical services. If you had to travel 80 km or more (one way) you may also be able to claim meals, accommodations and parking.
- Home accessibility expenses - to qualify, the individual must be eligible for the Disability Tax Credit or be 65 or older at December 31, 2020.
- Fertility-related procedures required in order to conceive a child– amounts may be claimed for the previous 10 years.
- The cost, care and maintenance of a trained animal (dog) to help a person with a disability qualifies as medical expense.
- Medical marijuana: patient must be a holder of an appropriate medical document and be registered with an organization that holds a license to sell cannabis products for medical purposes. Purchases from other retailers are not eligible for the medical expenses tax credit.

### **Disability Amounts**

DTC form can be submitted online through CRA MyAccount!

- If you or a family member has a severe and/or prolonged impairment in physical or mental functions, you or a family member may qualify for the Disability Tax Credit.
- Canada caregiver tax credit is available if you have a dependant with a physical or mental impairment, who is depending on you for support because of his or her infirmity. The tax credit is not available for non-infirm seniors who reside with their adult children or grandchildren. The amount of the credit is income sensitive.

### **RRSP Contributions**

- RRSP contributions deadline is March 1, 2021
- You should have a receipt for every contribution you made.
- Do you have Home Buyer's Plan or Lifelong Learning Plan payments? This information is on your Notice of Assessment. If we don't know already, make sure to tell us.
- If you contributed to a Labour-Sponsored Venture Capital Corporation such as SaskWorks or Golden Opportunities Fund, you should receive a T5006 slip for an additional tax credit. If the investment is held within RRSP, you should also receive RRSP contribution slip.

### **Education**

- Did you or someone related to you take post-secondary classes? Tuition over \$100 in a qualified post secondary program is reported on a T2202A slip; check with your school.
- If you attended college or university outside of Canada ask for the form TL11. Only full-time attendance would qualify for the tuition amount. Also, university course must lead to a degree and last at least three consecutive weeks.

- *If you wish to claim a transfer of the credit from a spouse, child or grandchild, they must file a tax return and **MUST SIGN the T2202A on the last page designating the transfer.***
- Saskatchewan Graduate Retention Tax Credit is available for eligible graduates who live in Saskatchewan. The program provides a tuition rebate up to \$20,000 based on the tuition you paid.
- Eligible Educator School Supply tax credit is a refundable tax credit on purchases of eligible teaching supplies up to \$1,000. You will need a written certificate from your employer confirming your eligible supply expenses.

#### **Donations**

- You should have receipts for any donation you made. Some charities will consolidate multiple donations. Receipts must show the charity's business number and the year of the contribution, and they must show that the amount was paid. **Pledges are not acceptable.**

#### **Political Contributions**

- You should have receipts for Federal and/or Provincial political contributions you made.

#### **Investment or Student loans**

- The interest you paid on these loans may be tax deductible.
- Effective November 1, 2019 student loans will not accumulate any interest during the 6-month non-repayment period after a student loan borrower leaves school.

#### **Did you purchase a home?**

- Is it your first home or the first home you or your spouse or common-law partner owned after at least five years? Let us know.

#### **Volunteer Firefighter or Search and Rescue Volunteer**

- Federal non-refundable tax credit of \$3,000 can be claimed if you completed at least 200 hours of eligible services.

Do you live out of province? Do you send your information by e-mail? Our [Portal](#) is a way of safely and securely sharing tax-related files and confidential documents with you. Please contact Melanie at 306-757-3261 for further information.

We hope this letter will be helpful and we thank you for your continued patronage.

See you soon!

Your 2020 Tax Team

**Sandra Jackson CPA Prof. Corp.**