

2021 Income Tax Season

Here are some tax tips to help you prepare for the upcoming tax season

The Covid -19 pandemic continued into 2021 along with the related government supports and tax issues. 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 government personal support programs:

Name of program	Taxable?
Employment insurance (EI)	Yes
Canada Recovery Benefit (CRB)	Yes
Canada Recovery Sickness Benefit (CRSB)	Yes
Canada Recovery Caregiving Benefit (CRCB)	Yes
Canada Worker Lockdown Benefit (CWLB)	Yes

Individuals whose 2021 adjusted net income exceeds \$38,000 will be subject to repayment of CRB up to the amount of their CRB.

Federal government support for business:

Name of program	Taxable?
Canada Emergency Wage Subsidy (CEWS)	Yes
Canada Emergency Rent Subsidy (CERS)	Yes
Canada Emergency Business Account (CEBA)	Yes*
Canada Recovery Hiring Program (CRHP)	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.

CEWS, CERS and CRHP are included in income in the period to which it relates, **NOT** when the subsidy is received.

The simplified rules for deducting **home office expenses** extended to 2021 and 2022. There are two 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 2021 due to COVID-19, and were not reimbursed for their expenses. Employees can claim a flat amount of \$2/day to a maximum of \$500. No employer certification or supporting documentation are required. Please provide the number of days you worked from home if you met this test.

- **Simplified detailed method** – for employees who want to claim actual home office expenses supported by receipts. Employer certification (T2200S) is required. Please provide details on square footage of work space versus the entire finished area of the home. If the space was not used exclusively for employment purposes, provide the number of working hours per week and the period you worked at home within the year.

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

Covid-19 benefit repayments – individuals have the option to claim a deduction in respect of the repayment of a Covid benefit for the year when the benefit was received, rather than the year in which the repayment was made. Please let us know and we will file a T1 adjustment request for you.

New for 2021

- **Saskatchewan Home Renovation Tax Credit** – non-refundable tax credit will provide a credit for eligible home renovation expenses to a Saskatchewan taxpayer’s **principle residence** located in SK. Eligible expenses on up to \$11,000 incurred between October 1, 2020 and December 31, 2021 can be claimed on 2021 tax return. Maximum tax credit is \$1,155. Eligible expenses on up to \$9,000 incurred in 2022 can be claimed on 2022 tax return. Maximum tax credit is \$945. The claim can be split among family members.

Please provide the following information:

Date	Name of contractor	GST number if applicable	Description	Amount paid including sales taxes
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- **SK Active Family Benefit** is reinstated for 2021! It is a refundable tax credit for children 18 years of age or younger on the last day of the year. Parents can claim up to \$150 per child or up to \$200 for a child eligible for the disability tax credit. Keep receipts for sports, cultural and recreational activities. It is income tested benefit and available only for families with net income of \$60,000 or less.
- **Federal climate action incentive tax credit** will be paid in quarterly payments starting in July 2022 instead of refundable tax credit claimed on the personal tax return. Applies to residents of SK, AB, MB and ON.
- **One-time \$500 OAS** payment for seniors 75 years old or over as of June 30, 2022 is taxable. It will be reported on T4A slip.
- A new digital application tool is available to assist medical practitioners to complete T2201 Disability Tax Credit Certificate.

2021 Personal Taxes

Please review 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 slips, such as T3, T5013 and RRSP is at the end of March.

1. 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 exemption applies for the entire time you have owned the home, 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.

- **Do you own both a home and a cottage?** You could designate the cottage as your principal residence.
- **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.

2. Income:

Are you employed? You should have a T4 slip.

- 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. You have to keep the 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 drove. There are digital apps that can help you to track mileage. The statement of employment expenses in your tax 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 the 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 own **foreign property at any time in 2021** including cash, stocks, digital currency, 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**.

Are you engaged in cryptocurrency (bitcoin, litecoin, ethereum, etc.) transactions?

A disposition of cryptocurrency (CC) triggers a taxable transaction when a taxpayer:

- Sells or makes a gift of CC
- Trades or exchanges CC
- Converts CC to fiat currency
- Uses CC to buy goods or services

You may have to report business income or capital gain. To determine whether particular income should be classified as business or capital we have to look at the number of factors, such as a taxpayer's intention, the length of ownership, frequency of transactions, etc. The CRA considers mining activities, CC trading and operation of CC exchanges, including BTMs to be business.

The T1135 "Foreign Income Verification Statement" may be required if you deposited or held CC outside of Canada.

Do you receive pension income?

- Eligible pension income (RRIF) can be split between spouses.
- OAS clawback starts when your net income exceeds \$79,845. 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 the form with CRA.

Do you have a rental property?

- 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.
- Have you converted your principal residence into rental property or vice versa? Deemed disposition may have to be reported on your income tax return. We need to know the original cost, cost of capital improvements and fair market value on the date of conversion.

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 (include divorce/separation agreement)
- Director fees
- Executor fees
- CRA refund interest reported on Notice of Assessment

3. Deductions and tax credits

Children

- Child care expenses – babysitting, daycare, and camp.
- Adoption expenses – eligible expenses up to \$16,729 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 SK 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, 2021. Examples include walk-in tubs, wheelchair ramps, etc.
- Fertility-related procedures required in order to conceive a child. Amounts paid for a surrogate mother are **not** eligible.
- The cost, care and maintenance of a trained animal to help a person with a disability qualifies as medical expense.
- Medical cannabis: patient must be a holder of a 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.

Disability Amounts

- If you have a severe and/or prolonged impairment in physical or mental functions, you 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.
- Persons with disabilities can claim the cost (net of reimbursements and assistance) of disability supports incurred for the purpose of employment or education.

RRSP Contributions

- RRSP contributions deadline is March 1, 2022
- Include contributions made in the first 60 days of 2022. These RRSP **must** be reported on your 2021 tax return.
- 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 T2202 Tuition and Enrollment Certificate. 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 T2202 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 available to teachers or early childhood educators. You will need a written certificate from your employer attesting your eligible supply expenses, such as books, calculators, webcams, microphones, speakers, data storage devices, etc.

Donations

- You should have receipts for donations 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.**
- You can donate not only cash, but also publicly traded securities.

Political Contributions

- There are separate tax credits for federal and provincial political contributions.

Carrying charges

- You can deduct interest incurred to earn income from investments.
- If the only earnings are capital gains, you **cannot** claim the interest you paid.
- Did you pay management fees for **non-registered** investment consulting services? Those fees are tax deductible. Trailing commissions are not eligible for the deduction.

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 Tax Credits

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

Digital news subscription tax credit is a non-refundable tax credit for up to \$500 paid by individuals for the 2021 tax year to a qualified Canadian journalism organization.

Canada Training Credit (CTC) is a 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. 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.

CRA indicated that they will begin the process of switching to electronic Notice of Assessments (NOA) starting January 1, 2023. You have to sign up for MyAccount with CRA to receive electronic NOAs.

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.

The fun begins!

Your 2022 Tax Team

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