

General Tax Tips

Make sure you get every TAX CREDIT and DEDUCTION you are entitled to!

Don't assume you don't need to bother filing a tax return because you have no income

Some low- or zero-income earners still think there's no need to file a return. This misunderstanding can cost thousands of dollars in lost benefits and credits like the GST/HST credit and the Canada Child Benefit. More and more benefits are being distributed through the tax system these days. So if no return is filed ... no benefits are received.

For some benefits, like the Guaranteed Income Supplement and the Working Income Tax Benefit, recipients need to apply every year. Some provinces also offer sales tax credits and property tax credits for low income earners. But again - no tax return, no credit.

Teenagers who earn a few thousand dollars should also consider filing. Any tax deducted will generally be refundable and filing will also create RRSP room that can be carried forward indefinitely.

Be sure to report all income and all T-slips

Here's a common scenario: you file your 2018 return and later discover that you've failed to include a T-slip reporting income or a dividend payment. No problem, you think, because you know the slip's issuer also sends the same information to the Canada Revenue Agency. You think you don't need to bother forwarding this late slip to the tax department because the CRA will know about it. That turns out to be a big mistake.

If you fail to report income in 2018 and also failed to report income just once in any of the three previous years, you can be nailed with what's called a "repeated failure to report income penalty." The penalty, which is automatically generated by the CRA's computers, is 20 percent of the amount you failed to report in 2018.

Be sure to transfer any unused credits

A variety of tax credits that can be transferred between spouses such as:

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| § Federal tuition amounts | § Age amount |
| § Provincial tuition, education and textbook amounts – Alberta does support these credits | § Pension income amount |
| | § Disability amount |

Several credits for students - such as the provincial tuition, education and textbook credits - can be transferred to a spouse, a parent, or even a grandparent once the credits are first used to reduce the student's tax payable to zero. The credits can also be carried forward indefinitely so the student can use them later when he or she starts earning money.

Be sure to claim all eligible medical expenses

Missed medical expenses are one of the most overlooked tax breaks. Many people don't bother to add everything up because of the income-related threshold: only expenses that exceed the lesser of \$2,302 or 3 percent of net income can be claimed.

But what they don't realize is that there's a long list of expenses that qualify, so it's often not too difficult to reach that threshold. Travel expenses even qualify when people need to go more than 40 kilometres (one way) to get medical treatment that isn't available closer to home.

Medical expenses can be claimed by either spouse or partner.

Seniors who do not have any tax deducted from their income are not eligible to claim medical expenses.

Be sure to discuss any life style changes

- § Marital Status Change - who can claim daycare, the child amount or eligible dependent/spousal amount?
- § Retirement - Taxpayers may elect to split up to 50% of their eligible pension income with a spouse or common law partner (no age restriction) – this can be done one year and not another
- § First Time Home Buyer - take advantage of the \$5,000 non-refundable credit – can be split between spouses
- § Moved or moving - you can claim the move if it was for work and you were not reimbursed by an employer
- § Foreign Property - do you have a US bank account, foreign stock or property that is rented during the tax year?

Changes for 2017 Tax Returns

- § **Canada Caregiver Credit:** For 2017 and subsequent years this new credit is a consolidation of the infirm dependent credit, the caregiver credit (for in home care of a relative) and the family caregiver credit. In order to claim this credit the eligible relative must have a disability credit on file with CRA. The income threshold of the relative above which the higher amount is reduced is more generous than the prior calculation of the infirm dependent credit and you are no longer required to live with the dependent to claim the Canada caregiver credit.
- § **Federal Education and Textbook Amounts:** For 2017 and subsequent years, the federal government will no longer allow students to claim the education and textbook amounts. Tuition with a valid T2202 can still be claimed. Each province in Canada can either adopt the same policy or continue to allow the education and text book amounts. Alberta is continuing to allow students to claim tuition, education and textbook amounts. All other rules still apply as to transferring to spouse / common law partner, parent or grandparent. Unused federal credits are still available to be used in future years until they are used up. The federal budget for 2017 proposes to expand the range of courses eligible for this credit to include occupational skills courses that are undertaken at a post-secondary institution in Canada, and to allow the full amount of bursaries received for such courses to qualify for the scholarship exemption (where conditions are otherwise met).
- § **Bus Passes:** This was eliminated by the federal budget for 2017 and subsequent years. As a result of when this change occurred, bus passes can be claimed for the first six months of the year – January to June 2017.
- § **Fitness and Arts Credit:** This was eliminated for 2017 and subsequent years
- § **Principal Residence:** Effective January 1, 2016, taxpayers are required to report basic information (date of acquisition, proceeds of disposition and description of the property) on your income tax return to claim the full principal residence exemption. The sale must be reported in order to ensure tax exemption. Failure to do so will result in a penalty (lesser of \$8,000 or \$100 for each complete month from the original due date to the date your request was made in a form satisfactory to the CRA).
- § **Personal Tax Rates for Alberta for 2018**
 - ▶ 10% on taxable income up to \$128,145
 - ▶ 12% on taxable income from \$128,145 to \$153,773
 - ▶ 13% on taxable income from \$153,773 to 205,031
 - ▶ 14% on taxable income from \$205,031 to \$307,547
 - ▶ 15% on taxable income in excess of \$307,547
- § **Personal Tax Rates for Federal for 2018:**
 - ▶ 15% on taxable income up to \$46,605
 - ▶ 20.5% on taxable income from \$46,605 to \$93,208
 - ▶ 26% on taxable income from \$93,208 to \$144,489
 - ▶ 29% on taxable income from \$144,489 to \$205,842
 - ▶ 33% on taxable income above \$205,842

Be sure to ask questions before starting your own business

Consultation advice is a must to ensure you make the right business decisions to keep your entrepreneurial drive alive by being aware of all the current income tax regulations.

Just ask US – *Right 4 U Tax Solutions*