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Client UPDATE

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- FAQ's –

Q - Do you have to pay taxes on tips in Canada?

A – Yes. Canadian taxpayers must report all income from employment, including tips or any other income not reported on T4 slips.

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Q – If my landlord charges me a separate amount for property taxes, is this amount subject to HST?

A – Yes, this amount is subject to HST in the same way as basic rent payable by the lessee.

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Q – How come oysters never donate to charity?

A – Because they're shellfish.

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Q – What are the withholding rates for lump sum payments such as severance pay?

A – 10% on amounts up to $5K, 20% on amounts over $5K and up to $15K, and 30% on amounts over $15K.

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Q – In the eyes of CRA, when is a couple considered to be common law?

A – You are considered to be common law after living together for 12 months; after becoming parents to a child by birth or adoption; or, if one partner takes custody and control of the other person's child.

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Q – What if I ignore a demand to file my HST return?

A – If you receive a demand to file a return and do not do so, a penalty of $250 will be charged.

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Spring 2017

Federal Budget Highlights

Budget 2017 is notable for the absence of material new income tax policies or measures.

The following are some of the more significant tax *proposals* included in Budget 2017.

• It is not proposed to change the general corporate income tax rate, which remains at 15% at the federal level.

• It is not proposed to change the small business tax rate applicable to the first $500,000 of qualifying active business income of Canadian-controlled private corporations from the current federal rate of 10.5%.

• It is proposed to expand the types of courses that are eligible for the tuition tax credit.

• It is proposed to replace the Caregiver Credit, Infirm Dependent Credit, and Family Caregiver Credit with a single new non-refundable credit.

• It is proposed to allow nurse practitioners to certify impairments for purposes of the Disability Tax Credit.

• It is proposed that the Public Transit Tax Credit be eliminated.

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Did you hear about the deviant Accountant who got his client's charges reduced from gross indecency to net indecency?

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June 15th Deadlines

A number of items need to be dealt with by June 15th. These include payments for income tax and HST instalments for 2017, and filing of self-employed personal tax and HST returns.

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Principal Residence? Or not...

What is considered a principal residence in the eyes of CRA?

It does not have to be the place where the taxpayer normally lives. The property will qualify as a principal residence if the following people live in it at some point during the year: the taxpayer, the taxpayer's spouse or common-law partner, or any of the taxpayer's children.

The following are some of the most common mistakes people make when trying to claim the tax-free principal residence exemption when selling one of their properties.

- Designating the wrong property;
- Not knowing the cost of the residence or failing to include acquisition costs;
- Trying to claim an under construction home as a principal residence even though you or your dependents weren't inhabiting the house during the year of disposition;
- Flipping a house and claiming it as your principal residence.

Head's up! There is a penalty of up to $8,000 for late filing. If you fail to report the sale of your principal residence at all, you may be taxed on the capital gain.

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Five out of six people agree that Russian roulette is safe.

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Ask a question or arrange for a no-charge initial consultation at www.freedmanca.com

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WHO WE ARE -

Gary A. Freedman + Associates, Chartered Professional Accountants is a firm which provides personalized, professional advice in all areas of accounting and tax planning. We are part of the QuickBooks ProAdvisor Program.

Known for his approachability, Gary has been committed to his clients for over 25 years, and has built his practice by listening to their needs. With his warm and caring personality, clients know that with Gary, what you see is what you get!

The firm's client base consists of manufacturers, builders, daycares, small business owners, sub-contractors, professionals, high tech companies, and registered charities and not-for-profits.

We offer a full range of professional accounting services:

- *Accounting & Auditing*
- *Personal & Corporate Tax*
- *Estates & Trusts*
- *Bookkeeping, Payroll, HST*
- *QuickBooks Training*
- *T4s, T5s & Tax Returns*

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Self-Employed?

Have you considered the benefits of EI?

If you're self-employed, you suffer from one big drawback: You're not eligible for regular EI.

You can, however, voluntarily contribute to become eligible for EI special benefits, which cover 55% of your average weekly earnings for:

• Maternity (up to 15 weeks);
• Parental Leave (as many as 35 weeks for either parent);
• Sickness or Injury (15 weeks);
• Compassionate Care (as long as 6 weeks to care for a dying family member).

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I changed my password to "incorrect". Whenever I forget what it is, the computer will say, "Your password is incorrect".

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Spring 2017

CPP Expansion

Employers should consider reviewing their current retirement plans to prepare for the 2019 expansion of the Canada Pension Plan (CPP).

The CPP enhancements will raise contributions for both employers and employees to 5.95% over a seven-year phase-in period that will begin on January 1, 2019.

Companies with defined contribution plans will likely not integrate with the CPP but the changes may still affect them by possibly causing a drop in member contributions.

Employees will contribute more toward the CPP and will see a decrease in take-home pay, which could cause far-reaching consequences.

The monetary questions also apply to employers looking for ways to meet their obligations and reduce costs. Companies may choose to reduce salary increases, cut benefits or hire fewer employees.

Regardless of whether employers decide to modify existing plans, it is important that they develop strong communications efforts that clarify how the increase will affect employees and how they can maximize their retirement benefits by leveraging both their workplace pension and the CPP.

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My body is here, but my mind has already teed off.

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ANNUAL HST FILERS BEWARE

Do you have to pay HST by instalments? If you're an annual filer and your net tax for the previous fiscal year is $3,000 or more, you may have to make quarterly instalment payments.

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QuickBooks Tips

Utilize Memorized Transactions

One of the best ways to make life simpler is to use QuickBooks to keep making regular transactions automatically.

To enable this feature, Click on "Lists" > "Memorized Transaction List" > "Memorized Transaction" > "New Group"; and set up the transactions you want memorized.

It is particularly helpful with repeat transactions such as lease/finance payments.

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I bought a brand new 84", 4K TV this year, and I even wrote it off on my taxes. Blame Gary! He told me that I needed to start looking at the bigger picture.

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Employee Bonuses

If you'd like to give your employees a little bonus, CRA has some rules re: tax.

You can give employees two non-cash gifts per year on a tax-free basis. The two gifts' total cost though, including taxes, cannot exceed $500/year.

This policy **does not**, however, apply to cash or near-cash gifts such as gift certificates or other items that can easily be converted into cash. The value of this type of gift is considered a taxable employment benefit and income tax must be withheld.

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Notice to Reader

Gary A. Freedman + Associates publish this newsletter for information purposes only. It is neither a definitive analysis of any law, nor a substitute for professional advice.