



*As we come to the end of 2019
we would like to take this opportunity to say
THANK YOU.*

*We wish you and your families a very Merry
Christmas and all the best in the coming year.*

TAX CHANGES

Tax on Split Income (TOSI)

In 2017 the Government of Canada announced significant changes to the tax rate on split income for Canadian residents. Since this announcement, additional guidance has been provided:

EXCLUDED BUSINESS

If you are over 17 you will not be subject to TOSI on amounts received from an **excluded business**.

An **excluded business** is:

- A business in which you are **actively engaged** on a regular, continuous and substantial basis in either the year in which the income is received, or any five previous years.
- The five previous years **DO NOT** have to be consecutive.
- **Actively engaged:** a year in which you work in the business for at least an average of 20 hours/week during the portion of the tax year that the business operates (in some cases may qualify with less hours based on requirements of the business.)

EXCLUDED SHARES

If you are over the age of 24 you will not be subject to TOSI in respect of income received from **excluded shares**. This includes capital gains realized on such shares.

Excluded shares are shares where all of the following criteria are met:

- Substantially all of the income (90% or more) of the corporation for the previous year must be from sources other than related businesses, not carried on by a corporation (related business is one in which a shareholder of the paying corporation is related to you.)
- Cannot be shares of Professional corporations (accountants, lawyers, dentists, medical doctors and veterinarians).
- You must directly own shares accounting for at least 10% of votes **and** value of the corporation's total share capital.
- Excludes those corporations that earned more than 90% of their income for the previous year from the provision of services.

TOSI does not apply for:

- A shareholder with a spouse that is age 65 or older, provided that the spouse would have been exempt from TOSI if the income had been paid to the spouse instead (note that it is the spouse that must be age 65 or older, not the recipient shareholder).
- Additional exclusions apply for inherited property, property acquired through a divorce or separation agreement, and capital gains on qualified farm/fishing property or qualified small business corporation shares.

It is Important to:

- Identify non-active shareholders.
- Keep track of hours, job description and rates to support the reasonableness of payments made.

If you are unsure whether the TOSI rules may apply in relation to any amounts paid, please contact our office to discuss.

Passive Income

The following income streams are considered passive:

- Dividend Income
- Interest Income
- Capital Gains
- Rental Income on Property
- Land Rental Income



For a Canadian Controlled Private Corporations (CCPC) that is part of an associated group of corporations with passive income in excess of \$50,000, the small business deduction will be decreased \$5 for every \$1 in excess. Once the passive income reaches \$150,000 the entire Small business deduction will be lost.

Exclusions from passive income:

- Capital gains on dispositions of property used in active business, shares of another CCPC or an interest in a partnership whose assets are used principally (90% or more) in active business carried on in Canada

Small Business Deduction Limit Changes (Specified Corporate Income)

If your corporation receives revenue from another corporation that is considered related (a shareholder of the paying corporation is related to you), the revenue earned may be subject to a higher corporate tax rate. Please discuss any transactions with potential related corporations with your GH&A representative.

Investments – Saving for your future and that of your loved ones



RRSPs

Make your 2019 contribution on or before the March 1, 2020 deadline. Consider contributions to a spousal RRSP for greater tax savings.

TFSAs

For those of us 18 and older, the 2019 contribution limit is \$6,000. See additional information below. You can find your individual contribution room through your online CRA account or call any of your friendly GH&A contacts to look it up for you.

RESPs

Contribute to an RESP on behalf of a child or grandchild and receive a 20% matching government contribution (maximum of \$500 per child per year). Low income families may also be eligible for a Canada Learning Bond.

RDSP

Invest for a member of your family under the age of 60 who currently receives the Disability Tax Credit. Investment income accrues on a tax deferred basis.

New and Improved Tax Credits

Canada Worker's Benefit

Starting with the 2019 tax year, the Canada Workers Benefit (CWB) will be replacing the Working Income Tax Benefit (WITB). The CWB will put more money in the pockets of low-income Canadians as they work while being more accessible as CRA will be able to calculate this benefit for anyone who has not claimed it on their tax return. Canadians will begin to receive these enhanced benefits under the new CWB in early 2020 once they have filed their 2019 tax returns.

Home Accessibility

A federal non-refundable tax credit of 15% on up to \$10,000 of eligible expenditures to enhance mobility or reduce the risk of harm if a person 65 years or older or a person claiming the disability tax credit lives in the home.

Medical expenses

Amounts incurred in 2008 and later to help conceive a child are an allowable medical expense. Also, costs incurred after 2017 regarding specifically trained animals are an allowable medical expense.

If you have any questions on any of the tax credits above, please feel free to contact our office to discuss.

Tax Credit Being Removed in 2020

Education and Tuition Credit

Alberta will eliminate its education and tuition tax credits Effective 2020. Unused credits can be carried forward for Use after 2019. The Federal tax credits will continue.

Employment Insurance – Changes

New Caregiver benefit

- If you are temporarily away from work to support a critically ill or injured family member you can receive EI benefits for up to 15 weeks
- Extended parental benefits up to 18 months
- Ability to claim EI increased to 12 weeks before due date rather than 8 weeks
- New parental sharing benefit effective in March 2019 – can take up to 61 weeks of parental leave




Need help with smoothing income?

Are you planning an impending maternity/paternity leave? Will you be selling a company or investments? Are you retiring? There are numerous ways to plan for these events to minimize taxes by spreading them out over a number of years. Give us a call if you think you might benefit from this type of tax planning.

Changes to Capital Cost Allowance of New Assets

Prior to November 21, 2018 businesses were able to deduct half of the CCA in the year you purchase a new asset.

For example, you purchase a new farm truck for \$50,000. at a CCA rate of 30%, you could claim \$7,500 of CCA expense in the year you buy it ($\$50,000 * 30% * \frac{1}{2}$).



CRA is now allowing for any assets purchased between November 21, 2018 and December 31, 2023 to claim 1.5 times the CCA in the year of purchase.

For the same \$50,000 truck you can now claim \$22,500 in the year of purchase.

For assets purchased between 2024 and 2027 the half year rule will not apply, meaning you could claim \$15,000 in the year of purchase.

The half year rule will return effective January 1, 2028.

GHA

GREGORY
HARRIMAN
& ASSOCIATES LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Voluntary Disclosure Program (VDP)

CRA has made various changes to the Voluntary Disclosure Program which allows taxpayers the ability to change a tax return previously filed or file a tax return that is currently outstanding. The following changes are effective March 1, 2018:

VDP filings will now be assessed under two streams:

Limited Program – provides limited relief where facts suggest that there is an element of intentional conduct. Taxpayers will not be referred for criminal prosecution but will be charged penalties and interest as applicable.

General Program – taxpayers are not charged penalties and will not be referred for criminal prosecution. Partial interest relief will be provided for years preceding the three most recent years of returns required to be filed.

Payment of taxes owing – the taxpayer must now remit payment or request a payment arrangement of the estimated taxes owing to qualify for VDP.

Replacement of “no-names” disclosure – Taxpayers or their authorized representative can have a conversation with a CRA official on an anonymous basis however this will not be considered as acceptance into VDP.

Large corporations – those with \$250 million or more in revenue in two of the last 5 years will automatically be considered under the Limited Program.

Cancellation of previous relief – if it is discovered that a taxpayer’s application is incomplete due to misrepresentation, previous relief may be cancelled.

Waiver of rights to objection and appeal – if filing under the Limited Program, the taxpayer has to sign a waiver of their right to appeal in regard to the issue disclosed.

If you would like more information on the above please go to <http://gh-a.com/> or call us at (403)-934-3176 to discuss changes.



Staff Announcements

In 2019 we welcomed Rhonda Wheeler to our staff.

We would like to wish all the best to Marlys Lein and Marlis Nielsen who retired from GH&A in 2019 after many years of service.

CRA Audits

The following is a list of common expenditures which have come under further scrutiny by CRA in 2019:

- Meals and Entertainment
- Professional Fees
- Automotive Expenses
- Personal Expenses
- Shareholder Loans in Debit Balances

We cannot stress enough the importance good records to ensure that all business expenses are properly supported in the event of a review by CRA. If you ever question what should be included on an invoice from a vendor, here is a list of some key items that should be included:

- Ensuring the correct business name is on the invoice;
- Ensuring that if you have charged or paid GST that a GST number is provided on the invoice;
- A description of services provided or paid.

We have found this to be one of the key points CRA looks at when reviewing invoices during an audit. If you have any questions regarding the invoices you are preparing for your own clients and are unsure if you have included all required information on the invoice, feel free to give our office a call and one of our staff members would be more than happy to assist.

Exemption of Carbon Tax

Due to Alberta repealing the Alberta provincial carbon tax the Federal Government has imposed the federal carbon tax, effective Jan 1, 2020

The Federal Government has announced there is relief for certain sectors and individuals including farmers if certain criteria are met. Farmers will qualify for an exemption if they meet all the criteria.

The form L402 – Fuel Charge Exemption Certificate for Farmers can be downloaded from the Canada Revenue website or found on our Website <https://gh-a.com/>

Customers must provide an exemption certificate to their fuel supplier and retain a copy of the certificate for themselves. All suppliers will require the exemption certificate at time of sale: otherwise the federal fuel charge will be applied. Customers are advised to provide their exemption certificates by **December 31, 2019** or before their next fuel purchase. The carbon tax varies by product, view a full listing here:

<https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/fcrates/fuel-charge-rates.html>

Donations

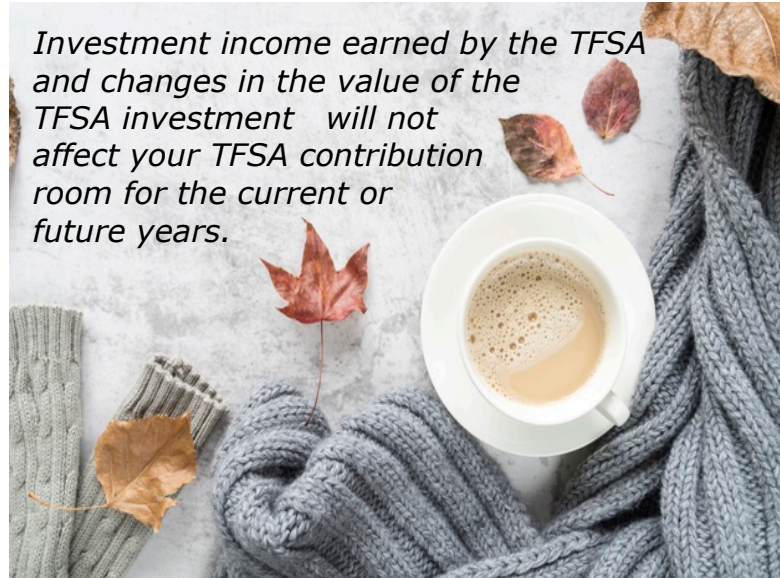
To ensure that the donation receipts you receive are compliant with what is required by CRA, make sure the receipt states:

- That it is an official receipt for income tax purposes
- The name and address of the charity as on file with CRA
- A unique serial number
- The charity registration number issued by CRAQ
- A location where the receipt was issued
- The date the gift was received, and the receipt was issued
- The full name and address of the donor
- The amount of the gift
- The amount and description of an advantage received by the donor
- The signature of an individual authorized by the charity to acknowledge gifts
- The name and website address of CRA

Tax Free Savings Accounts (TFSA) Contribution Room

Your TFSA contribution room is the maximum amount that you can contribute to your Tax Free Savings Account.

You may contribute to a TFSA if you are 18 years of age or older, have a valid Canadian social insurance number and are a resident of Canada. The TFSA contribution room accumulates every year starting in 2009.



Year	Dollar Limit
2009	\$5,000
2010	\$5,000
2011	\$5,000
2012	\$5,000
2013	\$5,500
2014	\$5,500
2015	\$10,000
2016	\$5,500
2017	\$5,500
2018	\$5,500
2019	\$6,000
2020	\$6,000



Farm Credit Canada

We are happy to have Farm Credit Canada (FCC) sharing office space with us. We feel that this is a great addition to help our clients in their businesses.

There is a representative from FCC in the office on Wednesdays. You can call FCC at 1-888-332-3301 to set up an appointment if needed.



GO FLAMES GO!

Please call our office and speak to Yvonne Hillier if you are interested in a call when there are Flames tickets available.

Protect yourself against fraud

The Canadian Anti-Fraud Centre reported that Canadians lost almost \$6 million to scammers claiming to be from the Canada Revenue Agency in 2018. So how can you protect yourself?

CRA WILL contact you via:

- Phone
- Mail

To verify your account, CRA may ask for you:

- Name
- Date of Birth
- Social insurance number
- Details of your account (such as information from your tax return)

CRA WILL contact you regarding:

- Notice of legal action to collect debts
- Location and name of your bank
- To begin an audit process
- To let you know you have mail in your online CRA account
- To provide a link to specific information you have asked for

CRA will NEVER:

- Text you
- Threaten you with arrest or jail time
- Ask for your passport number, driver's license number, or any personal financial information
- Send threatening emails or voicemails
- Arrange to meet with you in person to collect payment
- Ask you to make immediate payment via e-transfer, bitcoin, prepaid credit card or gift cards

Steps to take if you receive a suspicious call:

- 1.) Request the Caller's Name, Phone Number, and office location.
- 2.) Tell them you want to verify their identity.
- 3.) Then call CRA at 1-800-959-8281 (for individuals) or 1-800-959-5525 (for business) to confirm that they are a legitimate agent.

CRA Mobile Applications

CRA BizApp – an application for small business owners to view and pay outstanding balances, view transactions, review expected GST returns and view the status of corporate tax returns.

CRA Business Tax Reminders – Will send you pop up notifications for individual and business due dates.

MyBenefits CRA – for individuals which will provide you with a quick view of benefits and credit payment details.

MyCRA – provides you with access to notice of assessments, tax returns, benefits and credits, RRSP and TFSA contribution room.

Retention and Destruction of Records

In the inevitable rush to clean up your house for visitors over the holiday season, remember the following:

- Records that are required to determine your tax obligations and entitlements should be kept for a period of **six years**. This six-year period starts **once the tax return has been assessed by CRA**. The tax year is the fiscal period for corporations and the calendar year for all other taxpayers.
- Records concerning long-term acquisitions and disposal of property, the share registry, and other historical information that would have an impact upon sale or liquidation or wind-up of the business must be kept **indefinitely**.
- CRA may require you to keep records for an additional period of time. They will notify you by registered letter or by a demand served personally by a CRA representative.



Community Involvement

The staff of GH&A are proud to be involved with the following organizations in our community:

- Scouts Canada
- St. Rita's Church in Rockyford
- The Strathmore & District Chamber of Commerce
- The Standard Lionettes
- The Strathmore & Wheatland County Christmas Hamper Society
- The Strathmore Pickleball Club
- The Strathmore Regional Victim Services Society
- Project Hope
- STAND Against Sexual Assault
- The Strathmore Stampede Rodeo
- The Wheatland County Food Bank
- Strathmore Society Of The Arts

Wishing you a Healthy, Happy
and Prosperous New Year!

*In lieu of Christmas gifts we have made donations to
The Strathmore & Wheatland County Christmas
Hamper Society and the Wheatland County
Food Bank Society.*

*For more information see our website:
<http://www.gh-a.com>*



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