

TAX NEWSLETTER



Hughesman Morris Liversedge, CPA's

February 2023

It's that time of year again! Some people dread tax season, but at Hughesman Morris Liversedge this is our time to really shine. We have an incredibly strong team that is well equipped to tackle the season head on.

The tax filing and payment deadline is Monday, May 1st for most individuals. For individuals (and their spouse) with self-employment income the filing deadline is extended to June 15th (payment is still due May 1st).

You can drop off your tax documents to our office (after hours you can use the drop slot to the left of our front door),

or securely send them to us electronically using the Citrix Files link in our email signatures. The link can also be found on our website under Resources. As usual, we continue to offer RightSignature to allow you to securely and digitally sign your tax documents from wherever you are.

If you need a consultation or would like to discuss your tax situation or plans with a partner, please call our office to schedule a meeting. We wish you a happy and healthy year!

We are proud to be a Green Certified office again this year and have an electronic tax return delivery system for our clients! Using CitrixFiles, we can securely receive your tax documents and issue completed electronic tax packages in lieu of printed tax package. If you would like to support us in our initiative to continue to use green alternatives or you enjoy the ease of not having to drop off your documents, please let us know as we'd love to have you on board.

OUR STAFF

We are so fortunate to have a strong team of professionals to serve our clients' needs. It is thanks to all our staff that we continue to reach our goals each year and operate a Green Certified office environment.


We are proud to congratulate Annette on her hard work in writing and passing the Common Final Exam, which is no small feat! Congratulations on soon becoming a Chartered Professional Accountant, Annette!

We welcomed four new staff members to our team this past year. Anusha, Kristen and Vishnu who each joined us last tax season as seasonal tax preparers, accepted full time positions with us in May. Janet, a CPA, CA, CGA with years of professional experience under her belt, joined us in January. We are thrilled to have them as part of our permanent team.

We also want to welcome Olivia and Landon, who have joined us as seasonal tax preparers, coming to us with educational backgrounds in business and accounting and are looking to pursue their CPA designation in the future.

Last, but certainly not least, we welcome Denise back to our team for another busy tax season. She offers another friendly voice on the phone answering your questions, scheduling meetings, and assisting with tax return administration.

And on a personal note, Brian Liversedge and his wife, Lauren, recently welcomed their first child, a beautiful and healthy baby girl. Congratulations you two!



LOCAL COMMUNITY SUPPORT

Community initiatives this past year

We truly pride ourselves on giving back to this fabulous community that we're lucky enough to do business in. In 2022 we were able to contribute either financially or with our time to over 20 community causes!

This summer we were so pleased to host our in-person pancake breakfast again in conjunction with our third annual raffle, to raise funds for Sidney elementary school. We were able to raise \$5,029, which helped teachers purchase a variety of supplies for the school kids and also helped with the cost of field trips.

It was amazing to see our lovely community in person again. Thank you to all who came out, purchased raffle tickets, and donated to this incredible cause. Your support means a lot!



CANADA DENTAL BENEFIT

Support for lower income earning families with young children

This interim benefit aims to lower dental costs for eligible families earning less than \$90,000 per year. If your child is under 12 years old, has received or will receive a dental treatment and does not have access to a private dental insurance plan, parents and guardians can apply. The two benefit periods are from October 1, 2022 to June 30, 2023 and July 1, 2023 to June 30, 2024.

Depending on your total income, a tax-free payment of \$260, \$390 or \$650 is available for each child during each eligible period. Applications can be made online using your CRA My Account. This is the fastest way to get your payment. You can also apply by phone.



CANADA HOUSING BENEFIT

Helping low-income renters with the cost of renting

You may be eligible for this tax-free one-time payment of \$500 if your income and the amount you pay on rent both qualify. To qualify for this new federal one-time benefit payment, you must be a resident of Canada in 2022 for tax purposes, your principal residence was in Canada on December 1, 2022, and have an adjusted family net income for 2021 of either \$35,000 or less for families, or \$20,000 or less for individuals.

Eligible rent is rent paid in 2022 that was equal to at least 30% of your 2021 adjusted family net income. Applications can be made online using your CRA My Account or by phone.

UNDERUSED HOUSING TAX

Reporting requirements for corporations, partnerships and trusts owning residential real estate

As you may have heard, the government has introduced a new tax, known as the underused housing tax (UHT), effective January 1, 2022. The UHT is a tax on the ownership of vacant or underused residential properties situated in Canada, designed to impose a 1% annual tax on the value of residential properties in Canada that are both foreign owned and underused. There is a return form that must be filed annually for affected owners. The annual filing deadline is April 30.

An affected owner is a person who is an owner of a residential property, who is not an excluded owner. While there are a number of exclusions, only exclusions relative to our client base have been included here. You are an excluded owner of a residential property if, on December 31, you are:

- an individual who is a Canadian citizen or permanent resident of Canada, unless the individual is an owner of the residential property as:
 - a trustee of a trust (except if the individual is the personal representative of a deceased individual, in which case the individual is an excluded owner)
 - a partner of a partnership
- a registered charity for Canadian income tax purposes

As the UHT rules are broad, there are many owners who are exempt from paying the tax, but will still be required to file this form, including corporations, partners of a partnership and many trustees of trusts owning residential property.

Failure to file penalties are severe, with a minimum penalty of \$5,000 for individuals, and \$10,000 for others. This penalty applies even when there is no tax and the CRA has confirmed that they will pursue penalties even where no tax is payable.

If you are unsure if this tax applies to you or if you are required to file the annual tax return form and would like our assistance, please contact our office.

TAX FREE FIRST HOME SAVINGS ACCOUNT

Are you trying to save up to purchase your first home?

In 2023, the Government of Canada is introducing the FHSA, a new registered plan to help Canadians save towards their first home by allowing account holders to contribute up to \$40,000 over the lifetime of the plan. To be eligible you must be a Canadian resident, 18 years or older and a first-time home buyer. You are considered to be a first-time home buyer if at any time in the calendar year prior to opening the account, or in the four preceding years, you did not live in a qualifying home that either you or your spouse or common-law partner owned (if you had a spouse or partner at the time the account is opened).

The annual contribution limit is \$8,000, up to a maximum of \$40,000 during the lifetime contribution limit. Contributions made to the account are tax deductible and any unused contribution room can carry forward to the following year, up to a maximum of \$8,000. When the money is withdrawn to purchase a first-time home, the withdraw is tax-free. That's right, TAX-FREE!



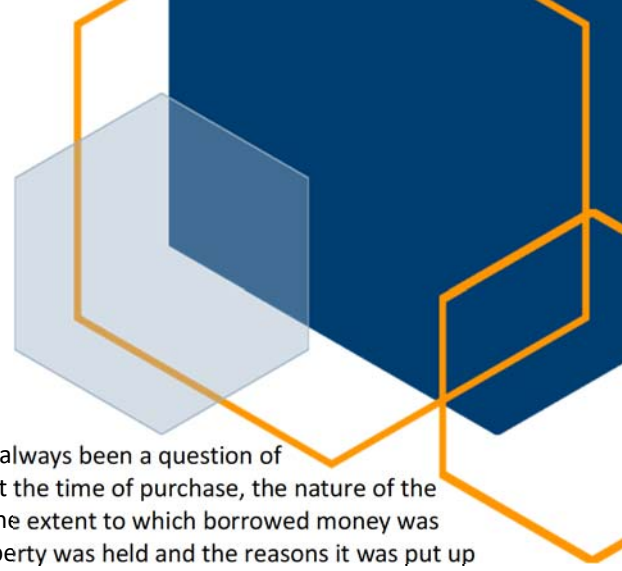
PROPERTY FLIPPING

Flipping a house? Your gain could be fully taxable.

The new rules, meant to target taxpayers misreporting profits as capital gains to avoid tax, apply to property dispositions that occur on or after January 1, 2023. Generally, the rules will treat the sale of a property, if it was owned for less than a year, as business income rather than a capital gain (even if the property was your principal residence). This will have a significant impact as only 50% of a capital gain is taxable whereas business income is taxable at 100%.

Whether a property sale is considered to be capital gains or business income has always been a question of fact. There are many factors to consider, including, but not limited to, intention at the time of purchase, the nature of the individual's business, profession or trade, improvements made to the property, the extent to which borrowed money was used to finance the purchase and the terms arranged, the length of time the property was held and the reasons it was put up for sale. While the closer the individual's business or occupation is related to real estate, the more likely the CRA would consider the profits to be business income, the more frequently you engage in property flipping, the more likely the CRA will consider it to be on account of business.

There are several exceptions that preclude the new flipping rules from applying when a property is sold within 12 months of purchase, including death of a taxpayer or related person, a related person joining the household or the individual joining a related person's household, breakdown of a marriage or common-law partnership, a threat to personal safety, a disability or serious illness, etc. Even if one of the exceptions applies, or if the property was held for more than 12 months, it still remains a question of fact as to the nature of the income.



DISABILITY TAX CREDIT: TYPE 1 DIABETES

Individuals with Type 1 diabetes automatically qualify

The disability tax credit (DTC) is a non-refundable tax credit that helps people with impairments, or their supporting family member, reduce the amount of income tax they may have to pay. Individuals who have Type 1 diabetes are now deemed to meet the requirements to claim the disability tax credit (DTC), regardless of the time actually spent on life-sustaining therapy.

To apply for the DTC, a medical practitioner must complete Part B of Form T2201 prior to submitting to the Canada Revenue Agency. The credit can be claimed retroactively going back up to 10 years.



We look forward to working with you in preparing your tax returns and investing time into tax saving strategies. We value the time it takes to prepare accurate tax returns. There will be a \$50 rush fee for tax returns dropped off after April 15th that are expected to be filed by April 30th and for self-employed individuals the fee applies for tax returns dropped off after May 31st that are expected to be filed by June 15th.



| CHARTERED PROFESSIONAL ACCOUNTANTS |

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