

# TAX NEWSLETTER

Hughesman Morris Liversedge, CPA's

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As the 2026 tax season approaches, we're here to help you feel prepared and confident. In this issue, we'll share helpful updates and reminders—and when you're ready, our experienced team of qualified tax professionals will take care of your tax filing needs from start to finish, making the process smooth, simple, and stress-free.

Securely send us your electronic tax documents using your CCH portal link (which we encourage!) or drop your paper records off to our office (the drop slot to the left of our front door is available for after-hours drops). If you're signed up for the portal, you can also securely and digitally sign your tax documents from wherever you are.

If you'd like to share documents electronically and/or sign documents digitally and have not yet signed up for the portal, please contact our office and we will send you an invitation.

If you're unsure what documents are needed to prepare your tax return, check out the personal tax checklist found in the resource section of our website to help ensure the information you provide to us is complete ([www.sidneyaccountants.ca](http://www.sidneyaccountants.ca)).

The tax filing and payment deadline is Thursday, April 30<sup>th</sup> for most individuals. For individuals (and their spouse) with self-employment income the filing deadline is Monday, June 15<sup>th</sup> although any taxes owing are still due April 30<sup>th</sup>.

If you have questions or anything you'd like to discuss with your accountant, please call our office to schedule a meeting.

We wish you all the best for 2026!

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

## MEET OUR NEW TAX TIME STAFF!

We have once again hired our temporary tax time staff members through the Co-op Department at Camosun College and are excited to announce that Kari Choi and Katie Schwemler have both joined our team in January this year.

Kari is a third-year student at Camosun College and is looking forward to learning and gaining hands-on experience during her 4-month co-op term. In her free time, Kari enjoys dancing to stay active and baking treats for everyone.

Katie is a second-year student at Camosun College working towards a Bachelor of Business Administration in Accounting and is excited to apply her developing expertise during this upcoming tax season. Outside of her academic and professional pursuits, Katie enjoys discovering new local bakeries and relaxing at home with a good book.



# LOCAL COMMUNITY SUPPORT

## Community initiatives this past year

We receive amazing support from our local community each year and in turn, continue our commitment to giving back. In 2025 we contributed financially or with our time to over 15 community causes.

This summer, we also hosted our 15<sup>th</sup> annual pancake breakfast in conjunction with our 6<sup>th</sup> annual raffle, successfully raising \$6,450 for Sidney Elementary School to help teachers purchase a variety of supplies for the kids and assist with the cost of field trips.

We continue to be amazed by the community support we receive through this event and thank everyone who came out, purchased raffle tickets, and donated to this incredible cause. We couldn't do it without you!



# ELIGIBLE MEDICAL EXPENSES

## What expenses can you claim on your tax return?

Unsure how to claim medical expenses on your tax return and what expenses qualify? We've listed some common examples of what qualifies and what does not and outlined the rules below.

### Eligible Expenses

Common expenses include: prescription drugs, dental services, private health plan premiums, specialist services such as chiropractic, registered massage therapy, physiotherapy, acupuncture, etc. (these vary by province).

Some uncommon expenses include: Travel medical insurance premiums, bathroom support aids such as grab bars, grips, rails, etc., diapers or disposable briefs for incontinence purposes, medical cannabis with a prescription, medical services obtained outside of Canada, service animal expenses and travel medical expense, both in specific situations, etc.

### How Much Can Be Claimed

Only expenses for which you have not been reimbursed for can be claimed, that fall within any 12-month period ending in the tax year. Expenses can be claimed for yourself, your spouse or common-law partner or for certain persons who depended on you for support, including children, grandchildren, parents, grand-parents, siblings, uncles, aunts, nephews or nieces.

Expenses must total more than the lesser of 3% of net income or \$2,834 (for 2025) before a claim can be made.

For a comprehensive list of eligible medical expenses, visit CRA's website, or contact your accountant with any question.



# CARRYING CHARGES & LEGAL FEES

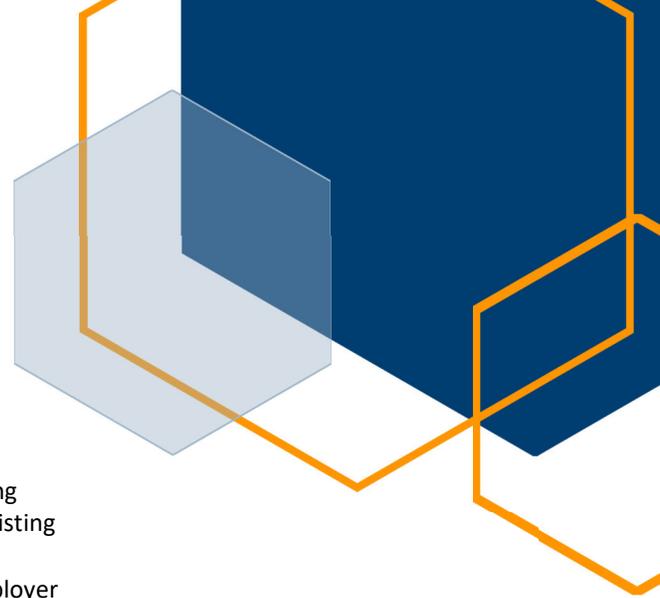
## What's deductible and what's not

### Eligible amounts include:

- Investment management or administration fees paid on an unregistered investment account
- Interest on funds borrowed to purchase investments that generate investment income (including rental income)
- Accounting fees when related to earning income from a business or property (including investment income)
- Legal fees paid by the recipient of support payments relating to establishing first time child or spousal support payments, adjusting or enforcing pre-existing support payments or applying to collect arrears support payments
- Legal fees to collect or establish a right to salary or wages owed by an employer

### Ineligible amounts include:

- Investment management or admin fees paid on a registered investment account, such as an RRSP or TFSA
- Interest on funds borrowed to purchase investments that generate capital gains income only
- Legal fees related to a separation or divorce, or establishing custody or visitation rights



# OLD AGE SECURITY

## Understanding clawback

If you're already receiving or will receive Old Age Security (OAS) in the future, OAS clawback, officially called the OAS Recovery Tax, is an important concept to understand, as your benefit payments will be reduced if your income is too high.

### When Clawback Applies

Clawback applies when your annual net income exceeds a specific minimum threshold that is indexed each year for inflation. If your net income is above the minimum threshold, you must repay part (or all) of your OAS benefits. For every dollar of income above the minimum threshold, 15 cents of OAS benefits must be repaid. Once your income reaches the maximum income threshold, your OAS benefit are fully eliminated for the year. For the 2025 tax year, the minimum threshold is \$93,454 and the maximum threshold is \$152,062 (ages 65 – 74) or \$157,923 (age 75+).

### How Clawback is Calculated and Repaid

When your tax return is prepared and your net income is calculated, any OAS benefits repayable are reflected right on your tax return. If a repayment is required, the amount is included as part of your total tax payable to the Canada Revenue Agency.

### How Future OAS Payments are Affected

Clawback operates on a "look-back" system, meaning that after your 2025 tax return is assessed, the government reviews your return and determines your benefit payments for the period from July 2026 to June 2027. If your 2025 return reflects any clawback, your July – June payments will be adjusted to recover the estimated amount owing for the year. The recovery amount is treated as income tax withheld from your gross monthly benefit payment and is reported on your tax return the following year as income tax withheld at source.

### Tax Planning Opportunities

If your net income for the following year is expected to be below the minimum clawback threshold, you can request that Service Canada recalculate your net benefit entitlement using your current year's estimated net income. Eligibility depends on the amount of income tax withheld from your other income sources.

If you are concerned that the OAS recovery tax may affect you, contact your accountant to explore possible strategies that could eliminate or reduce your OAS clawback.



# TAX INSTALMENTS

## Understanding your obligation

If you earn income on which no tax is withheld, such as investment, rental or self-employment income, or not enough tax is withheld on your other income sources, you may be required to pay tax instalments.

### When Tax Instalments are Required

If your current year's tax payable, less any income tax deducted at source, exceeds \$3,000 and this was also the case for either of the prior two tax years, the CRA will ask you to make quarterly tax instalments towards the following year's taxes.

### Instalment Amounts and Due Dates

In the first year you are required to make tax instalments, payments are due on September 15 and December 15. The amount payable on each date is equal to 50% of your prior year's balance owing.

In subsequent years, instalments are due on March 15, June 15, September 15 and December 15. The March 15 and June 15 amounts equal 25% of your taxes payable from the second previous tax year. The September 15 and December 15 amounts are each based on your taxes payable from the previous tax year, less your March and June payments, multiplied by 25%.

If your estimated taxes owing for the current tax year are less than the previous year, instalment payments can be reduced.

### Instalment Interest

While taxpayers have no legal obligation to pay tax instalments, the CRA will charge instalment interest if payments are not made, or if payments made are less than the required amount. Instalment interest rates are prescribed and can be found on CRA's website. The rate applicable for 2026 Q1 is 7%.



# MARITAL STATUS CHANGE

If you got married, became common-law, separated or divorced, it's important to let the CRA know right away. The CRA considers you to be common-law once you've lived together for 12 continuous months, or sooner if you have a child together. You're considered to be separated once you've lived apart for 90 days or more due to a breakdown in the relationship.

Your eligibility for benefits such as the quarterly GST/HST payment and the Canada Child Benefit are directly impacted by your marital status. If you do not inform the CRA right away, you will not receive payments you may be entitled to, or worse, find yourself in a position where you have to repay benefit payments you were no longer entitled to receive.

You can update your marital status online through your CRA My Account, by calling the CRA (1-800-959-8281) or by submitting Form RC65.

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 15<sup>th</sup> that are expected to be filed by April 30<sup>th</sup> and for self-employed individuals the fee applies for tax returns dropped off after May 31<sup>st</sup> that are expected to be filed by June 15<sup>th</sup>.



| CHARTERED PROFESSIONAL ACCOUNTANTS |

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