

TAX NEWSLETTER

Hughesman Morris Liversedge, CPA's

February 2022

Another year of the pandemic behind us, and probably every last one of us hopes that it's the final year of it! As with most businesses, we've pivoted and adapted, and truly feel that we've become a stronger, more efficient team, and can provide you with even better service than before. We have an incredible tax team ready to take us into the upcoming personal tax season and beyond.

The tax filing and payment deadline is Monday, May 2nd 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 2nd).

You can drop off your tax documents to our office (after hours you can use the drop slot next to the front door), or securely send them to us electronically using the Citrix Files link in our email footers. The link can also be found on our website under Resources. And 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 safe and healthy year!

Covid policies and protocols (at the moment)

We are following the policies and protocols as set out by WorkSafe BC to ensure our clients and staff are safe. To allow for effective and safe business operations:

- A maximum of two people will be allowed in our front office at a time
- Masks are required to be worn at all times
- We offer client meetings via Zoom or telephone, but if you need an in-person meeting please contact us

OUR STAFF

We are fortunate to have a strong team of professionals to serve our clients' needs. We value the education, tenacity, client focus and personality they each bring to our firm. It is thanks to all our staff that we continue to reach our goals each year and operate a Green Certified office environment.

We want to welcome to our team Anusha, Kristen and Vishnu. They have joined us as seasonal tax preparers and each come to us with educational backgrounds in business and accounting and are looking to pursue their CPA designation in the future. They are a great addition to our team for this upcoming tax season. Check out our website to view their full profiles.

We also want to welcome Denise to our team. She will be another friendly voice on the phone answering your questions, scheduling meetings, and assisting with tax return administration.



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 2021 we were able to contribute either financially or with our time to over 20 community causes!

This summer we held our second raffle in lieu of our annual pancake breakfast, to raise funds for Sidney elementary school. We were able to raise \$6,158, which helped teachers purchase a variety of supplies for the school kids.

We hope to be able to go back to hosting our in-person pancake breakfast in the summer of 2022 and to see our lovely community in person again!



Mary Winspear Centre



SAANICH PENINSULA LIONS FOOD BANK



UNDERSTANDING TAX BRACKETS

Have you ever heard somebody say, "I don't want to make more money and move into a higher tax bracket"?



We hear this all the time and want to debunk this common misconception.

Canada uses "graduated" tax rates. What this means is at different levels of income, you are taxed at different tax rates (each different income range and corresponding tax rate is considered a tax bracket). The higher your income, the higher the tax rate. But when you "graduate" into a new tax bracket, you don't lose the savings you received while in the lower tax brackets.

Here's an example: In 2021, when you earn employment income up to \$42,184 you pay taxes of 20.06%. This is the lowest tax bracket. Now let's say you get offered a promotion and your annual salary increases by \$5,000. Your salary up to \$42,184 will continue to be taxed at 20.06%, and only the new \$5,000 will be taxed in the next tax bracket, which is 22.70%.

For employees whose pay is "lumpy", meaning it can vary from paycheque to paycheque, they may find that if they take on extra hours at work their paycheque doesn't increase significantly. This is because the payroll software being used is calculating their payroll taxes assuming that this will be their salary for the entire year. It calculates taxes at that higher tax bracket. But rest assured that if too much in taxes has been withheld, it will be refunded when you file your tax return. It's like a built-in savings plan!

Now having said all of that, we can still have a lot of fun with tax planning involving tax brackets! If you have flexibility in the timing of your income (capital gains for instance), it may be advantageous to spread that income over a few years to utilize lower tax brackets. We're always here to help if you want to talk tax planning, just give us a call.

NEW SICK PAY FOR EMPLOYEES

Whether you're an employee or employer, here are some things to know about the province's new 5-day sick pay policy

Starting January 1st, 2022, the B.C. government introduced five paid days of sick leave per year for personal illness or injury for employees who fall under the Employment Standards Act. Part time, casual, and temporary employees share in this new benefit. Furthermore, employees will receive these five sick days from each employer they have. The cost of the sick days will be borne by the employer; there is no reimbursement from the government.

How can an employee qualify?

To be eligible, the employee must have worked for their employer for at least 90 days. The new rules do not define illness, so it is up to the employer to determine, within reason, what constitutes illness and what proof of sickness will be required (i.e. a doctor's note). The rules do specify, however, that the sick days are for illness or injury; for the time being they do not appear to cover mental health or family illness.

How to calculate sick pay?

The amount the employee is paid per sick day is based on an average day's pay. To calculate this, the employer would take the total wages for the previous 30 days and divide that by the number of days paid for work in the last 30 days. Wages and days worked include paid vacation time, paid sick time and stat pay, but does not include overtime. Note that it does not matter how many hours the employee was intended to work on their sick day. If their shift was supposed to be four hours, but their average day's pay is six hours, they will be paid six hours for their sick day.

What do you mean by a year?

Instead of using a regular calendar year, the five days re-sets on the anniversary of the employee's start date. Starting January 1, 2022, all employees under the act are given their five days. Then when the employee's work anniversary comes around, any leftover sick days expire, and the employee receives five new eligible sick days. This means that employees generally will receive ten sick days in 2022. For example, if the employee started work on June 19, 2019, this is their work anniversary. On January 1, 2022 they would receive five eligible days of paid sick leave. On June 19, 2022, the previous five days expire and they receive five new days, which expire June 19, 2023.

SIMPLIFIED HOME OFFICE DEDUCTION

Did you work at home this year because of the pandemic?

For 2021 and 2022 CRA is again allowing employees who had to work from home because of the pandemic to claim \$2 per day worked from home, up to a maximum of \$500. To be eligible, employees must work from home more than 50% of the time for at least four consecutive weeks. The detailed method of claiming expenses is also available provided your employer signs form T2200S.



CRYPTO CURRENCY

A few things to know

With a lot of people having extra time at home, many have dabbled in cryptocurrency for their first time. The world of crypto currency and taxation is still new and ever evolving, but here are a few things to know.

Whether you're just experimenting with crypto currency as a hobby, or are becoming a serious investor, your activity is taxable. As an example, let's say you hold Bitcoin in your digital wallet and use some of that Bitcoin to purchase Cardano (another crypto currency). As soon as the Bitcoin leaves your wallet you are considered to have disposed of it for tax purposes and must calculate your gain or loss.

The gain or loss is the difference between the market value of the Bitcoin when you purchased it vs the value when you exchanged it for Cardano. If you're trading a lot between different crypto currencies this will mean a lot of taxable transactions to report (there are various software programs that can track these transactions for you). And if you are regularly trading, your income may be considered business income, which is taxed at a higher rate than capital gains income.

Furthermore, if you're "mining" or "farming" crypto currency, all of your earnings from these activities are considered taxable. The income is calculated based of the value of the currency received on the day you received it, regardless of whether you convert it to cash or not.

On a final note, if you hold crypto currencies that cost you more than \$100,000 CAD, this will need to be reported on your tax return as foreign holdings. This is for information purposes and does not result in taxes.

Please let us know if you are trading in crypto currency so we can help you to report it properly.

NEW OFFICE HOURS

Flex Fridays!

We're excited to announce that starting this year we are closing our office every Friday (other than in March and April). Why is this exciting? Because we're giving our staff more flexibility to choose the hours they work and achieve a better work life balance. We will be open Monday to Thursday, 9:00am to 5:00pm (Thursday closed for staff lunch 12:30 to 1:30). We look forward to seeing you and serving you during these new office hours!

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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