

# TAX NEWSLETTER

Hughesman Morris Liversedge, CPA's

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As the 2025 tax season draws near, we want to remind you that we're here to help. Our team of tax professionals will take care of all your tax filing needs and leave you without the stress of worrying about your taxes.

You can drop off your tax documents to our office (the drop slot to the left of our front door is available for after hours drops) or send them to us electronically using your secure CCH portal link (which we encourage!). Once you're signed up for the portal, Docusign is used to enable you to securely and digitally sign your tax documents from wherever you are.

If you wish to upload and download 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.

Not sure what documents are needed to prepare your tax return? We've added a personal tax checklist to the resource section of our website to help you ensure the information you provide to us is complete ([www.sidneyaccountants.ca](http://www.sidneyaccountants.ca)).

The tax filing and payment deadline is Wednesday, April 30<sup>th</sup> for most individuals. For individuals (and their spouse) with self-employment income the filing deadline is extended to Monday, June 16<sup>th</sup> (payment is still due April 30<sup>th</sup>).

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 all a happy and successful 2025!

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!

For those of you who don't know already, we work closely with the Co-op Department at Camosun College each year to hire our temporary tax time staff. This year we are thrilled to have Trixia Ducabo and Christian Silva join our team.

Trixia is currently working on completing her final semester at Camosun College. She is looking forward to obtaining her degree in Bachelor of Business Administration in Accounting and is wanting to pursue her CPA designation after graduating. During her spare time, Trixia enjoys baking sweet treats to share with her family and friends.

Christian is a second-year student at Camosun College. With a strong passion for investing, he is eager to expand his financial expertise and excited to gain some hands-on experience during his 4-month co-op term. Outside of his academic and professional pursuits, Christian is an avid car enthusiast and maintains an active lifestyle through regular gym workouts.



# LOCAL COMMUNITY SUPPORT

## Community initiatives this past year

We are so thankful for the community support we receive each year and continue our commitment to giving back. In 2024 we contributed either financially or with our time to over 15 community causes!

This summer we also hosted our 14<sup>th</sup> annual pancake breakfast in conjunction with our 5<sup>th</sup> annual raffle, successfully raising \$4,600 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!

Here are a just few of the organizations we supported during the year:



Friends of NS Parks

## FIRST TIME FILERS

### Benefits to filing a tax return

People often ask at what age you should start filing a tax return. While there is no specific age at which you are required to start filing, there can be benefits even if little to no income was earned.



- If a taxpayer has income on which taxes were withheld, but their total income is below the basic personal amount (\$15,705 for 2024), filing a tax return will result in those taxes being refunded. If total employment earnings are \$3,500 or less and CPP has been withheld, the CPP will be refunded.
- Filing a tax return on which any earned income is reported (from employment, self-employment, royalties, etc.) creates RRSP contribution room for use on a future year's tax return.
- In general, tuition paid to an educational institution in Canada at a post-secondary level qualifies for the tuition tax credit. Tuition must be reported in the year it was paid and if any portion of the tuition tax credits cannot be used, the unused portion can be carried forward for use on a future year's return.
- Filing a tax return also allows a taxpayer to receive any benefits and credits they may be eligible for, including the quarterly GST/HST Rebate, the BC Climate Action Tax Credit, etc.

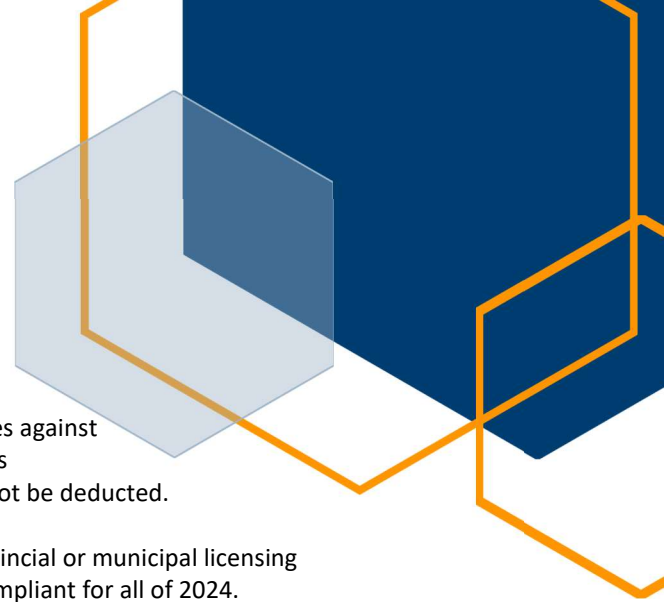
# SHORT-TERM RENTALS

## Changes to the rules for eligible deductions

CRA considers a short-term rental to be a residential property rented out or offered for rent for a period of < 90 consecutive days. A non-compliant short-term rental is a short-term rental located in a province or municipality that doesn't permit short-term rentals to operate at that location, or that does not comply with the provincial or municipal licensing and permit requirements.

Starting in 2024, there are tax rules in place that deny the deduction of expenses against income earned from a non-compliant short-term rental. If a short-term rental is non-compliant for any portion of the tax year, some or all of the expenses cannot be deducted.

Transitional relief: For 2024 only, if the short-term rental is compliant with provincial or municipal licensing and permit requirements by December 31, 2024, the rental is deemed to be compliant for all of 2024.



# THE PRINCIPAL RESIDENCE EXEMPTION

## Understanding the implications of a property change-in-use

If there has been a complete change-in-use of your property, either from being your principal residence to an income-producing property, or from being an income-producing property to your principal residence, there are some rules for tax purposes that you should be aware of.



### Complete change in use from principal residence to income-producing

In this scenario, you are deemed to have disposed of your property at its current fair market value and immediately reacquired it at this same value. If no election is filed, the deemed property disposition must be reported on your tax return, possibly resulting in a capital gain that may be eliminated or reduced by the principal residence exemption. However, an election can be filed to deem that this change of use did not occur and defer the need to report a property disposition until the year the property is ultimately disposed of. To make this election under subsection 45(2) of the Income Tax Act (ITA), a signed election letter must be filed with your tax return for the year in which the change in use occurred. When this election is filed, the property can continue to qualify as your principal residence for up to four years during the period in which the election is in effect, provided you have not chosen to designate another property as your principal residence for the same four years.

### Complete change in use from income-producing to principal residence

In this scenario, you are also deemed to have disposed of your property at its current fair market value and immediately reacquired it at this same value, which may result in a capital gain if no election is filed. However, similar to the above scenario, an election can be filed to deem that this change in use did not occur. This election, which falls under subsection 45(3) of the ITA, is made by filing a signed election letter with your tax return for the year in which the property is ultimately disposed of. In line with a 45(2) election, the property can qualify as your principal residence for up to four years prior to the change in use that is covered by the election, regardless of whether you physically occupy the property during these four years, provided you have not chosen to designate another property as your principal residence for the same four years.

These rules can get quite complex and the best option to choose is not always obvious. We also note there may be GST/HST implications associated with a property change-in-use. If you find yourself in one of the above scenarios, please contact us to discuss your options and the potential tax implications.



# TAX TIPS

A few tidbits that may be helpful!

## 2024 Donation – Extension!

For the 2024 tax year only, the Government of Canada has extended the deadline for making charitable donations that can be claimed on your 2024 personal tax return to February 28, 2025. In BC, tax savings on the first \$200 donated are 20.06%; when annual donations exceed \$200, tax savings on the excess are 45.8%. If an individual has taxable income in excess of \$259,829, the rate increases to 53.5% (some rules apply to this threshold).

## Disability Tax Credit and the Caregiver Credit

If you or a family member you support has a severe and prolonged mental or physical impairment, you should consider applying for the disability tax credit (DTC). The DTC is a non-refundable tax credit that helps reduce taxes payable of the individual who qualifies for the credit. If you support a family member who qualifies for the DTC and they don't have sufficient taxes payable to utilize the credit on their own return, any unused portion of the credit can be transferred to your tax return. Dependent on when the impairment began, the DTC can be applied for retro-actively, going back up to 10 years. Independent of the DTC, the Canada Caregiver Credit can be claimed if a family member with a physical or mental impairment is dependent on you for support with some or all of the basic necessities of life.

## Moving Expenses

If you move more than 40km for work or to attend school, you may be eligible to claim moving expenses. Eligible expenses include travel costs, transportation and storage costs for household items, costs associated with selling and buying a new home, etc. The amount eligible to claim is limited to income earned at your new work location or to income from scholarships, bursaries, fellowships, etc. if you moved to attend school. If you are self-employed and work from home, your new home is considered to be your new work location. Any unused eligible expenses can be carried forward to claim on a future tax return.

# Capital Gains Deferral

2024 tax changes postponed

When the 2024 budget proposal was announced last year, it included draft legislation that increased the capital gains inclusion rate as of June 25, 2024 to two thirds for individuals on capital gains of over \$250,000 per year and for all capital gains incurred by corporations and most trusts. The capital gains inclusion rate represents the portion of capital gains that is taxable.

On January 31, 2025, the Government of Canada announced that the federal government is deferring these changes from June 25, 2024 to January 1, 2026.



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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