TAX SEASON IS HERE ONCE AGAIN

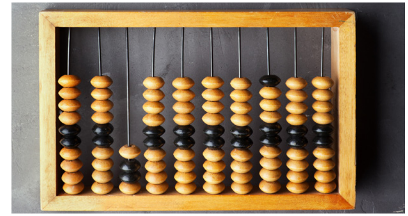
Consider These Ways to Be Tax Savvy

Spring is here again and with it brings personal income tax season. Many of us feel we pay too much tax and there may be actions we can take to help minimize these liabilities. This may be especially important in these times of high inflation. Here are some ideas:

Consider professional tax support — The support of tax professionals can help to ensure your tax planning takes into consideration current and proposed rules. This support can also help to prevent costly mistakes, such as incorrectly completing tax returns or neglecting to claim tax credits. It can be particularly beneficial if your situation is more complicated, such as where a divorce is involved or if you hold a significant portfolio of foreign assets. As we grow older, a professional advisor can provide continuity from year to year, which may become important if individuals experience health issues, incapacitation or the death of a spouse. Many accountants are well placed to assist with estate planning activities, including the transfer of assets upon death.

Be aware of the evolving tax rules — Make sure that your tax planning accounts for the latest tax rules. Remember that these rules continue to evolve. Since the start of 2022, the Canada Revenue Agency (CRA) has announced some of the following changes that may impact certain tax positions. While these changes may not apply to personal income tax season, they are examples of the evolving landscape:

- **Work-from-Home Tax Credit** — Those who worked from home due to the pandemic are entitled to claim up to $500 of home expenses. As with the 2020 tax year, the CRA has issued a simplified Form T2200. However, the temporary flat-rate option remains available to taxpayers for both the 2021 and 2022 tax years.
- **Automobile Expenses** — For 2022, the limit on the deduction of tax-exempt allowances paid to employees who use personal vehicles for business purposes has increased by two cents, to 61cents per kilometre (km) for the first 5,000 km driven and 55 cents thereafter for all provinces. Mileage rates were last raised in 2020.
- **Expanded Trust Reporting** — Expanded annual reporting requirements for trusts, including beneficial ownership information, were anticipated for the 2021 tax year based on the last federal budget. In the first quarter of 2022, the government confirmed that this would no longer apply for 2021. However, draft legislation was introduced in February, which is expected to be passed and will apply to trusts with taxation years ending after Dec. 30, 2022.
- **A Pending Luxury Tax** — The 2021 federal budget proposed a luxury tax expected to be introduced at the start of 2022 and retroactive to April 2021. In March, draft legislative proposals were released and the tax is now expected to come into effect on September 1, 2022.[1] The proposed levy is either 10 percent of the value of the purchase above a certain threshold ($100,000 for new cars/aircraft; $250,000 for boats) or 20 percent of the full value, whichever is less.



- **Cryptocurrencies** — The CRA continues to conduct audits on cryptocurrencies to crack down on tax non-compliance. Last year, the CRA won an order which allows it to collect personal and transactional information about the largest users from Canada's largest cryptocurrency exchange.[2] Owning cryptocurrency itself is not taxable; however, be aware that there may be tax consequences for trading or exchanging cryptocurrency, including disposing of one cryptocurrency to obtain another.

Make tax planning a year-round exercise —Year-round tax planning can start with maximizing tax-advantaged accounts like Tax-Free Savings Accounts (TFSAs) or Registered Retirement Savings Plans (RRSPs). It may include adjusting asset location as investment returns, i.e., bond interest, Canadian and foreign stock dividends, capital gains, may be taxed differently depending upon where they are held, i.e., RRSP, TFSA or non-registered accounts. When it comes to your wealth plan, we're here to discuss tax-planning opportunities to help you keep more of your hard-earned dollars.

A tax refund? Put it to work! — If you receive a tax refund, what will you do with it? Last year, 19 million Canadians received a refund averaging $1,801.[3] Yet, only 18 percent planned on investing it in a TFSA, RRSP or RESP.[4] Consider the potential upside: investing this amount each year for the next 25 years at an annual rate of return of 5.5 percent would yield almost $100,000 in that time.[5]

For assistance with tax-related investing matters, please call the office.

1. www.canada.ca/en/department-finance/news/2022/03/government-releases-draft-legislative-proposals-to-implement-luxury-tax.html; 2. www.forbes.com/sites/taxnotes/2021/04/29/cryptocurrency-tax-data-requests-its-easier-to-go-fishing-in-canada/; 3. "Canadians Are Stalling on their Taxes," J. Golombek, Financial Post, April 1, 2021; 4. www.newswire.ca/news-releases/confusion-dread-and-fear-of-owing-money-fuel-tax-filing-procrastination-in-canada-860977490.html; 5. Compounded annually at 5.5%, assuming no fees or taxes.