2010 Tax Tips

Tax Tip 1 of 10
Online access to your tax information

Stop waiting for the mail! You can now review your tax accounts online.

"The Canada Revenue Agency (CRA) has electronic services that let individuals access their tax and other financial information online," explains Chartered Accountant Amit Grover, Manager - Taxation Group, with Soberman LLP, Toronto.

"My Account allows you to review all kinds of information, including your tax returns and carryover amounts, Registered Retirement Savings Plan (RRSP) deduction limit, information on the status of your Home Buyers' Plan and Lifelong Learning Plan, Tax-Free Savings Account (TFSA), installments, disability tax credit and benefit payments."

You can also manage your personal income tax and benefit accounts online. Among other things, *My Account* allows you to change your address or telephone number, apply for child benefits, arrange a direct deposit, authorize a representative and formally dispute your assessment. You may even be able to access information online before you receive official notification in the mail.

"My Business Account offers similar services for businesses," Grover adds. Note that on October 4, 2010, all existing user IDs and passwords expired. To log into *My Account* or *My Business Account* for the first time since that date, you must create a new user ID and password.

For further information and to apply for an account, individuals and businesses should visit the CRA website at www.cra-arc.gc.ca/menu-eng.html and click on *My Account* or *My Business Account*.

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Tax Tip 2 of 10
Give to the needy and save on taxes

When the economy declines, requests for donations seem to increase exponentially.

"Donating helps everyone – you the taxpayer and those in need," says Chartered Accountant Rosa Maria Iuliano, Tax Partner, Collins Barrow Ottawa LLP.

"Donating to Canadian-registered charities has many benefits – both personal and tax-wise. Not only are you helping out your neighbours, but you can also take advantage of the non-refundable tax credits. Donations are eligible for a federal tax credit of 15 per cent of the donation amount on the first $200 you donate, and increase to 29 per cent of the amount over $200. You can claim all or part of this amount to a limit of 75 per cent of your net income.” In addition to the federal credit, you will also be eligible for a provincial tax credit.

For gifts of certified cultural property or ecologically sensitive land, you may be able to claim up to 100 per cent of your net income.

You will need a receipt to claim donations on your income tax return. Often times, charitable organizations will not automatically provide receipts if the amount is less than a certain sum. However, you should always request a receipt, regardless of the amount.

“You require the tax receipt to support your charitable donation deduction,” advises Iuliano. “So be mindful of whom you give money to. Be sure the organization is a registered charity - if you are not sure, you can confirm the registration on the CRA website at http://www.cra-arc.gc.ca/chrts-gvng/menu-eng.html.”

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Tax Tip 3 of 10
Ontario senior homeowners can get tax grant

Seniors who own their own homes will be happy to hear that they may be eligible for the Ontario Senior Homeowners' Property Tax Grant to help them pay their property taxes.

“The Ontario Senior Homeowners’ Property Tax Grant is designed for eligible senior homeowners with low and moderate incomes,” says Chartered Accountant Rosa Maria Iuliano, Tax Partner, Collins Barrow Ottawa LLP. “The maximum grant for the 2011 tax year is $500."

To obtain this grant, you must file **Form ON-BEN, Application for the 2011 Ontario Senior Homeowners’ Property Tax Grant, the 2011 Ontario Energy and Property Tax Credit, and the 2011 Northern Ontario Energy Credit** with your personal income tax return. While the grant is based on your income tax return, the grant cheque is mailed separately. You will usually receive it four-to-eight weeks after your tax return is assessed.

To qualify for this grant, you must, effective December 31 of the prior year: reside in Ontario; own and occupy your principal residence and have paid property taxes; be 64 years of age or older; and apply for it by filing the form noted above with your tax return.

“Only one grant is allowed per couple,” Iuliano continues, “and the amount of the grant will be restricted based on your income.

“Single seniors who paid over $500 in property taxes and have income under $35,000 will receive the full grant. If their income is between $35,000 and $50,000, the grant is proportionately smaller. If your income exceeds $50,000, no grant is available. Senior couples will qualify for the full $500 grant if their combined income is less than $45,000. If their income is between $45,000 and $60,000, they will receive proportionately less.

When their combined income exceeds $60,000, no grant is payable."

If you were eligible for the grant in 2010 but forgot to apply for it when you filed your 2009 tax return, you can still apply. To do so now, you must request an adjustment to your 2009 tax return and file the 2009 form ON479.

This grant is in addition to the Ontario Energy and Property Tax Credit which you apply for on your tax return, on **Form ON479, Ontario Credits**.

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Tax Tip 4 of 10
Are legal fees tax-deductible?

When the legal and tax systems meet, the result can be complicated. But there are some general principles that help determine when legal expenses for private citizens are and are **not** deductible, says Chartered Accountant Clyde Catton, Tax Partner with BDO Canada in Oshawa.

"Usually, legal fees that one incurs in the course of earning income are deductible," he explains. "So if you're suing your former employer to collect salary, wages or pension you're owed, or even getting legal help to establish your right to these things, the fees would probably be deductible."

The self-employed are a special situation and should seek professional advice, Catton says, as their business dealings can result in legal situations that can have a personal impact, too.

The fees you pay a lawyer to help you with a criminal case or buying a home won't save you any money on taxes, but if your issue relates to determining alimony or child support, they certainly might. Consult a Chartered Accountant in your community for specific advice about your own legal fees and tax situation.

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Tax Tip 5 of 10
Lottery and gambling winnings are tax-free

Good news! You won the lottery, broke the bank at the casino or cleaned-up at the track. More good news! Your winnings are tax-free.

But Chartered Accountant Daryle Moffatt, Senior Manager, Taxation at Collins Barrow Toronto LLP, says that's pretty much where it ends. "Any income earned on those winnings **is** taxable. So if you invest in something that generates interest income, you'll get a T5 slip from the investment institution that you'll need to include with your tax return.

"Providing you have the contribution room available, you can put those winnings into a Registered Retirement Savings Plan or Tax-Free Savings Account," Moffatt recommends. “Both plans will help you defer or save taxes and earn money. Or, pay off any interest bearing, non-deductible debt, like credit cards or mortgages.”

Notable exceptions to the no-tax rule for winnings are those rare people for whom gambling is a business or occupation. Winnings may not be directly taxable, but income is, and the CRA will most certainly be expecting its share from anyone who makes a living that way.

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Tax Tip 6 of 10
Children’s Fitness Tax Credit
I want to dance… swim… play hockey. The list goes on and on!

“As parents we hear requests like these all the time,” says Chartered Accountant Rosa Maria Iuliano, Tax Partner, Collins Barrow Ottawa LLP. “Our children want to be active, and the Government of Canada is supporting families through a non-refundable tax credit to parents who pay to register their children in prescribed programs of physical activity.”

Under the Children’s Fitness Tax Credit, you can claim up to $500 per year for eligible fitness expenses paid for each child, or up to $1,000 for a disabled child, as long as your child is under the age of 16 or, if eligible for the Disability Tax Credit, under the age of 18 at the beginning of the year in which the expenses are paid.

Iuliano explains that eligible expenses must be for the cost of registration or membership in programs that are ongoing (either for a minimum of eight consecutive weeks or, for children’s camps, five consecutive days). These programs must also be supervised and suitable for children, and include a significant amount of physical activity. The eligible expenses are amounts paid by you or your spouse/common-law partner in the taxation year, regardless of when the activity actually takes place.

“To claim the credit on your tax return, you must have a receipt from the organization stating the amount of eligible expenses paid in the calendar year. The receipt must also have the organization’s name and address; name of the eligible program or activity; amount received; date received and amount that is eligible; full name of the payer; full name of the child; the child’s year of birth and an authorized signature,” Iuliano advises.

While the Children’s Fitness Tax Credit gives parents a few extra dollars for more activities, the jury is still out on whether it will make those crack-of-dawn hockey practices any easier!

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Tax Tip 7 of 10
Tax credits for caregivers

They call it the Sandwich Generation – those adults in their middle years who find themselves caring for aging parents as well as growing children. And the pressures – including the financial ones – can be even greater when those being cared for have physical or mental challenges.

"You may be eligible to claim a tax credit for the caregiver amount if – either alone or with another person – you maintained a home where you and one or more of your dependents, or those of your spouse or partner, lived," explains Chartered Accountant Kevin Dunn in Peterborough.

In 2010, you may be able to claim a maximum of $4,223 for each eligible dependent, who include not just your own children or grandchildren, but many members of extended family, too.

"To qualify for the amount, each person being cared for must be 18 years of age or older and be dependent on you due to an impairment in physical or mental functions," Dunn continues. "Or, in the case of a dependent parent or grandparent, they must have been born in 1945 or earlier. And, the person in question must have had a net income of less than $18,645 in 2010."

There are other rules and considerations, so Dunn recommends that you consult with a Chartered Accountant in your home community about your personal situation.

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Tax Tip 8 of 10
It pays to hire apprentices

Are you an employer paying wages to a new apprentice?

"Then the Apprenticeship Job Creation Tax Credit and the Ontario Apprenticeship Training Tax Credit could help you," says Chartered Accountant Scott Conner, a tax specialist with BDO Canada LLP in Huntsville.

Conner explains that eligible employers will receive a federal non-refundable tax credit equal to 10 per cent of the salaries and wages paid to qualifying apprentices, to a maximum credit of $2,000 per year, per apprentice. Special rules ensure that when an apprentice works for two or more related employers in a year, the combined credit does not exceed $2,000 and the $2,000 credit can only be allocated to one employer.

At the Ontario level, depending on your total payroll and timing of the expense, the credit rate could be as high as 45 per cent, for a total available credit of up to $10,000 per year, per eligible apprentice, to a maximum of $40,000 over the first 48 months of the apprenticeship.

"Qualifying apprentices are those who work for eligible employers in qualifying trades during the first two years of their provincially registered apprenticeship contracts. Qualifying trades are prescribed, and include the Red Seal trades like tool and die makers, welders and plumbers. Regulations prescribing other trades may be forthcoming," advises Conner.

The Apprenticeship Job Creation Tax Credit and the Ontario Apprenticeship Training Tax Credit are available to eligible employers and apply to salaries and wages paid to qualifying apprentices. If your business has overlooked this credit in the past, Conner suggests you consider requesting adjustments or amendments to previously filed returns to maximize the credit claim.

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Tax Tip 9 of 10
More financial security for those with disabilities

If you are disabled or know someone who is, there are tax benefits and new savings opportunities available.

"If you or a family member has a prolonged and severe medical condition that restricts basic daily-living activities, certain programs are available to provide more financial security," explains Chartered Accountant Amit Grover, Manager - Taxation Group, Soberman LLP, Toronto.

"These include the Disability Tax Credit and a new federal-government-sponsored savings plan called the Registered Disability Savings Plan (RDSP). A RDSP can help parents and others save for the long-term financial security of a person who is eligible for the Disability Tax Credit. In addition to certain tax benefits, a RDSP allows access to matching government contributions."

More help was forthcoming with recently enacted changes, which, within certain limits, enable a deceased individual's Registered Retirement Savings Plan (RRSP) or Registered Retirement Income Fund (RRIF) to be transferred tax-free into the RDSP of a financially dependent infirm child or grandchild.

Visit the Canada Revenue Agency website at www.cra-arc.gc.ca/tx/ndvdls/sgmnts/dsblts/menu-eng.html for more information.

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Tax Tip 10 of 10
Be prepared for a tax audit

You're being audited …. Just knowing that is enough to strike fear in the heart of the average taxpayer.

"There's no need to panic," advises Chartered Accountant Don Knechtel, Partner, Taxation, with Durward Jones Barkwell & Company LLP in Grimsby. "It **is** important to be prepared, though. After your tax return is assessed, the Canada Revenue Agency (CRA) may select it for further scrutiny. If your return is being reviewed – what many call 'audited'– you'll want to have your documents ready.

“The tax audit should not normally be a concern, as long as you have maintained proper books and records, not made inappropriate tax filings, and kept all your relevant tax receipts,” Knechtel continues.

An audit of an individual taxpayer will generally be a “desk audit,” while the audit of a business or corporation could involve a “field audit.” A desk audit will involve providing supporting information for specific claims, while a field audit will generally involve a CRA auditor visiting your place of business.

“If, for example, you e-filed your personal return, the audit may be as simple as providing back-up slips for items including Registered Retirement Savings Plans (RRSP) contributions and donations.

“For business owners though, a field audit may be more detailed and involve a review of bank accounts, sales and purchase invoices, ledgers, journals, expense accounts and corporate minute books,” explains Knechtel.

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