



# *Michael's Tax Tips & Updates*

*taxation news and information bulletin*

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**August 2017**

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## **Individuals**

- Effective January 1, 2017 the federal education and textbook tax credits will be eliminated. This does not affect the tuition tax credit.
- A recent tax court of Canada case ruled that a parking pass paid for by the taxpayer's employer was a taxable benefit. The Court held that the cost of commuting to and from work, including parking is personal in nature.
- CRA has noted that the first-time buyers tax credit could still be available to a taxpayer even if the home was acquired as a gift. Conditions for the credit are not contingent on the property being purchased, only acquired.
- The March 22, 2017 Federal budget has eliminated the public transit tax credit for use that occurs after June 2017.
- Securities sales - the question of income or capital is a question of fact. Factors to consider when determining if investments are held on account of income are; frequency of transactions, period of ownership, knowledge of securities markets, trading experience, time spent on account, financing, advertising for investments and speculative risk. If determined to be held on account of income, gains would be fully taxed as business income.
- CRA has issued a Technical Interpretation bulletin regarding the deductibility of cell phones as an employment expense. They define supplies consumed as "consumed directly in the performance of employment duties". Cell minutes and data can be consumed directly. Where there is personal use, a detailed breakdown of minutes could be used as documentation. However, providers generally do not document data usage in which case no portion of data costs would be considered deductible.
- Where a portion of a personal residence begins to be used for rental or business purposes, CRA will consider the property to retain its principal residence status where three conditions are met:
  - The income producing use is ancillary to the main use of the property as a residence.
  - There is no structural change to the property.
  - No CCA is claimed on the property.
- CRA has determined payments made by a church to refugees it is sponsoring, may be considered social assistance, included in income and then deducted. As such, the payments should be reported on form T5007 unless a specific exclusion applies.

## **Additional tax considerations**

- Expenses - Income vs Capital.  
There are three tests used to differentiate income and capital expenditures;
  - Recurring expenditure is usually an income expense while a one-time expenditure would be capital.
  - Enduring benefit created by an expense would be capital while a benefit that does not extend past the end of the year would be currently deductible.
  - The purpose test suggests an expense related to income earning would be a current expense while an expense incurred as part of a capital asset acquisition would itself be capital.

## **Businesses**

- A review has been undertaken of tax planning strategies used by private corporations;
  - Income sprinkling to family members who are subject to lower personal tax rates.
  - Accumulating a passive investment portfolio using business income sheltered by lower corporate tax rates.
  - Converting dividends into capital gains resulting in a significantly lower tax rate.
- HST changes in Budget 2017 include the definition of a taxi business to include all persons engaged in the business of transporting passengers for fares. This will include Uber drivers in the definition of a taxi business and therefore subject to HST requirements.

## **Businesses**

- The Canadian Federation of Independent Business reported on the CRA call centre giving them a C-grade.
  - Consistent provision of agent names and ID numbers earned an A+
  - Accuracy in answers resulted in 69% being complete and correct, 23% incomplete, 8% incorrect resulting in a D-
  - Connecting to an agent failed 30% of the time, up 50% since 2012 - F
  - Wait times in the queue met standard of 2 minutes - B+
  - Agent professionalism received a D grade due to answers being read back from the CRA website or referring the caller to their web page.
- Square Canada has advised affected users that pursuant to a court order, they will be providing CRA with information on sellers that have processed more than \$20,000 in transactions during the calendar years 2012-2015.

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