CGA

Michael's Tax Tips & Updates

taxation news and information bulletin

January 2016

Individuals

- The maximum 2016 annual pensionable earnings have been set at $54,900 and the maximum annual employee contributions is therefore $2,544.30

- The maximum 2016 annual employment insurance earnings have been set at $50,800 and the maximum employee premium is therefore $955.04.

- Commencing on January 1, 2016 the tax rate on income in excess of $200,000 will increase by 4% from 29% to 33% while the tax rate on the 2nd income bracket (about $45k - $90k) will decrease by 1.5% from 22% to 20.5%. (Federal tax rates only)

- The TFSA annual contribution limit will be returned to the pre-2015 calculation for 2016 and later years. Therefore the annual limit for 2016 will be $5,500 from the $10,000 limit in 2015.

- The RRSP deduction limit for 2016 is $25,370 (requiring earned income in 2015 of at least $140,944).

- The Federal Finance Minister announced that the proposed Canada Child Benefit which will replace the Universal Child Care Benefit, Child Tax Benefit and National Child Benefit Supplement will begin July 1, 2016. The minister also announced the intention to eliminate the Family Tax Cut for 2016 and subsequet years.

- In a shared custody situation the child care deduction would be calculated by both parents independently of each other. To be eligible the expense must be incurred at the time the child resided with the parent and they were paid by that parent to enable the parent to engage in the activities listed in S63(3).

- The CRA is assessing some actively trading TFSAs on the basis they are carrying on a business of trading in securities. TFSAs like RRSPs are taxable on income earned from carrying on a business.

- The CRA is warning Canadians to be aware of telephone and email scams. They warn Canadians not to respond to requests for personal financial information from fraudulent persons claiming to be from the CRA. The CRA themselves cannot process credit card payments directly and requests for this type of information indicates a scammer.

- It has been noted that the IRS under certain circumstances could hold an Executor or beneficiary of an Estate personally liable for the deceased person's unpaid U.S. federal income, gift and estate tax including interest and penalties. This could also extend to penalties imposed for not filing FBAR forms.

Additional tax considerations

- In July 2015 the CRA released a Folio addressing the deductibility of fines and penalties. It clearly denies a tax deduction for any fine or penalty imposed under federal, provincial, municipal or foreign law except for prescribed penalties.

- CRA notes that a deduction for artwork acquired for offices or common areas in a place of business would only be eligible if the artwork was used to earn income from a business or property.

- A reminder that Canada and U.S. Immigration now share their Canadian and U.S. entry and exit data with each other. However the U.S. may not be aware when a Canadian departs from the U.S. such as when the individual is on a cruise. This possibility of the incorrect exchange of information makes it important to maintain a travel log and track your entries and exits from the U.S.

Businesses

- It is essential that HST ITC's be claimed by the correct party. The taxpayer must demonstrate that they were contractually liable to pay the supplier for the goods and services and that they acquired the goods and services for consumption or use in the course of their own commercial activity.

- The scope of the fundraising activities of an NPO should be watched. CRA acknowledges that fundraising is generally considered a profit generating activity and they accept limited fund-raising activities. However care should be taken to ensure the scope of fund-raising activities should not be so significant as to be considered a purpose of the Organization in which case it may not qualify as a NPO under 149(1)(l).

- Books and records retention;

  1) A corporation's permanent records (meeting minutes share registers, general ledger) - 2 years after the corporation is dissolved.

  2) A corporation's non-permanent records - 6 years after the last taxation year to which they relate has been assessed.

  3) An unincorporated business - 6 years after the end of the last taxation year to which they relate has been assessed.

Avoid the rush. Remember to book an appointment early for your personal tax preparation services. A personal tax checklist is available on our website for your convenience.

For more information and forms visit our website at:
www.michaelolearycga.com

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