

## **TAX HIGHLIGHTS FOR THE 2017 PERSONAL TAX SEASON**

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### **Phased Out and Eliminated Tax Credits**

The Children's Fitness Credit and Children's Arts Credit have been eliminated for 2017 and future years. Previously, these credits were available for a taxpayer who paid for fitness and arts related expenses for their children.

The federal Public Transit Tax Credit is being eliminated for public transit services after June 30, 2017. For annual passes the credit will be prorated based on the 6 months that were eligible in 2017. This credit will be completely eliminated for 2018 and future years.

The federal Education and Textbooks Tax Credits have been eliminated for 2017 and future years. However, actual tuition fees paid will remain eligible for the Federal Tuition Tax Credit. The federal Education and Textbooks Tax Credits were available for all students attending post-secondary education on a full or part-time basis.

The Ontario Tuition and Education Tax Credits were eliminated in 2017. The Ontario Tuition Tax Credit for actual tuition paid will be available in respect of studies up to and including September 4, 2017. The Ontario Education Tax Credit will be available for months of study before September 2017. These credits will be completely eliminated for 2018 and future years. These proposed changes are part of the new Ontario Student Grant program to provide lower-income families with free or reduced tuition.

The First-Time Donor's Super Credit is set to be eliminated at the end of the 2017 tax year and will be eliminated for 2018 and future years. The First-Time Donor's Super Credit supplements the value of the charitable donations tax credit by 25% on donations made by a "first-time donor". You will be considered a first-time donor if neither you nor your spouse or common-law partner have claimed and been allowed a charitable donations tax credit for any year after 2007.

The Ontario Healthy Homes Renovation Tax Credit has been eliminated for 2017 and future years. This refundable credit is for seniors and family members who live with them who paid for eligible expenses that improved the safety and accessibility in your home. The Credit is available if you are 65 years of age or older or live with a family member who is 65 years of age or older and paid for eligible renovation expenses. A maximum of \$10,000 per year in eligible expenses can be claimed, resulting in a maximum refundable tax credit of \$1,500 ( $\$10,000 \times 15\%$ ).

### **Ontario Seniors' Public Transit Tax Credit (SPTTC)**

The SPTTC is a refundable tax credit to help seniors in Ontario with public transit costs. Transit service fares paid to Ontario or municipally-operated public transit services are eligible for the SPTTC. For 2017 only, transit expenses incurred on or after July 1, 2017 can be claimed for the SPTTC. You can claim up to \$1,500 in qualifying transit expenses in 2017 resulting in a maximum tax credit of \$225 ( $\$1,500 \times 15\%$ ). For years after 2017 you will be able to claim up to \$3,000 in qualifying transit expenses with a maximum tax credit of \$450 ( $\$3,000 \times 15\%$ ).

## **Principal Residence Exemption (PRE)**

The PRE allows homeowners to shelter the capital gain on the sale of one personal residence (including a cottage or seasonal home) from tax. You can designate one property per year for this purpose, to the extent that the property has been “ordinarily inhabited” in that year. Generally, when the PRE eliminated the entire gain from the sale of a personal residence, this disposition was not required to be reported on a personal tax return. Effective for 2016 and future taxation years, the sale of a personal residence must be reported on a tax return in order to claim the PRE. A deemed disposition of a personal residence, for instance the change in use from a personal residence to a rental property, is also impacted by this change. If the disposition of a principal residence is not reported you may amend your return at a later time to report the disposition and claim the PRE, however, a late filing penalty may apply, calculated at the lesser of \$100 for each month the reporting is late and \$8,000. We therefore recommend reporting all dispositions of PREs.

## **Home Accessibility Tax Credit (HATC)**

Individuals 65 years of age or older (at the end of 2017) or individuals who are eligible to claim the disability tax credit are eligible to claim a federal non-refundable tax credit on eligible home renovations which improve the safety and/or accessibility of their home. A maximum of \$10,000 per year in qualifying expenses can be claimed resulting in a maximum tax credit of \$1,500 ( $\$10,000 \times 15\%$ ).

## **First-Time Home Buyers' Tax Credit (HBTC)**

The HBTC is a federal non-refundable tax credit available to eligible first-time homebuyers and is claimed on your personal tax return. If you or your spouse or common-law partner acquired a home in 2017 that you intend to occupy and did not live in another home owned by you or your spouse or common-law partner in 2017 or in any of the four preceding years you may be eligible for the HBTC. The maximum HBTC is worth \$750 ( $\$5,000 \times 15\%$ ).

## **Registered Retirement Savings Plan (RRSP):**

Your annual RRSP deduction limit is calculated as the lesser of 18% of earned income and the contribution limit for the given year. The maximum RRSP contribution limit for 2017 and 2018 is \$26,010 and \$26,230, respectively. If you did not fully use your RRSP deduction limit for the years 1991-2016, you can carry the unused balance forward. We recommend that you refer to your personal notice of assessment for the 2016 taxation year which outlines what your RRSP room is for 2016. The Canada Revenue Agency (CRA) charges a tax of 1% per month on excess contributions to RRSPs so it is important to confirm your available RRSP contribution room before making contributions.

## **Tax Free Savings Account (TFSA)**

A TFSA is a registered savings account that allows individuals to earn investment income tax-free. Contributions to the account are not deductible for tax purposes and withdrawals of contributions and earnings from the account are also not taxable. The TFSA contribution room is increased annually on January 1. On January 1, 2018 TFSA contribution room was increased by \$5,500. The CRA charges a tax of 1% per month on excess contributions to TFSAs so it is important to confirm your available TFSA contribution room before making contributions.

## **ADMINISTRATIVE DETAILS FOR 2017**

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### **Implementation of Hendry Warren's Audit Protection Plan**

In response to numerous client concerns about the CRA's intensifying audit activities Hendry Warren is implementing a program called the "Audit Protection Plan" to assist our personal tax clients. This plan will serve to reduce the unanticipated professional fees associated with responding to enquiries received from the CRA following the filing of your personal income tax return.

The CRA continues to select more taxpayers for further review. These reviews generally involve a request for supporting documentation to verify or substantiate claims made on income tax returns. Even if no tax is owing, responding to these CRA requests can be time consuming and expensive. As a result, we have implemented this optional protection plan for our clients to help reduce, or in most instances, fully cover the professional fees associated with responding to CRA.

For more information and how to enroll please refer to our "Audit Protection Plan" information and enrollment form contained in this package.

### **Hendry Warren Goes Green**

Hendry Warren uses software for secure transmission of files between us and our clients called Sharefile. With this software we offer the delivery of your personal tax package electronically by PDF through email instead of the traditional paper copy. This will allow you to download, review and save a pdf of your return on your computer. If you would like the delivery of your personal taxes this year via Sharefile please indicate on the checklist your preference.

### **Hendry Warren Tax Newsletters**

Our tax department issues a monthly newsletter covering a variety of personal and corporate topical tax issues. Please visit our website at <http://www.hwllp.ca/newsletters> for a listing of our newsletters. We would be pleased to discuss any questions that you, the reader, might have in greater detail. If you would like to receive our monthly newsletter directly via email, please email [info@hwllp.ca](mailto:info@hwllp.ca) to be added to the mailout list.

### **Canada Revenue Agency "My Account" and Online Services**

CRA's "My Account" is a service that allows taxpayers to access information about their tax account, including status of refunds, access to previously filed returns and notices of assessment, and the ability check benefit and credit payments. The service also provides information about annual RRSP limits, TFSA limits and allows taxpayers to set up direct deposit.

For more information on My Account and instructions on how to register, please visit the Canada Revenue Agency website at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca), and select "Log-in/Register". Once you have registered for My Account you will be eligible to receive notices of activity on your account via email from the CRA, if you have agreed to supply them with a valid email.

### **Direct Deposit Requirement**

The Government of Canada has begun the phasing out of federal government cheques. Avoid delays in receiving refunds and other payments by registering today. To register for direct deposit, please visit [www.cra-arc.gc.ca/directdeposit](http://www.cra-arc.gc.ca/directdeposit).

### **Mandatory Electronic Filing (E-Filing):**

The CRA requires mandatory E-Filing for all tax preparers unless the return is excluded for E-Filing (some returns cannot be electronically filed unless certain conditions are met). A penalty of \$25 will be applied for each return that is paper filed that is available for E-Filing. As a result, Hendry Warren can no longer provide the option to paper file your return.

### **E-Filing (T183):**

We cannot E-File without your permission in advance. We will provide an E-file form for signature upon completion of your personal tax return. A copy of the form must be signed by each member of your family for whom we prepare a personal tax return as we are required to maintain one form on file for each return we E-File.

### **E-filing for Quebec Residents (TP-1000):**

If we can electronically file you Quebec tax return, we will provide an E-file form for signature upon completion of your personal tax return. A copy of the form must be signed by each member of your family for whom we prepare a personal tax return as we are required to maintain one form on file for each return we E-File.

### **CRA Payment Options:**

#### *CRA My Payment*

The CRA offers a “My Payment” function that allows you to pay with your debit card online. You can access the My Payment function on CRA's website: <http://www.cra-arc.gc.ca/mkpymnt-eng.html>. Select "Pay by debit card" under the links for individuals section. My Payment allows you to make a payment in one simple online transaction using your financial institution's secure online banking service. You can use this service if you have access to online banking with BMO, Scotiabank, RBC, TD Canada Trust, First Nations Bank of Canada, or various credit unions. You can easily select the year to which the payment relates, and you will be provided with an automatic online confirmation that the payment has been accepted.

#### *Financial Institution*

Contact your financial institution or visit the institution's website to see the services offered in terms of making payments online or over the telephone. Most financial institutions allow you to select the CRA as a payee in their online bill payment section. Additionally, you can often schedule future dated payments. You may also make your payment in person at your financial institution free of charge. You will be asked to present your remittance voucher (T7DR) with your payment to the teller. The teller will return the top part to you as a receipt. You must have an original voucher from the CRA for your financial institution to accept the payment. Photocopies are not accepted. Hendry Warren can provide you a voucher if required.

Visit the CRA's website at <http://www.cra-arc.gc.ca/mkpymnt-eng.html> and click on “Pay by online banking” or “pay at your Canadian financial institution” for more information.

### Mail

You can mail a cheque or money order, payable to the Receiver General, along with a completed remittance voucher (T7DR), to the following address:

Canada Revenue Agency  
875 Heron Road  
Ottawa, ON K1A 1B1

To help CRA process your payment correctly, write your full 9 digit SIN number, e.g. 123 456 789, and the year to which the payment relates on the back of the cheque or money order. Cheques that are post-dated to the due date are acceptable. Do not send cash in the mail.

### **Third-Party Civil Penalties:**

The federal government has reiterated that it is the taxpayer's responsibility to ensure their tax filings are complete and accurate. We, as a third party to the filing of your tax return, must rely on you for the information contained in your return. Please take care in completing our checklist and feel free to contact us if you are uncertain about how to report your income or deductions. We stress that we will be relying on you to ensure that information you provide us is complete and accurate. We will require you to sign an engagement letter acknowledging this.