



TAX HIGHLIGHTS FOR THE 2022 PERSONAL TAX SEASON

CRA is Going Paperless – SOON!

In the 2021 Federal Budget, Finance Canada announced their intention to discontinue issuing Notices of Assessment (NOA) by mail and move to a paperless process. The proposal would require taxpayers to access their NOAs through their online CRA portal, "My Account." The proposal is not yet in effect; however it is CRA's intention to implement the paperless NOA process in the next year. Therefore, it is important that every taxpayer register for My Account as soon as possible to be able to access and view NOAs going forward.

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 NOAs, 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 CRA website at <https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html> , and select "CRA 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.

CRA My Payment

Our top recommendation for paying any tax balance is through CRA's "My Payment" function that allows you to pay online with your debit card or online banking. You can access the My Payment function on CRA's website at <https://www.canada.ca/en/revenue-agency/services/e-services/payment-save-time-pay-online.html> Select the "Pay Now" button to start the payment process. 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 a debit card or access to online banking (available for most large banks and 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. A list of participating financial institutions is provided through the link above. If you are unable to pay using My Payment, there are other ways to pay. Please visit <https://www.canada.ca/en/revenue-agency/services/payments-cra.html> for the list of payment methods.



New Tax Changes and Highlights

Underused Housing Tax (UHT)

The UHT is a 1% tax on the value of residential property owned by certain entities which was legislated in June of 2022. 2022 is the first year applicable for this tax. The return and tax payable for the 2022 calendar year is due April 30th, 2023. Individuals who are Canadian citizens or permanent residents that own residential property are not impacted by the UHT. However, non-Canadian individuals, private corporations, trusts, and partnerships that own Canadian residential real estate all have a filing requirement for the UHT even if they can claim an exemption. Significant penalties can apply where a return was required but not filed, even if an exemption eliminates the tax liability. We would be pleased to review your situation to determine your specific filing requirements with respect to the UHT.

Home Office Expense Eligibility

To be eligible to claim expenses related to a home office, you must be required to work from home (via employee contract or written statement from employer) and as a result you have incurred additional expenses for the maintenance of a home office. The home office must also be either used only to earn employment income and used regularly to meet clients or the home office space is where you principally work (more than 50% of the time). Your employer must provide you with a form T2200 confirming that you incurred home office expenses. Eligible expenses for non-commission employees includes electricity, heating, maintenance and supplies consumed directly in performance of employment duties.

In the December 14, 2021 Economic Update, it was announced that the CRA will continue to allow employees working from home in 2021 & 2022 due to COVID-19 with modest expenses to claim up to \$500, based on the amount of time working from home, without the need to track detailed expenses, and will generally not request that people provide a signed form from their employers.

You may claim the detailed method if the requirements are met and you have higher expenses.

Child Care Expense Deduction

Child care expenses can be claimed as a deduction if they are incurred for the purpose of enabling the taxpayer to perform employment duties or carry on a business. When thinking about what qualifies as an eligible child care expense, costs for daycare, nursery school, before and after school programs, or costs for a nanny come to mind. In limited circumstances other costs such as tutoring classes, chess programs, ski classes or other classes could qualify. If you incur these other child care costs and they allow you to work full time or run your business, they may qualify as child care expenses.



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. 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 example, 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 \$100 for each month the reporting is late or \$8,000, whichever calculation is less. Given the substantial penalties it is important to report all dispositions of PREs.

Home Accessibility Tax Credit (HATC)

Individuals 65 years of age or older (at the end of 2022) or individuals who are eligible to claim the disability tax credit are eligible to claim the HATC which is a federal non-refundable tax credit on eligible home renovations that improve the safety and/or accessibility of their home. A maximum of \$20,000 per year in qualifying expenses can be claimed resulting in a maximum tax credit of \$30,00 (\$20,000 x 15%).

First-Time Home Buyers’ Tax Credit (HBTC)

The HBTC is a federal non-refundable tax credit available to eligible first-time home buyers and is claimed on your income tax return. If you or your spouse or common-law partner acquired a home in 2022 that you intend to occupy and did not live in another home owned by you or your spouse or common-law partner in 2021 or in any of the four preceding years you may be eligible for the HBTC. The maximum HBTC is worth \$1,500 (\$10,000 x 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 2021 and 2022 is \$27,830 and \$29,210, respectively. If you did not fully use your RRSP deduction limit for previous years, you can carry forward the unused balance. We recommend that you refer to your personal notice of assessment for the 2021 taxation year once received which outlines what your RRSP room is for 2022. The 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.

The deadline for RRSP contributions for the 2022 tax year is Wednesday, March 1, 2023.



Home Buyers' Plan

The HBP allows you to withdraw from your RRSP to buy a home. The maximum amount you can withdraw from your RRSP increased from \$25,000 to \$35,000 for any withdrawals made after March 19, 2019.

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 income 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, 2023 TFSA contribution room was increased by \$6,500. 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.

Tax-Free First Home Savings Account (FHSA)

Beginning with the 2023 taxation year, a new registered account called the FHSA will offer first-time Canadian resident home buyers the ability to save up to \$40,000 tax-free. Like RRSPs, contributions to an FHSA will be tax deductible. Like TFSAs, income and gains inside an FHSA as well as withdrawals will also be tax-free. To open an FHSA, you must be a Canadian resident of at least 18 years of age, and be a first-time home buyer, which means you or your spouse did not own a qualifying home that you lived in as a principal place of residence at any time in the year the account is opened or the preceding four calendar years. The rules do not technically come into effect until April 1, 2023, so it will not be possible to open an FHSA with your financial institution until at least that time.

You can contribute up to \$40,000 over your lifetime and up to \$8,000 in any one year, including 2023 even though the rules don't come into effect until April 1, 2023. You may carry forward up to \$8,000 of your unused annual contribution amount to use in a later year (subject to the \$40,000 lifetime contribution limit). For example, if you open an FHSA in 2023 and contribute \$5,000, you can contribute up to \$11,000 in 2024. Carry-forward amounts do not start accumulating until after you open an FHSA. Like TFSAs and RRSPs, the CRA charges a tax of 1% per month on excess contributions to TFSAs, so it is important to confirm your annual contribution limit before making a contribution to an FHSA.

Ontario CARE Tax Credit

The Ontario Government proposed a new refundable tax credit called the Ontario Childcare Access Relief from Expenses (CARE) starting with the 2019 tax year. The new CARE tax credit is based on a tax filer's family income and the eligible child care expenses multiplied by an applicable percentage. The applicable percentage is determined by the amount of the tax filer's family income. The credit is eliminated when the family income exceeds \$150,000.



Canada Dental Benefit

The interim Canada Dental Benefit is intended to help lower dental costs for eligible families earning less than \$90,000 per year. Parents and guardians can apply if the child receiving dental care is under 12 years old and does not have access to a private dental insurance plan. Depending on your adjusted family net income, a tax-free payment of \$260, \$390, or \$650 is available for each eligible child. The interim dental benefit is only available for 2 periods. The first benefit period is for children under 12 years old as of December 1, 2022 who receive dental care between October 1, 2022 and June 30, 2023. You can apply online using MyAccount or by phone.

Increase to the Basic Personal Amount

As part of the Liberal's election campaign, it was stated the government will slowly be increase the tax credit for the basic personal amount to \$15,000 by 2023. In 2022, the basic personal amount will be \$14,398. However, for individuals with net income for the year between where the 29% tax bracket begins and the 33% income tax bracket begins, the basic personal amount is gradually reduced to \$12,719.

Eligible Educator School Supply Tax Credit

Teachers and early childhood educators may claim a 25% refundable tax credit based on an amount of up to \$1,000 in expenditures made in a taxation year for eligible supplies. For the cost of supplies to qualify for the credit, employers are required, at the request of CRA, to certify the supplies were purchased for the purposes of teaching or facilitating students learning.

Ontario Seniors Home Safety Tax Credit

This credit was announced in the 2020 Ontario Budget and will be extended for the 2021 and 2022 tax years. Expenses that are eligible would be for renovations that improve safety and accessibility or help a senior be more functional or mobile at home. The credit is worth 25% of up to \$10,000 in eligible expenses for a senior's principal residence in Ontario in the year.

Ontario Staycation Tax Credit

The Ontario government introduced a one-time Ontario Staycation tax credit for the 2022 tax year. This credit would provide Ontario residents with support of 20% of eligible 2022 accommodation expenses of up to \$1,000 for an individual and \$2,000 for a family, for a maximum credit of \$200 or \$400. This credit would be claimed when filing your 2022 income tax return. The expenses must be incurred for leisure purposes.



Canada Housing Benefit Top-Up

The Canada Housing Benefit Top-Up is a tax-free one-time payment of \$500 administered by the Canada Revenue Agency (CRA) to certain low-income individuals and families who meet a set of income and rent criteria. To be eligible, your adjusted family net income in 2021 must have been \$20,000 or less for individuals and \$35,000 or less for families. In 2022, you must have paid rent equal to at least 30% of your 2021 adjusted family net income. The following link contains a checklist with the full list of criteria that must be met to be eligible for the one-time payment: <https://www.canada.ca/en/services/taxes/child-and-family-benefits/top-up-canada-housing-benefit/who-apply.html>.

You can apply using your CRA My Account or My Service Canada Account (MSCA). If you are unable to use either of these two methods, you can apply instead using the online application form or by phone. The deadline to apply for this credit is **Friday, March 31, 2023**.

ADMINISTRATIVE DETAILS FOR 2022

Hendry Warren Audit Protection Plan

In response to numerous client concerns about the CRA's intensifying audit activities Hendry Warren will continue to offer the Audit Protection Plan to assist our personal tax clients. We will continue to offer this plan to help 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 on how to enroll, please refer to our "Audit Protection Plan" information and enrollment form contained in this package.

DocuSign

Hendry Warren has implemented DocuSign to ease the burden on clients to provide electronic signatures to enable us to file your tax returns. DocuSign allows clients to sign documents without having to print and scan to return to Hendry Warren. DocuSign is an accepted electronic signature method by CRA that will allow us to file your income tax returns with no paper and no fuss! **In order to use DocuSign we require an email address for each person in your family that we are preparing an income tax return for in order to send them their unique documents.**



Authorizing a Representative

If you have not already provided us with authorization on your personal tax account with CRA, we will ask that you sign an authorization form which will be generated from our T1 personal tax software for clients to sign.

Existing authorizations for individual tax accounts of deceased persons are no longer cancelled upon the death of a taxpayer. This avoids having to re-authorize the same representative after the date of death.

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. We are limiting the delivery of paper copies of income tax returns to circumstances where PDF delivery is not possible.

Hendry Warren Tax Newsletters

Our tax department issues various newsletters throughout the year 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 sign up through our website.

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.

CRA will no longer accept direct deposit enrollment requests on a paper filed return. This change does not impact requests that are facilitated through the electronic filing of a tax 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 income tax return. A copy of the form must be signed by each member of your family for whom we prepare an income 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 your Quebec tax return, we will provide an E-file form for signature upon completion of your income tax return. A copy of the form must be signed by each member of your family for whom we prepare an income tax return as we are required to maintain one form on file for each return we E-File.

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.

