Tax Letter

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2021 Personal tax info

COVID-19 Benefits

Canadians who received COVID-19 financial benefits are required to report this income on the individual tax return. Recipients of most benefits will receive a T4A slip from Canada Revenue Agency, showing the total amount of the benefit received and any corresponding taxes withheld, if any.

Tax Filing Deadline

The tax filing season will kick off in February 2022. The tax filing deadline for 2021 tax year, for most Canadians, is May 2, 2022. For those that are self-employed, or who have a spouse/partner who is self-employed, the deadline extends until June 15, 2022.

RRSP for 2021 Tax Year

Deadline

The RRSP contribution deadline for the 2021 tax year is **March 1st, 2022**.

Maximum contribution

The annual contribution limit is 18% of your earned income for the previous year. For 2021, the limit is **$27,830**.

Other elements to consider

December 31 of the year you turn 71 years of age is the last day you can contribute to your own RRSP.
The unused contribution room (annual contribution limit, less contributions made) for a year can be carried forward.

To know the exact amount of your contribution limit, please refer to the "RRSP Deduction Limit Statement" section of the notice of assessment sent each year by the Canada Revenue Agency.

Protect yourself from fraud!

CRA WILL **NEVER:**
- request prepaid credit cards or gift cards
- ask for info about your passport, health card, or driver's license
- leave a message or ask for you to leave one with your personal information
- ask you for personal information by email
- send or request e-transfers of any kind

Is Tax Filing Compulsory

Technically, you only need to file taxes if you owe money to the government, however it is often beneficial to file anyway.
Various credits and refunds are based on, calculated, and applied through the process of income tax filing; therefore, you will miss out if you don't file.

Shareholder earnings

If you are receiving income from your corporation, in some other form than employment income, you need to carefully evaluate if your current income distribution structure is correct.

Canada Revenue Agency (CRA) often takes the position that the company owner/manager, who earns income from the corporation for work done, is an employee. The CRA may then assess the company penalties for failing to withhold income tax from your pay, as well as employer and employee portions of CPP.

Many court cases have concluded that owner/manager was in fact an independent contractor for the corporation, however there are just as many indicating otherwise. The facts of each case must be carefully examined to determine what is the actual working relationship between you and the corporation.

Tax-Free Savings Account

The Tax-Free Savings Account (TFSA) contribution limit for 2021 is $6000.

You can also carry forward any unused contribution room from previous years. The annual limits were $5000 for 2009-2012, $5500 for 2013-2014, $10,000 for 2015, $5500 for 2016-2018, and $6000 for 2019-2020.

TAX TIME EXTENDED OFFICE HOURS
FEBRUARY 1 – May 2, 2022

MON - TUES	9 am – 7 pm
WED - THUR	9 am – 5 pm
FRIDAY	9 am – 1 pm
SATURDAY	10 am – 3 pm

Converting losses into tax advantages

One of the strategies at calendar year end that may be used by individuals who hold non-registered investments is to determine if disposing of the "looser investments" is beneficial as it will trigger capital losses. These losses can then be used to offset any capital gains incurred in this tax year. Unused losses can also be carried back into the previous three tax years or carried forward indefinitely.

One thing to watch out for is the "superficial loss" rule. This rule states that, if an investor sells a security at a loss and then buys back the same security within 30 days of sale, the tax benefit from the capital loss will be denied.

It is important to mention that investors need to closely monitor end-of-year deadlines for completing a tax-loss sale to ensure the transaction is finalized in time to apply to the current tax year (if that is the reason for the sale). Settlement dates usually fall on the second business day after the sale is initiated.

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Personal Real Estate Corporations (PREC)

The Ontario Government has introduced new and amended regulations to the Real estate and Business Brokers Act, 2002 (REBBA).

The legislation **permits** a brokerage to **pay remuneration** owed to a salesperson or broker for trading in real estate **to a corporation** that meets specific criteria. The corporation is referred to as a personal real estate corporation (PREC).

The regulations allow family members (children, parents, and spouses) to own non-voting, non-equity shares of the PREC; the initial controlling shareholder will hold voting, equity shares. The PREC can thus allocate its business income to employees as salary, and issue dividends to any shareholder of the PREC.

A group of Realtors cannot together form and use a single PREC. Each PREC must be controlled only by one (1) individual Realtor and you cannot make another Realtor a shareholder of your PREC.

PREC may also be used for generating passive investment income, although there are limits on its ability to receive compensation for a direct trade in real estate.

... from current Tax Court Files

Part-time legal practice losses disallowed

In the Queen vs. Renaud case, an individual was a lawyer employed full time at a federal government agency. At the same time, she had a part-time practice of 10 hours per week, from which losses were reported due to expenses being significantly higher than income. Her practice consisted of helping clients with low incomes, who were not able to pay for full services rendered in order for Ms. Renaud to cover costs and make a profit.

The taxpayer attempted to claim the non-capital losses for tax purposes against her other sources of income, a claim that is generally available for these types of losses.

The Tax Court of Canada found that Ms. Renaud's practice was not sufficiently commercial, but rather had a significant personal element, and as a result did not constitute a "source" of income and her losses were denied.

The decision was appealed to the Federal Court of Appeal. The Court agreed with the Tax Court Judge, holding that the practice was ***not clearly commercial in nature*** and that it was ***not carried*** on with a view of ***making a profit***. The application of losses was denied.