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PERSONAL TAX

You **must file a tax return** for 2011 if **any** of the following situations apply:

- you have to **pay tax** for 2011;
- CRA **sent a request** to file a return;
- you and your spouse or common-law partner elect to **split pension income**;
- you received **Working Income Tax Benefit (WITB)** advance payments in 2011;
- you **disposed of capital property** in 2011 or you realized a taxable capital gain;
- you have to **repay** any of your **Old Age Security or Employment Insurance benefits**;
- you have not repaid all amounts withdrawn from your RRSP under the **Home Buyers Plan** or the **Lifelong Learning Plan**;
- you have to contribute to the **Canada Pension Plan**;
- you are paying **Employment Insurance premiums** on **self-employment** and other eligible earnings.

Even if these requirements do not apply, you **may still want to file a return** to claim a **refund**; to claim the **WITB**; to apply for the **GST/HST credit**; to receive the **Canada Child Tax Benefit**; to apply an incurred **non-capital loss** to other years; to carry forward or transfer the unused portion of your **tuition, education and textbook amount**; to report income for which you could contribute to an RRSP in order to keep your **RRSP deduction limit** for future years up to date; to carry forward the unused **investment tax credits** on expenses incurred during the current year; to receive the **Guaranteed Income Supplement** or Allowance benefits under the **Old Age Security (OAS)** program.

CHILDREN'S ARTS TAX CREDIT

We have had four years of experience with the **Children's Fitness Tax Credit**. Beginning in 2011, the **Children's Arts Tax Credit** became available. In many ways, **the two credits are similar**, including the following key points:

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- both allow a credit for the costs of registration or membership in a “prescribed program” for children under age 16 at the start of the year;
- both are limited to \$500 of annual costs per child (maximum Federal tax benefit of \$75), with an enhanced claim based on a further \$500 where the child is disabled, and at least \$100 of costs are incurred;
- both apply to weekly programs lasting at least eight consecutive weeks, and children’s camps or similar programs lasting at least five consecutive days;
- both require receipts, which need be submitted only on CRA request;
- both can include programs where a variety of activities are undertaken, either for the full program cost or, where the eligible activities are limited, for a pro-rated portion of the cost;
- both can include membership in an organization for at least eight consecutive weeks where more than half the activities offered to children by that organization are eligible activities; and
- both prohibit claims that are part of a school’s curriculum.

The main difference is that the arts credit applies to “artistic, cultural, recreational or developmental activities”, whereas the fitness credit applies to physical activities.

EDUCATION COSTS

Commencing in 2011, amounts paid for occupational, trade or professional **examinations** will be included in amounts eligible for the **tuition tax credit**. These will include any examinations required to obtain **professional status** under a federal or provincial statute, or to be licensed or certified as a tradesperson, where this entitles the person to practice the profession or trade in Canada.

MEDICAL EXPENSES - SURGERY OUTSIDE THE COUNTRY

In a February 21, 2012 **Technical Interpretation**, CRA noted that the taxpayer had **back surgery outside Canada** as there was a **four-year waiting period** for the surgery and his condition was deteriorating. The hospital was in the **United States**. He had been reimbursed for a small portion of the amount spent on the surgery by the province. CRA noted that the amounts paid to a “**medical practitioner**” and to a **public or licensed private hospital** are eligible for **medical expenses**.

Also, **reasonable travel expenses** (including accommodation and meals) incurred in respect of the patient and, where the patient has been certified by a medical practitioner to be incapable of travelling without the assistance of an attendant, in respect of **one individual** who accompanied the patient are medical expenses.

EMPLOYEE VERSUS SELF-EMPLOYED

It is important to **determine the status** between the **payer** and the **recipient** as to whether the recipient is **self-employed** or an **employee**. Also, where there is a **corporate recipient**, the **Personal Service Business** status is relevant.

CRA has provided guidance in **Form RC4110** to determine a worker’s status. It notes that the **intent** is **important** and this is often indicated in a **Written Agreement**. It also notes that CRA may ask **further questions** to determine whether **the facts** are consistent with the **written intent**. See www.cra.gc.ca/tx/hm/xplnd/menu-eng.html

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2012 FEDERAL BUDGET

On March 29, 2012 the Honourable Jim Flaherty, Minister of Finance, presented his seventh **Budget** to the House of Commons. The Government's fiscal positions include **deficits** in the years 2011/2012 (\$24.9 billion), 2012/2013 (\$21.1 billion), 2013/2014 (\$10.2 billion), 2014/2015 (\$1.3 billion), and a **surplus** in 2015/2016 (\$3.4 billion), and 2016-2017 (\$7.8 billion). There were a number of **provisions** including:

- \$500 million over five years, starting in 2014-15, will be provided to the Canada Foundation for Innovation to support advanced **research** infrastructure.
- The **penny** will no longer be produced as of Fall 2012. It currently costs 1.6 cents to produce each coin.
- **EI premium rate increases** will be limited to 5 cents each year until the EI Operating Account is balanced.
- System-wide legislative improvements to the review process for **major economic projects** (such as the Northern Gateway project) to achieve the goal of "one project, one review" will be completed.
- \$400 million will be provided to help increase private sector investments in early-stage risk capital, and to support the creation of large-scale **venture capital funds** led by the private sector.
- Changes to the administration of the **Scientific Research and Experimental Development Program** through measures such as determining the feasibility of a formal pre-approval process and enhancing the existing online self-assessment eligibility tool will occur.
- The **One-For-One rule** was implemented whereby with every new Regulation must come the elimination of an existing one.

CANADA PENSION PLAN POST-RETIREMENT BENEFIT

On October 25, 2011, CRA issued a **Release** which noted that:

1. The **CPP Post-Retirement Benefit (PRB)** is a new **lifetime benefit** that **increases** your **retirement income** and rises with increases in the cost of living, even if you already draw from the Canada Pension Plan (CPP) or the Quebec Pension Plan (QPP).
2. This applies to certain Canadians **working** outside of Quebec who are receiving a **CPP or QPP retirement pension**. They will begin making CPP contributions towards the **PRB** on January 1, 2012. The **benefit** will be paid to you the **following year**, starting in 2013.

These contributions are **mandatory** for CPP and QPP retirement pension recipients age **60 to 65**. If you are at least 65, but under 70 years of age, **you can elect not** to contribute. Employees contribute 4.95% of pensionable earnings and employers contribute the same.

3. If you are already receiving your CPP retirement pension, the contributions you make to the CPP will go towards your **PRB**. These contributions to the PRB will not make you eligible for, or increase, the amount of other CPP benefits.

EARLY OR LATE CPP APPLICATIONS

Under **new CPP changes**, if a taxpayer draws the CPP pension **prior to age 65**, the amount of the **reduction** is increased from .5% per month to .52% per month for 2012, and .54%, .56%, .58% and .60% until 2016. Also, if CPP is **claimed late**, after age 65 and before 70, the **increase** in the CPP has changed from .5% a month to .64% for 2012 and .70% per month by 2013.

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WEB TIPS

LIFE EVENTS – GOVERNMENT AND PERSONAL GUIDES

Service Canada has set up a website that provides a guide to the different **government programs, requirements** and **other considerations** to be processed when a **major life event occurs**.

(www.servicecanada.gc.ca/eng/lifeevents/) Some **examples** include: buying a home, changing your address, having a baby, getting married, travelling abroad, getting a divorce, lost wallet, starting a business, having credentials recognized, what to do following a death, and retirement.

CANADIAN RETIREMENT INCOME CALCULATOR AND POST-RETIREMENT CALCULATOR

This **Service Canada calculator** has been **updated for 2012 rates and assumptions**. The calculator is a tool to **estimate ongoing retirement income** generated through **OAS, CPP**, employer pension, RRSPs and other sources based on **past and intended contributions and payments**.

The Post-Retirement Benefit is a new benefit for people who work and make **CPP contributions while already receiving a CPP retirement pension**. The Government of Canada has developed this calculator to help you better understand how contributions to the Post-Retirement Benefit will further contribute to your financial security after you retire. These **two calculators** can be found by going to: <https://srv111.services.gc.ca> or Googling them by name.

BC SENIORS' HOME RENOVATION TAX CREDIT

Effective April 1, 2012 and for future tax years, the government has introduced **BC Seniors' Home Renovation Tax Credit**; a refundable personal income tax credit worth **10% of eligible expenditures** to assist seniors with the cost of permanent home renovations that **improve accessibility or help a senior be more functional or mobile at home**. All eligible expenditures up to \$10,000 per taxation year can be used to claim the **maximum credit of \$1,000**.

You are eligible to claim the credit if, at the end of the taxation year, you must be a **resident** of British Columbia; **a senior** (65 years of age or older by the end of the taxation year for which the credit is claimed) or a child, grandchild or other family member living with a senior; **and** you incurred eligible expenses in respect of an eligible renovation on or after **April 1, 2012**, to your **principal residence**.

Eligible improvements are those that are part of a renovation or alteration of a **principal residence** or of the land on which the principal residence is situated and that: enable a senior to **gain access to, or to be mobile or functional within**, the residence or the land, or **reduce the risk of harm to a senior**; are of an enduring nature and are integral to the residence or the land, or relate to the purchase and installation of a modular or removable version of an item that can be installed as a permanent fixture to the residence or the land on which it is situated (such as modular ramps and non-fixed bath lifts); the principal purpose of which is **not** to increase the value of the residence or the land; and would **ordinarily be undertaken** by, or on behalf of, a person who has an impairment to enable him or her **to gain access to or to be mobile or functional within** his or her residence or land.

To ensure you benefit from the credit, please provide subtotaled receipts with your 2012 personal taxes.

The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions in a newsletter such as this, a further review should be done by a qualified professional.

Although every reasonable effort has been made to ensure the accuracy of the information contained in this newsletter, no individual or organization involved in either the preparation or distribution of this letter accepts any contractual, tortious, or any other form of liability for its contents. Please contact our office if you have any questions.

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