



PARKER PRINS LEBANO

Chartered Professional Accountants
Professional Corporation

February 9, 2024

Dear Valued Client:

That time of year is once again upon us, where we look forward to assisting you with your personal tax preparation. As in previous years, please find attached a copy of our 2023 questionnaire to assist you with the assembly of your tax information. We strongly recommend that all clients fill in the questionnaire to ensure that we have as much information as possible when completing your returns, including changes to your contact information and dependants. This year we have adopted a new internal management system, which we anticipate will reduce our reliance on paper, therefore, in the future you should expect to receive invoices/statements by e-mail when possible.

We would like to draw your attention to some key tax and general matters for the 2023 tax year and beyond. Please note that this is by no way a complete summary of every tax change – simply those we feel are most applicable to our clients.

NEW for 2023!

If you have a trust OR are on title of an asset beneficially owned by someone else...

Effective trust year ends December 31, 2023, new reporting rules are in place with penalties for non-compliance. With some exceptions, in addition to the new annual filing requirement (even if years of inactivity), much more information will be required relating to the beneficiaries, trustees and settlors. If you have a trust and have not already provided us with this information, please do as soon as possible prior to the March 31, 2024 filing deadline.

The new trust reporting rules encompass most trusts including bare trusts. You may have a bare trust and not even know it as they can include situations where you are on title of an asset beneficially owned by someone else (i.e. you are a joint owner on your parent's investment account while they continue to report the income for probate planning purposes or your child's home to assist with mortgage eligibility). Fortunately, the CRA has postponed the application of penalties for 2023, so if you are concerned about this applicability to your situation, please let us know in the summer and we would be pleased to assist with any filings after our regular tax season.

If you bought and sold residential property in the same 12-month period...

Effective January 1, 2023, all gains arising from the disposition of a residential property (including a rental property) owned for less than 365 days will be considered business income with some exceptions. Please let us know if the property you have sold has been owned for a short period of time so we can assess the application of these new rules.

If you owe in excess of \$10,000 of tax to the CRA...

Effective January 1, 2024, you are required to make all payments in excess of \$10,000 electronically unless it is unreasonable to do so.

If you worked from home in 2023...

The flat rate credit of \$2 per day no longer applies – employees working from home may claim home office expenses under the detailed method if the employer will issue an applicable T2200 (Declaration of Conditions of Employment).

The staycation credit is no longer applicable – no need to send us your travel accommodation receipts for 2023!

Just as a reminder...

If you are providing your information electronically...

The introduction of our Portal system last year was a great success – if you have not already signed up for Portal access, please contact us and we will provide you with that information. While Portal uploads of completed returns are now our default system, we recognize that not everyone is comfortable and are still happy to provide paper copies. If you would prefer a paper copy, please communicate this with us if you have not yet already. Just a reminder to **please keep the size of file uploads to a minimum (i.e. feel free to scan ALL receipts into ONE PDF file) and please let us know if/when you have uploaded any tax information, particularly if you have added information to the portal since your initial upload.**

If you are subject to a CRA audit...

Over the most recent couple of years the CRA has expanded and become more rigid with their audit process requiring more supporting documentation than requested in the past. Previously, we occasionally absorbed these costs, however, we are expecting the number of CRA audits to increase along with our time to respond. As a result, we will continue to bill for this additional time going forward.

If you are a senior filing as an Ontario resident and incurred medical expenses...

There is a new Ontario senior care at home tax credit commencing in 2022 for individuals, or their spouse, who are 70 years of age or older. This credit will be 25% of expenses claimed under the medical expense tax credit and will be in addition to that credit. The credit will be reduced by 5% of family net income over \$35,000.

If you sold your principal residence during 2023...

Taxpayers are still required to report basic information (year of acquisition, proceeds of disposition and complete address of the property) on their income tax and benefit return when they sell, or have a change in the use of, their principal residence, to claim the principal residence exemption. This also applies in the year of death, as a deemed disposition upon death.

If you have foreign income and foreign tax paid...

The CRA typically requires a Notice of Assessment from the foreign country for proof of foreign taxes paid, however, they may accept proof of payment made to the foreign tax authority, in conjunction with a copy of the foreign tax return. This may be in the form of bank statements, cancelled cheques, or official receipts.

If you are a teacher...

The Eligible Educator School Supply tax credit is a 25% refundable credit on up to \$1,000 of eligible supplies for the year.

If you claim your prescriptions...

The CRA has been requesting the Drug Identification Number (DIN) on prescription claims to ensure only eligible purchases are claimed on tax returns. If your pharmacy provides a detailed prescription summary at the end of the year, we kindly request that the entire list be provided, rather than just the page that lists the total amount paid.

If you have a TFSA...

The annual TFSA contribution limit increased to \$7,000 effective January 1, 2024. If you have never contributed to your TFSA, the cumulative contribution limit effective January 1, 2024 would be \$95,000 if you were 18 or older in 2009.

If you own an Ontario corporation...

The annual filing of Form 546 for the Ontario Ministry of Finance is no longer included as part of the Corporate Tax Return, and is required to be filed separately, to avoid punitive fines, or the potential for dissolution/suspension of the corporation. While we were previously able to submit Ontario Annual returns on behalf of clients via Schedule 546 of the Federal corporate income tax return filed with the CRA, owners of Ontario Corporations must now file Ontario Annual returns directly through the Ontario Business Registry (<https://www.ontario.ca/page/ontario-business-registry>). We encourage all clients who have not already done so, to create an account with Service Ontario.

If you are self-employed, claim employment expenses, or have a rental property...

There are several apps available to simplify the record-keeping process and allow an individual to take pictures of their receipts, and file them in categories. For the individual on the go, this can save time at the end of the year when organizing your receipt totals, as well as in the event of a CRA review. We encourage clients to investigate these options as a means of tracking and organizing data. Apps can also prove useful for tracking mileage (one such example: <https://www.mileiq.com>) as more and more are coming out to make that more effective and efficient.

Please ensure that you are tracking your mileage and keeping the information in the event of a CRA review. While we don't need the backup, the CRA will require a mileage log for any personal and business driving, in some format to support any vehicle claims. Please note that driving to and from work cannot be claimed as an employment expense, and mileage can only be claimed on a rental property for repairs, etc. (as opposed to collecting rent, in most cases). Should you require logs, please contact our office, and we would be happy to supply you with one.

If you borrow funds for investment purposes...

Interest is deductible on funds borrowed to invest only in income-generating non-registered investments, such as a rental property, or shares on which there is a reasonable expectation of a dividend to be paid. If the investment is not income generating, these costs should be documented for a potential deduction against eventual capital gains/losses.

If you are (or are related to) someone that has been contacted by the CRA...

We ask that you contact us immediately, or have the CRA contact us on your behalf, if we are authorized on your account. Many times, the CRA will contact clients looking for answers that may appear harmless but may have implications in the future.

There also continues to be an increasing number of e-mails and telephone calls from fraudulent sources misrepresenting themselves as CRA or Service Canada agents and threatening legal action. If you are unsure if a communication is real, please don't hesitate to contact us. Please do not provide personal information to these callers until you have contacted us or verified their authenticity.

If you are a director of a corporation or a sole proprietor with a 9-digit business number for HST or payroll trying to authorize a CRA representative...

The CRA has changed their process to grant access to authorized representatives for entities with business numbers. They now either require the entity to create a 'My Business Account' online (<https://www.canada.ca/en/revenue-agency/services/e-services/e-services-businesses/business-account.html>), or sign the CRA form and call (1-800-959-5525) within 10 days of us filing the form.

If you own foreign investments, foreign deposits or foreign property of any kind...

If you owned or held specified foreign property at any time during the year (even if they were held through a Canadian bank or financial institution), the total cost of which was \$100,000 (Canadian) or more, you may have to file form T1135 - Foreign Income Verification Statement. Specified foreign property subject to such disclosure requirements includes funds held outside Canada, shares of non-resident corporations, indebtedness owed by non-residents (i.e. foreign bonds etc.), interests in non-resident trusts, real estate property outside Canada (note that personal use real estate property and real estate used in an active business are exempt from these disclosure requirements), and certain other foreign property.

We have noted that taxpayers often fail to consider their individual disclosure requirements. Specified foreign property most commonly overlooked by taxpayers includes stocks and bonds of non-resident corporations held within non-registered investment portfolios (*i.e. accounts other than RRIFs, RRSPs, RESPs and TFSAs*). We remind clients that such investments must be disclosed to the CRA whether the property is held in a non-registered account with a Canadian registered securities dealer or a Canadian trust company, or with a similar entity outside Canada. We urge you to ask us or your investment advisor whether you fall into this category (unfortunately, we cannot always tell what your holdings are based solely on the tax slips provided). We have seen and expect to continue to see increased "failure to disclose penalties", so it is imperative that you consider this issue and talk to us about how we may be of assistance to you.

If you are a US citizen...

In the US, citizenship causes a tax filing requirement regardless of whether you have ever lived there or earned income there; heavy penalties apply for non-filers and, in particular if you are required to file an FBAR return reporting to the IRS your foreign (including Canadian) assets. We'd be happy to provide you with a referral to a US tax preparer should this important requirement apply to you.

If you have an investment advisor...

We strongly encourage you to inform your investment advisor as soon as possible if you would like us to correspond with them directly. In some cases, this authorization must be done annually. Also, most financial institutions send out comprehensive tax packages which are noted as such. We would appreciate if you could continue to provide these personalized packages to us in their entirety (often important tax information, such as a realized gains/loss report, is buried in what appears to be "narrative" accompanying the actual tax slips).

It is also important that you inform us if you are missing any T-slips or receive any additional T-slips after filing so that we can adjust before the CRA does.

Please note that personal tax returns as well as any taxes owing are due by April 30, 2024; individuals who are self-employed or have a spouse who is self-employed have until June 17, 2024 (although taxes payable are due by April 30th). Taxes payable are not due until April 30th regardless of how early you file, however, refunds will be issued earlier. ***Therefore, we encourage you to file as soon as possible to allow for an early refund or to budget for an upcoming payment.*** The CRA has yet to change the filing requirements for widely-held trusts and mutual funds, meaning that many clients do not receive their T3 slips until well into April. We certainly encourage you to bring in your tax information earlier allowing us to provide you with an estimated tax balance, adding the remaining information immediately prior to e-file.

We continue to encourage you to use our website (www.parkerprinslebano.com) as a resource for pertinent information, and better access to the firm as a whole, including contact information for specific Partners and Managers as well as some FAQs that may be applicable.

We look forward to continuing to serve you over the next year. As always, we will strive to ensure that the tax preparation process is both effective and efficient, while providing the highest level of client service possible.

Thank you for your continued trust and for the opportunity to be of service to you.

Yours truly,

Steve Parker
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Managing Partner

Christine Prins
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Lauren Sloan
CPA, CGA, BComm.
Partner

Jennifer van Gulik
Associate

Please note that Mike Brown has decided to retire from Public Accounting and is no longer with Parker Prins Lebano. Rest assured that the partner on your file has been working closely with Mike since he merged with our firm in 2021 and that this transition should be seamless. Should you require assistance, please contact the partner that you have been working with below:

Geoff Lebano - Geoff.Lebano@ppl-ca.com
Lauren Sloan - Lauren.Sloan@ppl-ca.com
Brad Fisk - Brad.Fisk@ppl-ca.com

If you are unsure of the partner that you should contact please reach out to Erica Dewitt at Erica.Dewitt@ppl-ca.com