

Dear Client:

RE: 2018 TAX ALERT BULLETIN AND PERSONAL INCOME TAX ORGANIZER

This bulletin is intended to highlight changes that have occurred to date that may influence how your 2018 personal income tax return tax is prepared and filed.

We also ask you to download and complete our 2018 Personal Income Tax Organizer (see the last page for a link to this document) which is designed to assist you in gathering important information and documents necessary for the preparation of your 2018 tax return.

- ✓ Read the following new personal tax measures for 2018 that may affect your tax return.
- ✓ ***If any of your investment income is from a private corporation or a trust, please indicate to us that the investment income is subject to Tax on Split Income (TOSI), or if you are not sure if TOSI applies, please contact us as early as possible so an analysis may be performed.***
- ✓ Send all the necessary information and documentation to us AS SOON AS POSSIBLE as we need time to prepare, process, check and deliver your tax return by the filing deadline of April 30, 2019. *Note that if you or your spouse carried on a business in the year, you have until June 15, 2019, to file your personal income tax return. However, you and your spouse's tax liabilities are due on April 30, 2019.*
- ✓ Please ensure that all documentation provided is complete. This will allow for quicker processing and efficiency.
- ✓ It is mandatory for all tax returns prepared by Leonard Bruno CPA to be e-filed (certain exceptions are provided by CRA). Electronically filing your tax return is fast, safe, easy and environmentally friendly.
 - The benefits of using EFile Online are:
 1. Individuals who have their returns e-filed can generally expect to have their returns and refunds processed within two weeks. You can get your refund even faster if you use direct deposit.
 2. Leonard Bruno CPA receives an electronic acknowledgement that the return has been received by CRA.

2018 TAX ALERT BULLETIN AND PERSONAL INCOME TAX ORGANIZER

3. If you have to pay, you can e-file your return early and not pay the amount owing until April 30th. Your payment can be made by telephone, Internet banking, ATM or by using the remittance form. In many cases, taxpayers receive their notice of assessment before the payment is due.
- ✓ Clients will be provided with a Jacket Outline of your personal tax return unless otherwise specified in this *2018 Personal Income Tax Organizer*.
 - ✓ Leonard Bruno CPA will store your returns electronically in a secure environment that can be easily accessed when, or if, required.
 - ✓ Please note that if you own foreign property or earn foreign income, and you want Leonard Bruno CPA to prepare the Form T1135 (which reports the details of your foreign investments and income), a separate engagement letter may be required and will be sent to you for the preparation of Form T1135. Please call your Leonard Bruno as soon as possible to discuss further.
 - ✓ Please note that unreported or inaccurate reporting on your Form T1135 can lead to significant financial penalties and may extend the assessment period for your entire personal tax return by three years.
 - ✓ Leonard Bruno CPA uses a client portal for the secure delivery of client documents. All completed returns will be delivered by way of our client portal, unless otherwise indicated in this organizer. We prefer you send and receive your files and messages using our secure, no-charge and encrypted process? Click [here](#) to send a secure email with the completed checklist and all necessary documentation.

If you have any questions regarding the organizer or wish to discuss any aspect of your personal tax situation, please contact us at your earliest convenience.

Leonard Bruno CPA
Chartered Professional Accountant
March, 2019

2018 TAX ALERT BULLETIN AND PERSONAL INCOME TAX ORGANIZER

<p>Tax on split income (TOSI)</p>	<p>As of January 1, 2018, in addition to applying to certain types of income of a child born in 2001 or later, TOSI now also applies to amounts received by adult individuals from a related business. Three key parties are:</p> <ol style="list-style-type: none"> 1. Source individual – generally, a resident of Canada and related to a Specified individual. 2. Specified individual - a resident of Canada at the end of the taxation year or, if the individual died during the taxation year, the individual was a resident of Canada immediately before their death; and if the individual has not attained the age of 17 years before the year, the individual has a parent who is resident in Canada at any time in the year. 3. Related business - generally, a related business means any business in which a related person is involved or owns directly/indirectly, 10% or more of the business. <p>Note: a related person is defined by the CRA to include grandparents, parents, children, brothers, sisters-in-law etc. Uncles, aunts, cousins, nieces and nephews are not considered related persons. Separated spouses/partners are also deemed not to be related</p> <p>The new rules include certain tests on the business payment of wages, interest, dividends and capital gains to family members which means TOSI does not apply under the following conditions:</p> <ol style="list-style-type: none"> 1. Income inherited by an individual from a parent is excluded from TOSI. 2. Income inherited from anyone by a full-time student or someone eligible for the disability tax credit 3. If the Source Individual has reached age 65, they are able to transfer any excluded amount to their spouse. The age of the spouse does not matter. 4. Any family member who is 18 or older and is engaged on a regular, continuous and substantial basis in the business. Note: must be proven <ol style="list-style-type: none"> a. on a factual basis; or b. by working an average of 20 hours/week in the year, during the time that business is operating; or c. if the family member has worked an average of 20 hours/week in 5 previous years. Note: the years do not have to be in succession. <p>Note: Timesheets may not be sufficient in proving a family member was sufficiently engaged in the business. Ensure email correspondence, using a dedicated business email address, if possible, shows sufficient engagement in the operation of the business.</p> 5. Excluded shares (other than shares held through a Family Trust) when: <ol style="list-style-type: none"> a. shares owned by a family member represent at least 10% of both votes and value of the company); and,
--	--

2018 TAX ALERT BULLETIN AND PERSONAL INCOME TAX ORGANIZER

	<ul style="list-style-type: none"> b. any family member who is 25 or older where less than 90% of the business income of the corporation is from services (this exception does not apply to professional corporations). c. shares of a holding company when the income of the holding company is dividend income received from a subsidiary operating company that is a related business and less than 10% of the dividend income of the corporation is from the related business. <p>Note: For 2018, a transitional allows for the excluded share test to apply for income earned at any time in the year by a family member, as long as their shares are excluded shares at the end of the year. After 2018, the shares will have to be excluded shares at the time the income is received.</p> <p>6. Reasonable returns –any family member who is 25 or older may receive a reasonable amount of income that represents a reasonable return on their contribution to the business. Such as:</p> <ul style="list-style-type: none"> a. Work performed (see item 4 above); b. Property contributed; c. Risks incurred with respect to the business. <p>Note: The reasonable return of the specified individual should be compared with the income of the source individual, to ensure it is reasonable under the circumstances.</p> <p>These tests will require family members to keep a log of their hours and the type of work they’re doing in order to avoid having to pay income tax at the highest rate possible. This means that many family-run businesses will need to be much more diligent in documenting their day-to-day activities.</p> <p>Income that is subject to TOSI must be added to the individual’s net income for the purpose of calculating various deductions, credits and benefits.</p> <p>However, where TOSI applies, the disability tax credit can now be used to reduce the individual’s tax payable for the year.</p>
RRSP Limits	The maximum RRSP contribution for 2018 has increased to \$26,230. Your RRSP deduction for 2018 is generally calculated as 18 percent of your 2017 earned income, less 2017 pension adjustments to a maximum of \$26,230 plus unused RRSP deduction room carried forward from prior years.
TFSA Limits	The TFSA annual contribution limit for 2018 tax years is maintained at \$5,500.
Interest Paid on Student Loans	Interest paid in 2018 or the preceding five years on qualifying student loans can normally be claimed as a non-refundable tax credit. Interest paid on a Canada Apprentice Loan amount for registered Red Seal apprentices can also be claimed.

2018 TAX ALERT BULLETIN AND PERSONAL INCOME TAX ORGANIZER

Canada Care Giver Credit	This non-refundable tax credit was created to replace the family caregiver credit, the credit for infirm dependents above the age of 18 and the caregiver credit. If you live with a spouse, child, parent or other dependent with impaired physical or mental abilities, this credit may apply to you.
Canada Child Benefit	The Canada Child Benefit (CCB) was boosted significantly in 2016. As announced in the Federal Fall Economic Update 2017, effective for the payment period that begins in July 2018, the CCB base amounts and thresholds will only be given an indexation increase. The CCB provides non-taxable benefits to families based solely on income. The benefit is clawed back for families making over \$30,000 and eliminated for families making over \$200,000 annually.
Child Care Expense Deduction Limits	For the 2018 tax year, the maximum child care amounts that can be claimed are \$8,000 for each child under the age of seven at the end of the year; \$5,000 for each child between the ages of seven and 16 at the end of the year; and \$11,000 for each child eligible for the Disability Tax Credit.
Adoption Expenses	You can claim an amount for eligible adoption expenses related to the adoption of a child who is under 18 years of age. For the 2018 taxation year, the maximum amount of eligible expenses for each child is \$13,810. Parents can claim these adoption expenses in the tax year that includes the end of the adoption period for the child.
New or Expanded Tax Credits	<ol style="list-style-type: none"> 1. For residents of Manitoba, New Brunswick, Ontario, and Saskatchewan - The Climate Action Incentive is a new refundable credit available as of January 1, 2018. 2. Medical expenses (lines 330 and 331 of Schedule 1) – Eligible medical expenses have been expanded to include a variety of expenses relating to service animals specially trained to perform specific tasks for a patient with severe mental impairment. 3. As of February 27, 2018, registered universities outside Canada will no longer need to be prescribed in Schedule VIII of the Income Tax Regulations. 4. The Disability Tax Credit (DTC) - Although this tax credit is not new, applications for the credit can now be certified by nurse practitioners across Canada. 5. Expenses incurred to conceive a child are now eligible to be claimed under the Medical Expenses Tax Credit. The credit applies even if you have no other medical conditions. It is retroactive, which means you can request a change to your income tax returns over the last ten years in order to include fertility-related expenses.
Eliminated Tax Credits	<p>The following tax credits were eliminated:</p> <ol style="list-style-type: none"> 1. The Public Transit tax credit, effective July 1, 2017 2. The Children’s Fitness and Arts tax credits, effective January 1, 2017 3. First-time Donor’s Super credit, effective January 1, 2018

2018 TAX ALERT BULLETIN AND PERSONAL INCOME TAX ORGANIZER

	<p>4. Education and Textbook tax credits, effective January 1, 2017 (Note: tax credits for tuition paid are still available)</p> <p>5. Employee home relocation loan deduction (line 248 of the return) – As of January 1, 2018, this deduction has been eliminated.</p>
Lifetime Capital Gains Exemption	For dispositions of qualified small business corporation shares in 2018, the lifetime capital gains exemption has increased to \$848,252. For dispositions of qualified farm or fishing property, the lifetime capital gains exemption is \$1,000,000.
Sale of a Principal Residence	<p>All 2016 and subsequent years' dispositions of a principal residence must now be reported, whether or not the gain in respect thereof is fully sheltered by the principal residence exemption ("PRE").</p> <p>The CRA will accept late principal residence designations (Form T2091) in specific circumstances, but late filing penalties may apply.</p> <p>If a taxpayer fails to report the disposition of a principal residence, the CRA may reassess his/her tax return beyond the normal three year assessment period.</p> <p>If an individual disposed of a principal residence in 2017, he/she must complete the principal residence designation section on the last page of the 2018 T1 Schedule 3. Form T2091 (Designation of a Property as a Principal Residence by an Individual) must be filed even if the individual designates the home as the principal residence for all years of ownership.</p> <p>However, where the property is designated as a principal residence for all years of ownership, the individual is only required to complete the first page of Form T2091, and no gain is reported on Schedule 3.</p>
Form T1135: Foreign Income Verification Statement	Form T1135 was revised for 2015 and subsequent years to introduce a simplified reporting method for individuals who own specified foreign property with a total cost of more than \$100,000 but less than \$250,000 throughout the year. The detailed reporting method will continue to apply to taxpayers who, at any time during a year, held specified foreign property with a total cost of \$250,000 or more.
Mobile Application	CRA has updated its mobile app for individual taxpayers. www.cra.gc.ca/mobileapps to download.

*Please complete the 2018 Personal Tax Organizer located at:
https://www.leonardbrunocpa.ca/download/2018_LBCPA_personal_tax_organizer_ca/*