

Michael's Tax Tips & Updates

taxation news and information bulletin

July 2014

Individuals

- Safety deposit box fees from a financial institution will no longer be tax deductible for the 2014 taxation year.
- Professional examination fees must be to obtain a professional status which is recognized under a federal or provincial statute to be tax deductible.
- The tax court of Canada has ruled that the cost of processing and storage of cord blood is not a medical expense as the decision to maintain the blood is a personal one and not prescribed.
- The eligible dependent credit is usually claimed by a single person for his/her child. However this claim can be made in respect of a parent who lives with the taxpayer and is supported by the taxpayer. Where the parent is married and their spouse also resides in the home, the claim can still be made if the spouse's income is low enough that the spousal credit would have no impact on the amount of tax otherwise payable.
- Employee/commission expenses require the support of a company signed T2200. Where this form indicates an employee was required to incur entertainment costs and use their personal vehicle for business purposes, these costs may be deducted from taxable income providing they are not repaid by the employer. Excess expenses above what is repaid by the company will not be considered deductible where the company repays all expenses submitted and there is no requirement for the employee to incur their own expenses. In addition, a mileage log of vehicle usage must be kept to support a tax deductible claim for use of a personal vehicle.
- CRA issued a written version of its position on travel to a number of job sites in a year. It noted an employee's travel between home and job sites would not be considered in the performance of the duties of his/her office or employment as the job sites would be considered "usual places of work". It noted an employee could have more than one usual place of work.
- Where a couple is no longer able to live together for reasons beyond their control, such as when one partner must move to a long term care facility, for GIS purposes they may apply to be "involuntarily separated". This may increase the amount of GIS that they can receive.
- Beginning with the 2013 tax year, taxpayers will no longer have the option of directing various payments from CRA to different bank account. The option to add second and third accounts has been removed.

Additional tax considerations

- CRA has released a new Guide to preparing and filing T4A slips and summary. This includes the completion of Box 048 “fees for service” and Box 020 “self-employed commissions”.
- CRA is warning taxpayers to beware of telephone or email scams whereby personal information is requested. CRA will never request personal information by email. They will never request information about a passport, health card or driver’s license. CRA will never leave or ask you to leave personal information on an answering machine.
- On April 9, 2014 CRA shut down public access to their online systems due to the Heartbleed Bug. CRA confirmed approximately 900 taxpayers SIN’s were removed from the system by a hacker. CRA will send registered letters to those affected and will provide access to credit protection at no cost.
- Internet businesses have come under the CRA spotlight leading to new disclosure requirements. A corporation or individual must disclose on the respective form or schedule if they earn income from one or more webpages or websites. This income earning can be from selling goods or services, sale by auction, or income from advertising or traffic. The taxpayer must complete these disclosures if there is no website but there is a profile or any page, blog, portal or directory site if they generate income. This new information will be used by CRA in their audit risk assessment.

Businesses

- Employment Insurance status with family members who work in the business is difficult to argue. First the family member must not control more than 40% of the voting shares. Secondly their terms and conditions of employment cannot be different than non-family members. The business must be able to support the position that they would have entered into a substantially similar contract with an arm’s length person. Time sheets and a contract of employment can help in supporting a position of employment income.

I would like to thank all our clients and friends for their continued loyalty to our firm which has made our 2013 another successful year. We look forward to serving you again in the coming years and referrals are always appreciated.

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