

February, 2021

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Dear Client:

ARE YOU READY FOR TAX SEASON?

The April 30, 2021 deadline to file your 2020 personal income tax return is quickly approaching. As a result of changes in tax laws and the ever-increasing complexity in preparing personal tax returns, please gather your required tax information (as outlined in the attached 2020 Personal Tax Checklist) and submit them to us no later than **Thursday April 1, 2021**.

Did You Know?

You can deliver your documents to your Lipton LLP advisor in various ways. You can scan your documents and email all your tax filing materials to your Lipton representative or use our convenient, contactless and secure electronic client portal.

Our online portal will allow you to deliver your 2020 personal tax documents to your trusted Lipton LLP adviser safely and conveniently. Simply navigate to our website at <https://www.liptonllp.com> using your preferred web browser and click on the “Client File Upload” to access our secure client portal. Our client portal is secure, convenient and easy to use. Your documents are uploaded and delivered to your Lipton LLP advisor quickly and safely. We encourage you to use either email or our client portal for safe, contactless delivery of your personal tax documents.

However, our offices are still open if you prefer to drop your documents off. If you choose to drop your information off in person all slips pertaining to the tax return will be retained by Lipton LLP.

Electronic Filing

Tax preparers must now electronically file tax returns (with limited exceptions). As a result, this year we will again be electronically filing (efiling) tax returns utilizing our state-of-the-art computer equipment. In addition to the mandatory requirement to efile, this process will help to ensure that your tax return is assessed as quickly and as accurately as possible. It eliminates the need to file a paper version of the return, as all necessary information is transmitted electronically. You only need to sign an authorization notice and engagement letter which we will provide to you (via private fax, email or in person). If you have any questions, please speak to your Lipton LLP advisor and he/she will discuss this further with you.

The CRA is now accepting electronic signatures. To facilitate the signing of your documents Lipton LLP is now offering electronic document signing to those clients who wish to take advantage of this new technology.

New for 2020 personal tax returns

1) Amounts received related to COVID-19

During the year, you may have received federal, provincial, or territorial government COVID-19 payments such as the Canada Emergency Response Benefit. If these amounts are taxable, you will have received a slip, such as a T4A or T4E, with instructions

for how to report these amounts. These slips also are available in My Account for Individuals.

If you are self-employed, you may have received federal, provincial, or territorial government COVID-19 assistance for your business, such as the Canada Emergency Wage Subsidy. Generally, you have to either include these amounts in business income or reduce your expenses by the amounts that you received. You may also have received a government loan. The loan itself is not taxable, but you have to include in your business income any portion of the loan that is forgivable.

Even if you received an information slip showing taxable income, if you received any part of these amounts based on income that is exempt from tax under the Indian Act, complete Form T90, Income Exempt from Tax under the Indian Act.

If you received the Canada Recovery Benefit, you may have to repay all or part of it, if your net income after certain adjustments is more than \$38,000. The repayment is calculated on the Worksheet for the return at line 23500, as part of the social benefits repayment calculation.

2) Other employment expenses

You can claim certain expenses (including any GST/HST) you paid to earn employment income if the following two conditions apply:

- Your employment contract required you to pay them
- You did not receive an allowance for the expenses or the allowance you received is reported as income

If you worked from home in 2020 due to Covid-19, you may be able to claim work-space in the home expenses and supplies.

The new temporary flat rate method simplifies your claim for home office expenses. You are eligible to use this new method if you worked more than 50% of the time from home for a period of at least four consecutive weeks in 2020 due to the COVID-19 pandemic. You can claim \$2 for each day you worked from home during that period plus any additional days you worked at home in 2020 due to the COVID-19 pandemic. The maximum you can claim using the new temporary flat rate method is \$400 (200 working days) per individual.

You can use the detailed method to claim the home office expenses you paid for the period that you worked from home.

You are eligible to claim a deduction for home office expenses for the period you worked from home, if you meet all of the criteria:

- you worked from home in 2020 due to the COVID-19 pandemic or your employer required you to work from home

- you worked more than 50% of the time from home for a period of at least four consecutive weeks in 2020
- have a completed and signed Form T2200S or Form T2200 from your employer
- the expenses are used directly in your work during the period

The CRA has expanded the list of eligible expenses that can be claimed as work-space-in-the-home expenses to include reasonable home internet access fees.

Claiming home office expenses is complex. Please contact your Lipton LLP advisor to discuss more details.

3) Digital news Subscription expenses

You can claim up to \$500 for amounts you paid in 2020 for qualifying subscription expenses. You must have paid the amounts to a qualified Canadian journalism organization (QCJO) that does not hold a licence to broadcast, for a digital news subscription to content that is primarily original news. Only the individual(s) who entered into the agreement for the subscription can claim the expenses. If you and another person can claim the same qualifying subscription expenses, you can split the claim for that digital news subscription expenses. However, the total amount of your claim and the other person's claim cannot exceed the maximum amount allowed for this credit.

4) Canada training credit (CTC)

You can claim the CTC for eligible tuition and other fees paid to an eligible educational institution in Canada for courses you took in 2020, or fees paid to certain bodies, in respect of an occupational, trade or professional examination taken in 2020, if all of the following apply:

- You were resident in Canada for all of 2020
- You were at least 26 years old and less than 66 years old at the end of the year
- You have a Canada training credit limit (CTCL) for 2020 on your latest notice of assessment or reassessment for 2019

You can claim up to whichever of the following is less:

- half of the fees claimed on your federal tuition or
- your CTCL for 2020

5) Canadian journalism labour tax credit (CJLTC)

If you were a member of a partnership that was a qualifying journalism organization in 2020, you can claim the CJLTC allocated to you by the partnership. The amount that you can claim is shown in box 236 of your T5013 slip for 2020.

2020 Personal Tax Returns

1) Enhanced Canada Pension Plan/Quebec Pension Plan

The Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP) are being gradually enhanced. This means that if you contribute to either the CPP or the QPP, you will receive improved benefits in exchange for making higher contributions. You can claim a deduction for your enhanced contributions to the CPP or QPP.

2) Canada Workers Benefit

The Canada workers benefit (CWB) strengthens the working income tax benefit (WITB). The CWB is an enhanced, more accessible, refundable tax credit.

3) Home Buyers' Plan

The maximum amount you can withdraw from your registered retirement savings plan (RRSP) under the Home Buyers' Plan (HBP) is \$35,000 for withdrawals made after March 19, 2019. If you are not considered a first-time home buyer for the purposes of the HBP, and you experience a breakdown in your marriage or common-law partnership, you may be able to participate in the HBP after 2019 under certain conditions.

4) Zero-emission vehicles

If you are self-employed or claiming employment expenses, you may be able to claim capital cost allowance on zero-emission vehicles. Starting in 2019, there is a temporary enhanced first-year capital cost allowance of 100% for eligible zero-emission vehicles. Eligible vehicles must be acquired after March 18, 2019, and become available for use before 2024. The enhanced allowance decreases if the vehicle becomes available for use after 2023 and before 2028.

5) Investment tax credit (line 41200)

Eligibility for the mineral exploration tax credit for an individual (other than a trust) has been extended to flow-through share agreements entered into before April 2024.

6) Canada Caregiver Credit:

The CCC is available in respect of an individual's spouse or common-law partner, minor child or eligible relative who is dependent on the individual because of a mental or physical infirmity at any time in the year.

The CCC will be based on two amounts:

CCC Higher Amount:

A higher maximum amount of \$7,276 (in 2020) can be claimed by a caregiver in respect of each infirm dependant who is an eligible relative. This amount will be reduced dollar-for-

dollar by the amount of the dependant's net income above \$17,085 (in 2020).

The dependant will not be required to live with the caregiver in order for the caregiver to claim the credit. However a credit is not available in respect of a non-infirm individual over 65 years of age who resides with their adult child (caregiver).

CCC Lower Amount Plus Top-Up:

A lower maximum amount of \$2,273 for infirm dependants will remain as part of the following amounts:

- The maximum spouse or common-law partner amount;
- The maximum amount for an eligible dependant;
- The amount for infirm children under age 18 at the end of the tax year.

In cases where an individual claims an amount for an infirm spouse or common-law partner or an amount for an eligible dependant who is infirm, the individual must claim the CCC at the lower amount (maximum \$2,273 for 2020). Where this results in less tax relief than would be available if the CCC higher amount (maximum \$7,276 for 2020) were claimed instead, a top-up will be provided to offset this difference.

Note: the top-up does not apply with respect to an amount claimed for an eligible dependant who is age 18 or under at the end of the year.

The amounts and the net income threshold will be indexed to inflation after 2017.

7) Disability tax credit (DTC) certification:

Nurse practitioners across Canada can certify the application form for the DTC.

8) Tuition, education and textbook credits:

As of January 1, 2017, the federal education and textbook credits were eliminated. However, you can still carry forward unused amounts from previous years. You can claim the tuition amount for fees you paid to post-secondary educational institution for occupational skills courses, even if they are not at a post-secondary level.

9) Children's credits:

As of January 1, 2017, the children's arts tax credit and the children's fitness tax credit was eliminated.

10) Public transit tax credit:

As of July 1, 2017, this credit was eliminated.

Foreign Reporting Requirements

The government requires individuals to report their holdings of certain offshore (including U.S.) assets. Generally, this will apply to individuals who own offshore assets (other than personal use

property) with a tax cost of more than \$100,000 Cdn at any time in the year. This information must be reported on your 2020 income tax return. There are substantial penalties for failing to disclose this information.

CRA allows a simplified reporting method for individuals who own foreign investments with a tax cost between \$100,000 and \$250,000 Cdn. The CRA requires taxpayers to indicate the type of foreign property held, the country to which the property relates and the income/loss and capital gain/loss from dispositions in the year.

Foreign investments having a tax cost of more than \$250,000 will require more detailed information. The CRA requires taxpayers to include the name of the bank/entity holding the foreign funds, identify the foreign country to which the property relates, the income/loss and capital gain/loss from the particular property and maximum cost or fair market value (depending on the location of the investments) during the year and the cost or market value amount at year end.

Furthermore, if you and anyone related to you own 10% or more of a foreign corporation, you must report ownership as well as any transfers made to or distributions received from certain foreign trusts in 2020 regardless of the amount.

Please inform us if these rules may apply to you.

How should you prepare?

1. Check that you have received all the information slips (T3, T4, T4A, T5, T4A(P), T4A(OAS), T4RRSP, T4RIF etc.) that you are expecting. It is important to note that the failure (even if accidental) to report an amount required to be included in income will result in an automatic penalty where there has been a previous failure to report an amount in a return of any of the three preceding taxation years. In some cases, a more severe penalty can be imposed. The CRA uses a computerized matching program to ensure that all tax slips issued are reported. Comparison of the 2020 slips to 2019 slips is an effective way to minimize the chance of any missing slips.
2. For stock market transactions during the year, including purchases and sales of bonds, income trusts and similar investments, make sure that you have the broker's slips available. Note that for sales of investments which were purchased in prior years, original cost and return of capital information is required. For all other capital transactions, please provide us with similar information.
3. Where you are required under your employment contract to pay travel expenses in the performance of your duties away from the employer's place of business, you may be able to deduct expenses against employment income (e.g. commission salesmen) or claim a HST rebate (discussed further below), please summarize the relevant expenses by category. If you can deduct any employment-related expenses or claim the HST rebate, ensure that you obtain a completed Form T2200 from your employer. Please retain all supporting receipts and your automobile mileage log book for future reference. The Canada Revenue Agency has recently been actively reviewing these deductions where there is a shareholder /employee relationship with a corporation. Please contact your Lipton advisor to discuss any planning related to this deduction.
4. You must have appropriate receipts or other documentation to support various deductions and credits.

Deductions/credits for which receipts must be forwarded to us are:

- RRSP contributions
 - medical expenses
 - charitable donations or gifts (including donations of publicly traded securities)
 - political contributions
 - interest paid on student loans
 - disability tax credit (Form T2201)
 - child care expenses (see below)
 - tuition fees (see below)
 - union or professional dues
 - moving costs (including mortgage interest for up to three months for a vacant former home)
 - investment counsel fees (excluding RRSP or RRIF)
 - alimony or separation payments (see below)
 - interest expense (see below)
5. If you, or any of your dependants, are taking post-secondary school courses on occupational skills courses, be sure to obtain a completed Form T2202 (tuition fees) and/or Form TL11A if the student is attending a foreign university.

Eligible tuition fees include:

Amounts paid to an educational institution, professional association, provincial ministry or similar association to take an occupational, trade or professional examination:

- that must be taken to obtain professional status or to be licensed or certified to practice a profession or trade in Canada.
 - that include ancillary fees such as exam materials but not other costs such as travel, calculators or computers.
 - that do not include admission tests to enter a program of study.
 - that are exam fees in excess of \$100 (similar to other tuition claims).
6. For child care expenses, please provide us with information regarding amounts paid, the payee, the address, and if applicable, the payee's social insurance number. The maximum amounts that can be claimed are \$8,000 for children under age of seven, to \$5,000 for children aged seven through 16 and \$11,000 for children who are eligible for the Disability Tax credit.
7. For alimony or separation payments, please provide us with a copy of the divorce or separation agreement or court order, and your spouse's/former spouse's name and social insurance number.
8. If you have incurred interest expense to earn income of any nature, please provide details. If possible, obtain from the lender(s) a letter setting out the date(s) and amount(s) of the original loan(s), the interest paid during 2020, the purpose of the loan(s) and the balance(s) outstanding at December 31, 2020.
9. If you had any investments in tax shelters, etc., please provide us with the relevant financial statements, income tax schedules and information slips (e.g. T5013, T101, T102).

10. If you lived in or maintained a residence for someone who was dependent on you by reason of mental or physical infirmity (except for a parent or grandparent whose age exceeds 65) or if you have a dependant with an impairment in physical or mental functions, the CCC may be available.
11. If you have disposed of any real property in 2020 (including your principal residence, cottage or a U.S. or other foreign property), please let us know and we can discuss the tax consequences
12. Tax instalments:
 - a) Total tax instalments paid on account of 2020.
 - b) The amount paid for your March, 2021 instalment.
13. Quebec:

Please forward correspondence received from Revenue Quebec (if any) to us including the “Authorization for an Accredited Tax Preparer to Download Your Fiscal Data” form.

Pension Splitting:

These rules allow for a Pensioner to transfer up to 50% of “eligible pension income” to his/her spouse or common-law partner. This rule can result in a reduction of overall taxes payable for the married/common-law couple. Our tax return software will automatically do this calculation and ensure that the lowest possible taxes are paid. A joint election will need to be signed by both parties.

CRA Online Mail:

The CRA is now providing an online mail service. You will receive an email notification when you have CRA correspondence in your online account. If you wish to register for this service, please provide us with your email address.

If you have registered for on-line mail, you may be able to receive an express Notice of Assessment which will be delivered directly into our certified tax software shortly after your return is electronically filed.

2021 Instalments:

The Federal government mails notices in February, 2021 informing individuals of the exact amount of their instalment payments for March 15, 2021 and June 15, 2021. Notices will also be sent in August, 2021 for the instalments due on September 15, 2021 and December 15, 2021.

Any remaining 2021 tax liability will be due on April 30, 2022.

There are other methods to consider in determining the amount of instalment payments. We suggest that you contact us in order to determine which method is best for you.

HST Rebates:

You may qualify for a rebate of the HST you paid on certain business-related expenses if:

- You are an employee (e.g. earning commission income, salary, employed in forestry, the

transportation industry or as a musician) whose employer is a HST registrant (i.e. the employer has a HST registration number and filed HST returns), or

- You are a member of a partnership that is a HST registrant, and you have filed an income tax return reporting your share of income from the partnership.

You will not qualify for a HST rebate if:

- Your employer was not a HST registrant.
- Your employer is a listed financial institution (e.g. a firm that was at any time during the year a bank, an investment dealer, a trust company, an insurance company, a credit union, or a corporation whose principal business is the lending of money).

If the HST rebate applies to you, please speak to us so that we can arrange to prepare and include the rebate form with your T1 return.

Documents Checklist

In order to further assist you, we are pleased to include a documents checklist for you to complete and return to us with your tax information.

U.S. Tax and Information Filing Requirements

U.S. persons (including citizens and green card holders), regardless of where they live, as well as certain Canadian residents who dispose of real property in the U.S. and who have U.S. based investments must file U.S. tax returns and possibly other tax information forms. The penalties for non-filing can be punitive. The IRS has implemented a voluntary disclosure program with respect to non-filing U.S. citizens residing in Canada. If you think this situation may apply to you, please call us to discuss.

Yours very truly,

Lipton LLP

Chartered Professional Accountants
Licensed Public Accountants

2020 Personal Income Tax Return Checklist

The personal tax return preparation checklist will assist you in gathering all the important information, records and tax documents needed to prepare and file your 2020 T1 personal tax return.

Name:

Receipts and Information Slips:	Yes, No or N/A
T3, T4, T4A, T4A(OAS), T4A(P), T4A-RCA, T4E, T4PS, T5, T101, T5003, T5006, T5007, T5008,	
RRSP contribution receipts	
Charitable donation receipts	
Medical expense receipts	
Tuition fee slips (T2202)	
Union or professional dues receipts	
Official charitable/political donation receipts	
Student loan interest receipts	
Home buyers' plan statement	
Lifelong learning plan statement	
Rent and/or property tax paid receipts	
Moving expenses receipts	
Child care expenses receipts	
Disability tax credit certificate (T2201)	

2020 Personal Income Tax Return Checklist

Other Income: Income and benefits received related to COVID-19, including: <ul style="list-style-type: none"> • Canada Emergency Response Benefit (CERB) • Canada Emergency Student Benefit (CESB) • Canada Recovery Benefit (CRB) • Canada Recovery Caregiving Benefit (CRCB) • Canada Recovery Sickness Benefit (CRSB) • Canada Emergency Wage Subsidy (CEWS) • Canada Emergency Rent Subsidy (CERS) 	
Employment Insurance Benefits (T4E)	
Any other employment, pension or investment income (i.e., not reported on information slips)	
Self-employment income (i.e., business income, professional income, commission income, farming income & fishing income)	
Partnership income (limited or non-active)	
Rental income	
Sale of stocks, bonds, mutual funds, etc.	
Sale of real estate	
Other capital gains\losses	
Foreign income	
Support payments received	
Deductions:	
RRSP contributions	
Union & professional dues	
Employment expenses, including workspace-in-the-home expenses	
Moving expenses	
Child care expenses	
Interest paid on money borrowed for investment	
Support payments made	
Investment counsel/management fees	
Tools acquired by tradespersons	

2020 Personal Income Tax Return Checklist

Credits:	
Age Credit	
Spousal/Common-Law Partner Credit	
Eligible Dependant Credit	
Pension Income Credit	
Disability Tax Credit	
CPP/QPP Contributions	
Adoption Expenses	
Tuition Fees	
Canada Training Credit Expenses	
Digital News Subscription Expenses	
Interest Paid on Student Loans	
Medical Expense Tax Credit	
First-Time Home Buyers' Credit	
Charitable Donation Credit	
Canada Caregiver Credit	
Eligible Educator School Supply Tax Credit	
Home Accessibility Tax Credit	
Volunteer Firefighters'/Search and Rescue Volunteers' Credits	
Foreign Tax Credit	
Investment Tax Credit	
Labour-Sponsored Funds Tax Credit	
GST/HST Credit	
Climate Action Incentive (residents of Alberta, Manitoba, Ontario and Saskatchewan only)	
Other Information:	
Did you own foreign property with a total cost at any time in 2020 over CAN\$100,000? If yes, provide details (i.e., type of property, name of foreign country, gross income and gain/loss from foreign property)	
Amount of tax Installments paid	
Did you sell a principal residence in 2020? If yes, provide address, year of acquisition and proceeds of the disposition.	
Notice of assessment/reassessment	