



# Michael's Tax Tips & Updates

taxation news and information bulletin

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**January 2017**

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## Individuals

- The new Canada Child Benefit became effective July 1, 2016. A new guideline T4114 includes information on shared custody rules where a child lives with two different individuals in separate residences on a more or less equal basis. Each individual may then be considered primarily responsible for the child and eligible for 50% of the payment that he/she would have received if the child lived with him/her all the time.

An equal basis may be living with one parent 3 days a week and the other 4, living with one parent one week and the other the next, or any other regular cycle of alteration. Support will likely be required to prove arrangements.

- The Eligible Educator School Supply Tax Credit is available for the 2016 and subsequent years. This refundable tax credit is worth 15% of up to \$1,000 of eligible supply expenses.

CRA may require certification from the employer attesting to the fact the supplies were used for the purpose of teaching.

- Students with little or no income should still file a personal tax return to ensure they receive all the benefits available to them in addition to options for unused credits and deductions such as tuition.

- Medical Expense Tax Credit - update:

- Service Animals including the cost of acquiring and caring for a service dog or other animal are eligible as a medical expense for specific individuals.
- Organic Food is not provided for as a medical expense. However, individuals with celiac disease can claim the incremental costs associated with the purchase of gluten-free products.
- Modifications to a segway, bicycle or tricycle which allow a person with a mobility impairment to operate them could be eligible as a medical expense. The original cost would not be eligible.

- Buying and selling property in Canada:

- Real estate flipping is not illegal but gains from such activity are taxable income.
- Sale of a new or substantially renovated home does not become exempt from HST solely because the home remains vacant or occupied by the builder. Refer to Memo 19.2.1 for more details.
- Non-residents selling Canadian real estate are subject to Canadian tax and must notify CRA of the sale within 10 days following a real estate transaction.

## **Additional tax considerations**

- Business or venture - where a taxpayer claims business losses, the Tax Court of Canada has noted a number of factors it considers that would indicate commercial substance.
  - Profit and loss experience in prior years.
  - Education, knowledge and training of the taxpayer.
  - Existence of a business plan with income and expense projections.
  - Capability to show a profit.
  - Registration of a business name and obtaining licenses and permits.
  - Business bank accounts, liability insurance, records of customer information and appropriate record keeping.

Without these factors the losses would not be sufficiently commercial in nature and would not be deductible.

- Principal Residence Exemption reporting changes. Effective for the sales of property occurring on or after January 1, 2016 individuals will be required to report the sale on Schedule 3, Capital Gains, of their personal income tax return.

Basic information such as the year of acquisition, proceeds of disposition, and the description of the property will have to be reported. CRA will only allow the PRE if the sale is reported and designated in the tax return.

## **Businesses**

- CRA has started limited reviews of Corporation income tax returns. They are requesting copies of invoices,

receipts and proof of payments for expenses relating to professional fees, travel, and advertising/promotion. This procedure is aimed at Corporate taxpayers perceived as lower risk.

- Bad debts - in a recent Tax Court of Canada decision the court noted that to determine if a debt is bad, it must be determined that the creditor took reasonable measures, without success to collect the debt.

The passage of time itself is not sufficient to conclude that a debit is bad.

- HST reporting of sales on line 101 has been changed. Now a registrant can separately report zero-rated supplies made in Canada, exempt supplies, and zero-rated exports. This not only allows taxable sales to reconcile to HST billed, but allows CRA to determine a registrant's filing frequency.

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**Avoid the rush. Remember to book an appointment early for your personal tax preparation services. A personal tax checklist is available on our website for your convenience.**

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[www.michaelolearycga.com](http://www.michaelolearycga.com)**

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