

# TAX TIPS - BY J & R TAX and ACCOUNTING SERVICES

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## CHANGES DUE TO 2018 TAX SEASON

**GENERAL:** – 2018 **Federal Budget** brought some changes for the individual tax payers. Tax rates are unchanged. Income increases for different tax rates. They are: 15% up to \$46,605 taxable income; 20.5% from \$46,605 to \$93,208 - 26% from \$93,208 to \$144,489 and 29% from \$144,489 to \$205,842 and 33% after that.. **Items of general interest are summarized below for your information only.** For specific information, please discuss with your Accountant / Tax Consultant or us. CPP/EI rates also have changed; maximum CPP \$2,593.80 @ (\$55,900) Basic Exemption is \$3,500.00 and EI \$858.22 @ (51,700). Personal amount also changed. **Charitable Donations:** Credit rate on first \$200 F (15%) P (5.05%) Credit rate on balance F (29%) and P (11.16%). **Political Contribution Tax Credit is also available. Maximum Claim for Eligible Adoption Expenses are \$15,905 per child.**

**Ontario Government:** Rates are: 5.05% up to \$42,960 -9.15% \$42,960 to \$85,923 and 11.16% \$85,923 to \$150,000 and 12.16% \$150,000 to \$220,000 and 13.16% over \$220,000. Effective July1, 2004 for all tax payers having taxable income above \$20,000 annually 6% / 25% OHIP premiums will be charged. Rates are: Under \$20,000-Nil; \$25,000 to \$36,000-\$300; \$38,500 to 48,000-\$450; \$48,600 to \$72,000-\$600; \$72,600 to 200,000-\$750 and over 200,600-\$900. Ontario Senior Homeowner's Property Tax Credit Grant is also available Max. \$500 per senior or couple, Income over (35000) for single & (45000) for couple, 3.33% reduction applies.

**Ontario Tax Reduction** - Basic \$239 and \$442 for each child or infirm dependant. Home Accessibility Tax Credit \$10,000.

**Federal and Provincial non-refundable credits** – For 2018 Personal amount - \$11,809 (\$10,354); Spousal/Eligible dependent \$11,809 (\$8,792); Age \$7,333 (\$5,055); Disability \$8,235 (\$8,365); Disability Supplement \$4,804 (\$4,879). Caregiver for Infirm dependent 18 or older \$6,986 (\$4,881) Pension \$2,000 (1,432) respectively. Canada employment amount is \$1,195. Working Income Tax Benefit (WITB) is also available for low income from employment or business.

**CANADA CHILD BENEFIT** – For 2018, CCB is \$6,496 per year for each child under age 6 and \$5,481 age 6 to 17. Family income below \$30,450 will get max. benefits. Benefits will be adj. over \$30,405 and \$65,975 income. Phase out amount is \$2,487, \$4796, \$6,750 and \$8171 for one, two, three and four children. **Canada caregiver amount under age 18 is \$2,182 per child.**

**Child Disability Benefit Max. \$2,771,** Family Net Income Threshold for phase out \$ 65,975.

**ONTARIO CHILD BENEFIT: Max. per child under age 18 is \$1,403.**

**LUMP-SUM PAYMENTS** – Lump sum payments such as arbitration awards (disability payment or spousal support for example) often resulted in higher taxes paid during the year they were received. Individuals who receive qualifying amount in excess of \$3,000 after 1994, Revenue Canada (CCRA) will use a special method of computing tax if it is advantageous to the taxpayers.

**LABOUR-SPONSORED VENTURE CAPITAL CORPORATIONS** – Commonly known as Working Venture Funds. The investment in LSVCC shares may be used for purposes of Home Buyers' Plan and the Lifelong Learning Plan just like RRSP's.

***There are a number of other items of interest to taxpayers. Some of these are listed below for your reading enjoyment.***

**RRSP** – Maximum RRSP contribution limit for 2018 is \$26,230, Unused RRSP amount carried forward indefinitely. For other changes, please contact us. **How much to Buy?** Call Revenue Canada to find out how much RRSP you can buy; or look at your 2017 Assessment Notice showing your RRSP Entitlement for the year 2018. Last day to buy RRSP is (tentative) **Mar. 1, 2019.** How much you can save depends on your tax bracket – Federal tax brackets – 15/ 20.5/ 26/ 29 & 33%. Do not forget Ontario tax rate also.

**As a Rule of Thumb** – If your income is under \$46,605, RRSP contributions will save you 20% on taxes. If your income is, for example, \$52,600, then buy at least \$6,000 RRSP (assuming you have the entitlement) to bring your income down to \$46,600 to save max. tax @ 29.6% on \$6,000. Any excess RRSP will save tax @ 20%. Similarly, if your income is \$108,200 and your RRSP entitlement is \$17,000, buy only \$15,000 to bring your taxable income down to \$93,200 and save tax @ 37% on \$15,000. Any excess RRSP over \$15,000 will save tax @29.6% (assuming you have the entitlement). Government has added another tax bracket in the middle of highest and lowest. **We also arrange RRSP loans. Please call us for further details.**

**(Revenue Canada General Inquiry Telephone Number 1-800-959-8281 for Ontario)**

**LSVCC - Working Venture Funds** – RRSP eligible – RRSP contributions entitle you tax savings at the tax rate that you are in. In addition, RRSP in working venture funds entitles you to save another 30% on taxes payable which is offered by both Federal and Ontario governments @ 15% each. Please note that the banks normally do not deal in these funds (called **Labour Funds** also).

### **RRSP eligible**

Holding time – years	8	Federal/Prov tax credit	15% each = 30% Total
Max. \$ Limit W/Venture Funds	\$5,000 per year.		
Tax Savings – Minimum	2,600	your cost = 2,400	(All numbers are approximate)
- Maximum	3,500	your cost = 1,500	

**HOME BUYER'S PLAN** – For 2018 and subsequent years, maximum withdrawals from RRSP, is \$25,000 for each spouse to make a down payment on purchase of a home - \$50,000 per couple. There are some conditions like First Home – that you did not own a house within the past 5 years and that you will return this money back to your RRSP plan in equal payments over 15 years. After opening a new RRSP plan, waiting period for cashing it for down payment is 90 days. Also 15% Tax Credit \$750 for first time buyers.

**CHILD CARE EXPENSES** – Childcare expenses allowed for children less than 7 years of age is \$8,000 and \$5,000 for those over 7 years. Claim for disabled child is up to \$11,000. From time to time, Canada Revenue may ask you to provide a receipt for such expenses. If an individual issued this receipt, then it must contain the name, SIN number and the year these expenses relate to. If the child attended a Day-Care Centre, no SIN is required. Boarding School, Sports School or Camp expenses are also allowed.

**TUITION & EDUCATION –Fed. & Pro.** Tuition, Education & Textbook amounts were eliminated. Students can still claim carryover these expenses in future years. **Now the interest paid on student loans is also deductible.**

**REGISTERED EDUCATION SAVINGS PLANS – (RESP)** – Starting 2007 there is no annual limit, but lifetime limit to RESP is \$50,000. Federal govt. pays a basic CESG of 20% of annual contributions to a maximum of \$500. ( \$1,000 in CESG if there is unused grant room from previous year), and a lifetime limit of \$7,200. CESG will be invested directly into the Plan. **This grant must be repaid to the government if the student does not use the funds for education.** For 2018 for families having net income \$45,916 or less, grant will be 40% on the first \$500 and 20% on \$501 to \$2,500 annual RESP contribution. if annual family income is between \$45,916 to 91,831, 30% on first \$500 and 20% on \$501 to \$2500 .For income more than \$91,831, current 20% applies.

**TAX – FREE SAVINGS ACCOUNT:** For 2018 Canadians 18 years of age and older can contribute \$5,500 annually in a variety of savings options and never pay tax on the income earned or on withdrawals. **CHILDREN FITNESS & PUBLIC TRANSIT** –No longer available. **15% Refundable Ontario Senior's Public Transit Tax Credit is available up to max. \$450**

**PENSION INCOME SPLITTING:** Canadian Residents are allowed to allocate up to 50% of their eligible pension income (income that qualifies for the pension income tax credit) to their lower-earning spouse or common-law partner.

**AUDIT REQUESTS** – If you receive a request from Revenue Canada to provide supporting documents for an expense you claimed on your 2017 income tax return? Don't panic. This is very common. On receiving such a notice, **first thing you do is Sit Down and Take 3 Deep Breaths** – then read it again and try to understand what they are requesting. Send them the receipts they are requesting, with the letter from Revenue Canada. If you have difficulty understanding these letters, contact us immediately. You must respond within 30 days normally, otherwise they will re-assess you and ask for more tax to pay.

**NO INCOME - STUDENTS - NEW IMMIGRANTS - FIRST RETURN:** People included in this group should call to find out how you can get HST,OTB benefits for the first return even if you had No income during the year. **You must file to get benefits.**

**EMPLOYED/UNEMPLOYED/SELF-EMPLOYED:** If you fall into any of these categories, call us to find out how we can help you save taxes. Have any problem with prior years' returns or audits, we can help. Just call us. Special service to Professionals such as Doctors Dentists, Health Clinics, Real Estate Reps, Commission Salespersons, Taxi & Limo Operators, & Businesses etc.

**LAST DATE:** To file 2018 individual tax is April 30, 2019. Late filling on the amount owing is 5% & int. 1% monthly compounded.

**GST / Ontario Trillium Benefits:** - Max. Adult / Child \$284 & \$149 -5% reduction if family net income is more than \$ 36,976. \$301 per individual. Single payment less than \$360, otherwise monthly. 4% reduction income over \$23,156 for sales tax credit.

**Ontario Energy & Property Tax Credit** max. non senior/senior \$1042&\$1,187.

**CIVIL PENALTIES FOR MISREPRESENTATION** – There are civil penalties against third parties who knowingly, or under gross negligence, make false statements or omissions in respect of another person's tax matters.

**Additional Services:** You will be glad to know that now we will be offering residential mortgages through A & B lenders. Yasir Younus our associate, RBC mobile mortgage specialist will be more than happy to discuss all your mortgage needs. Call us or him with the reference of J & R Tax at 416-731-5068. Good Luck to You all.

**ATTN: BUSINESS OWNERS: We can assist you with Business Loans too.**

## **J & R Tax Provides Business Setup,**

**Accounting, Bookkeeping, Personal & Corporate Tax, Financial Statements,  
HST, T4s and Other Services**

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# **TAX RETURNS**

**Prepared by Professional Accountants - FREE EFILE for our clients.**

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**Come and see us. 416-274-4364**

**For Accounting and Tax Solutions, call J & R Tax and Accounting Services**

above summary is for your information only. For specific reference, please consult Income Tax Act. E&OE