



## September 2022 Update

### DISABILITY TAX CREDIT

Following points to remember about disability credits:

- Various devices needed for persons that are deemed blind, deaf or have the inability to communicate such as Braille devices, and reading services can be claimed as disability tax credit.
- Attendant care services – This cannot include payments made to a spouse or common law partner or anyone under the age of 18. Attendant care as a medical claim is further complicated by the following rules in place:
  - 1) Attendant care can be claimed as medical expense up to a maximum of \$10,000 per year (\$20,000 in year of death). The unused portion of the disability amount can be transferred to a supporting person or
  - 2) Eligible individual can claim attendant care expenses and ignore the disability tax credit. In this situation there will be no maximum on claiming attendant care. In this situation, there is no transfer of credits available to a supporting person.



### MEDICAL EXPENSES

Medical expenses are eligible as a non-refundable tax credit if they are at least 3% of your annual income. You can also claim travel expense for medical care as a medical expense.

- 1) For distance of 40km travelled from your home to get medical services,
- 2) For distance of 80km travelled or more one way from your home to get medical services, you may claim accommodation, meal, and parking expenses in addition to transportation expenses as medical expenses. This may also include travelling outside of Canada as well for medical treatment.

There are detailed or simplified method for calculating meal and vehicle expenses. See your tax accountant to determine which claims are best suited for your tax situation.

## TAX IMPLICATION ON DEATH OF A TFSA HOLDER



Generally, when a taxpayer has deceased, their TFSA ceases to exist. This is true for deposit and contract TFSA Accounts. As long as the TFSA holder did not make any excess contributions during their lifetime, there are no other tax implications for the deceased. If at the time of death, there are excess TFSA contributions, then there will be different consequences as explained below.

When a tax-payer contributes in excess of their TFSA contribution room then the taxpayer will be subject to a special tax. It is 1% of the highest amount of excess TFSA in the month. This continues until the excess is not removed, including the month of TFSA-holders death.

When an individual dies without a spouse or common law partner, the TFSA is deemed to be collapsed on the date of death and the balance is most likely transferred to the named beneficiary tax-free. However, the named beneficiary must have TFSA room to accommodate the fair market value (FMV) of TFSA transfer. The situation gets tricky when named beneficiary does not have TFSA room in his/her account resulting in a significant portion of TFSA being taken away by the taxman.

If the deceased has, a spouse or common-law partner then they will inherit the TFSA tax-free provided the deceased did not have TFSA contributions in excess. If the contributions made by the deceased was in excess of allowed contributions prior to death, then it will attract the same special tax rate on the excess of the spouse or common law partner's TFSA account, until the excess contributions are removed. Additional, penalties and interest may also apply. This may end up being a significant amount.



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