

LAVEN ACCOUNTING LTD

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December 31, 2020

2020 INCOME TAX LETTER

2020 has been a very different year for many of us. While full of challenges, changes, and even fear, it has also been full of hope and examples of human resolve and ingenuity.

In response to the pandemic, there have been different tax programs and changes for individuals and businesses alike. A separate letter for Business Income will be available; please let me know if you would like a copy.

Please read through this letter and the attached checklist of income and deductions; and use it to assemble your information for me. If you had a proprietorship (self-employed income) or rental income there are additional checklists created just for you. If you need either one just let me know and I'll send it to you.

Important Tax Dates 2021

E-file Opens: <i>(first date to file)</i>	February 21 st (not yet confirmed by CRA)
Frist 60 days for RRSP:	ends March 1 st
Standard Filing Date:	April 30 th
Interest Start Date:	April 30 th
	<i>(interest date for proprietorships owing tax or CPP)</i>
Filing Date (self-employed):	June 15 th

COVID Benefit Programs

Two Federal programs, the CERB and the CESB, are taxable but no taxes were deducted at source. You will receive a T4A for these amounts. (*Canada Emergency Response Benefit and Canada Emergency Student Benefit*). You may owe some tax depending on your situation. Filing before April 30th avoids the 5% late filing penalty and interest does not start until May 1st even if you file early. Don't delay your filing – plan ahead.

COVID Benefit Programs (Continued)

Three Federal programs for those who do not normally qualify for Employment Insurance were also introduced (the CRB, CRCB, and CRSB) These are also taxable and will be reported on a T4A. It appears that 10% was withheld at the source. (*Canada Recovery Benefit, Canada Recovery Caregiving Benefit, and the Canada Recovery Sickness Benefit*)

Several Federal and Provincial benefits were not taxable, and it appears no T-Slips will be issued. (You don't need to report these at all). The GST COVID payment which varies on family size and income, the BC Emergency Benefit for Workers (\$1,000), OAS payments for seniors of either \$300 or \$500 depending on if you qualified for the Guaranteed Income Supplement and the COVID disability benefit (\$600 if you were not receiving OAS and either \$100 or \$300 if you were).

BC also recently launched the BC Recovery Benefit for low- and middle-income residents of \$500 per single or \$1,000 per family. See my Facebook (Laven Accounting) for a link. A link will also be available on my webpage (lavenaccounting.com) shortly.

Office-in-Home Deduction:

Many of you worked from home during the pandemic and you may be entitled to claiming an "office-in-home" deduction this year. ***To qualify you must have worked at home for more than 50% of your scheduled work time during 4 consecutive weeks*** (it doesn't matter if you're part-time or full-time just the percentage you worked at home). See attached page for more details.

Canada Recovery Benefit Repayment (not CERB)

If your employment or self-employment income (excluding CRB payments) exceeds \$38,000 per year the recovery amount is \$0.50 per \$1.00 of net income above this to the maximum amount of the CRB received. You will need to pay this amount when taxes are filed as they attract interest and penalties if late, similar to other tax amounts due.

Canada Emergency Recover Benefit Repayment (CERB)

Depending on the income you received during each 4-week eligibility period you may need to repay some CERB payments. If you had repaid them before December 31, 2020, there will be no impact on your taxes. If you have to repay them but have not yet, you will pay tax on all amounts received and your 2021 taxes will be adjusted.

Other Tax Information to Consider:

Personal tax brackets (Provincial and Federal), personal exemption and other tax credits (age, dependent, etc.) have been adjusted for inflation.

Increases of the Federal personal exemption are scheduled for 2021-2023. No additional adjustments for inflation for this tax credit are planned (an increase of \$579, \$590, \$602).

Tax-Free Savings Accounts (TFSAs) additional contribution room for 2021 is \$6,000. If you have not made any TFSA contributions to date, your total contribution room would be \$75,500. If you have made TFSA contributions in the past, please contact me to find out your current limit. Any withdrawals made in 2020 will increase your 2021 limit.

The start of significant changes to the CPP maximum annual pensionable earnings and contribution rates continues on January 1, 2020. The changes are fairly uniform in the phase-in period so you should not notice a large change in each year. In 2021 the contribution rate increases to 5.45% from 5.25% and the maximum annual pensionable earnings increases to \$61,600. (Employee contributions increase to a maximum of \$239.40 over last year)

In 2020 a new digital subscription tax credit has been created for the years 2020 to 2024 for Qualified Canadian journalism organizations (a list will be available at canada.ca). More information will follow, but it will be calculated by multiplying total amounts paid by 15% up to \$500.

If you have any questions, please do not hesitate to contact me. I look forward to meeting with you in 2021.

Yours truly,

Casey Laven

Casey Laven, CPA, CGA.