

STONE HAZELL & COMPANY

CHARTERED PROFESSIONAL ACCOUNTANTS



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The time for preparation of your 2023 Personal Income Tax Return is here! We appreciate your cooperation in reading this letter as your assistance and feedback will add efficiency to the preparation and filing of your personal tax return(s).

GENERAL INFORMATION

Our office is open Monday through Friday, 8:00 am to 4:00 pm, and we are open over the noon hour (12:00 to 1:00 pm) for March and April to accommodate lunch time record delivery and collection. Our telephone number is 250 374 2866 and our fax number is 250 374 4888. We accept contactless electronic payments via credit card over the phone and e-Transfer at payment@stonehazell.ca or you can pay while in office.

INFORMATION REQUIRED

Attached is a checklist of information that may be required for preparation of your 2023 income tax return. Your tax information should be brought to our office as soon as you feel it has all been received. **Please review your previous year's tax return and the attached checklist** to ensure that all income and deductions are delivered to our office. The more effectively you can organize, subtotal and/or add notes to your information, the more efficient we can be in preparation of your return(s).

Please note that given the growing complexity of taxation in Canada and the ever-evolving activities of our clients, our general turnaround for personal tax preparation is currently two weeks from the point of receipt of all required information. As a result, please endeavor to have your tax information sent to us, as soon as you have confirmed that everything has been received, but **no later than April 17**. We will use our best efforts, however, returns received after this date may not be able to be completed by the filing deadline. A **premium may be charged** to accommodate preparation of returns received after April 17.

If our business hours don't accommodate your schedule, please contact our office to discuss alternative arrangements. We are happy to accept delivery of your tax information electronically, please give us a call, email admin@stonehazell.ca or contact one of our team directly to arrange a drop site or alternative delivery method.

SOME ITEMS OF INTEREST

MANDATORY Trust Reporting - effective December 31, 2023, all trusts, legally constituted or not must file a Trust tax return (T3). This requirement includes those arrangements where the trust acts as an agent for the beneficiary (referred to as bare trust arrangements). In addition, the information required to be disclosed has been expanded significantly. If you are party to a trust or a bare trust, please contact our office to discuss further as **failure to file related returns can incur significant penalties**.

Underused Housing Tax (UHT) – The UHT is an annual 1% tax on the value of non-resident, non-Canadian owned residential real estate considered to be vacant or underused. Many individuals are exempt from the tax liability but are still required to file a UHT return. The government has proposed changes that would exclude some of these individuals from filings for the 2023 year, however the relieving measures are not proposed to apply to those on title for the 2022 year. Filings for both the 2022 and 2023 years are due **on April 30, 2024**.

First Home Savings Account (FHSA) – As of April 2023, FHSAs could be set up by first-time home buyers, allowing annual contributions of up to \$8,000, to a lifetime limit of \$40,000. Like an RRSP, contributions are deductible from income. If FHSA funds are withdrawn to acquire an eligible property, the withdrawal is not taxable. If you are planning to buy your first home in the near term, contact us to discuss planning possibilities.

Canada Dental Benefit – The Canada dental benefit provides an up-front, tax-free payment to cover dental expenses for children under the age of 12 without dental coverage. The benefit is **only available to families** whose adjusted family **net income is under \$90,000**. Applications for this benefit can be made online on CRA's My Account. If no benefit was claimed for the first application period (ending June 30, 2023), an additional payment may be available for the second period (ending June 30, 2024).

Did you sell your home? Reporting of all **dispositions** of taxpayers' principal residences is mandatory, whether fully sheltered with the personal exemption or not. To assist with proper reporting in this regard we require purchase and sale documentation or specific details relating to the disposition of any residence. Note that if you **convert your home to a rental property this is also considered a disposition** and must be reported. Conversely **if you moved into a house that you previously rented** this is considered a change in use, please provide the date that you moved in.

The **residential property flipping rule** deems any gains on short-term residential property sales (property held for less than a year) and gains on short-term assignment sales (rights held for less than a year) to be business income, **effective for dispositions as of January 1, 2023.**

Short-term rental income – Proposals have been released that would deny income tax deductions for expenses incurred to earn short-term rental income when that income is earned in areas that have prohibited short-term rentals or when short-term rental operators are not compliant with the applicable provincial or municipal licensing, permitting or registration requirements, effective for expenses incurred January 1, 2024.

First-year CCA Incentives - Many first-year CCA incentives have been introduced over the last few years, some of these incentives will be reduced as of January 1, 2024, and the immediate expensing incentives will be eliminated January 1, 2025.

Increased interest rates - The CRA prescribed rate of interest for the first quarter of 2024 has increased to **10% for arrears and instalment interest.** Note that **owing the CRA is getting quite costly** so be sure to clear outstanding debts and to make instalments in accordance with the CRA's requirements.

CRA My Account – the CRA continues to improve its online platform for individuals. The “My Account” online service has numerous functions to simplify your interaction with the CRA, including arranging direct deposit, changing addresses, reviewing TFSA/RRSP information, reviewing previous tax returns, links to your My Service Canada Account to view and update your information on EI, CPP and OAS, and a link to review **any uncashed cheques** that you may have on record with the Canada Revenue Agency.

CRA reviews and reassessments - Please be aware that your tax return may be selected for a review or full audit. Commonly “audited” and adjusted for areas on personal tax returns by the Canada Revenue Agency (CRA) are **other employment expenses, automotive expenses, moving expenses, business or rental losses, medical expenses and charitable donations.** If you have any items on your tax return that fall within this list there **is a strong probability** that your tax return will be selected for either pre- or post-assessment review by the CRA. In the event of such tax inquiries please advise us of the situation and we will use our best efforts to assist. Note that fees relating to addressing CRA reviews, adjustments or other additional services will accrue at our standard hourly rates and be **invoiced separately from and in addition to our professional fees to prepare and file your 2023 return.** Also, please be aware that our response to these reviews or reassessments can take more time to research and respond to than the preparation of the initial tax return.

We have also attached a copy of our engagement letter for 2023, **one letter will need to be completed for everyone filing a return.** Please read carefully and feel free to ask for clarity on any items in the letter. If you are dropping off numerous returns, please have other family members complete and sign off the letter in advance of delivery of their tax information.

Please note that if there is any interaction between family members' tax returns, pension splits, medical, donations, tuition transfers, etc. we must EFILE the returns at the same time so it may mean that one signed return may remain pending until all necessary signatures are received. Also note that it is office policy that returns cannot be EFILED until the respective invoice is paid.

Thank you for your time and review of this letter, we look forward to connecting with you soon.

Sincerely,

Stone Hazell & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

2023 QUICK REFERENCE CHECK LIST

- Changes to mailing address, email, phone or other contact information
- Changes to marital status or dependents (children, dependents or elder family members in your care)
- Details on sale or change in use of principal residence or any other real estate
- All Canada Revenue Agency correspondence
- T1135 Foreign Reporting support

COMMON SLIPS AND INCOME TO REPORT

- T3 (income from Trusts, interest, dividends etc. These may not be sent until April)
- T4 (employment income)
- T4A (Other income from Pensions, CRB, CRBS, CRCB)
- T4A(OAS) (Old Age Security benefits)
- T4A(P) (Canada Pension Plan benefits)
- T4E (Employment Insurance benefits)
- T4RSP (RRSP income)
- T4RIF (RRIF and LIRA income)
- T5 (interest, dividends, mutual fund activity)
- T5007 (Social assistance and or Workers Compensation benefits)
- T5008 (Statement of Securities Transactions)
- T5013 (Statement of Partnership Income)
- T2200 (Declaration of Conditions of Employment Standard)
- T2202A (Tuition/Education receipts)
- Foreign income (US Income Slips 1099s, German or Italian pensions received)

COMMON DEDUCTIONS, RECEIPTS AND SUPPORTING DOCUMENTATION

- RRSP Contribution receipts
- Professional or union dues
- Medical expenses (refer to CRA Guide RC4065 – Medical Expenses, for clarity on what qualifies)
- Charitable donations
- Political contributions
- Childcare expenses
- Employment expenses
- Business/office use of home expenses
- Eligible educator supplies expenses
- Interest paid on student loans
- Moving expenses
- Spousal support and/or child maintenance
- Tradespersons tools receipts
- T2202A (Tuition/Education receipts)
- Foreign income (US Income Slips 1099s, German or Italian pensions received)
- Brokerage statements, year end summaries of realized capital gains and losses
- Investment Counsel fees
- Purchase or sale of real estate or sales of other property
- Rental income and expense summary
- Support for interest on borrowings for investment or business purposes
- Auto logbook and support

2032 PERSONAL INCOME TAX RETURN CHECKLIST

SECTIONS:

A. Information – All Clients Must Provide

B. Additional Information – New Clients Must Provide

C. Questions to Answer

A. Information – All Clients Must Provide

1. All **information slips**, such as: T3, T4, T4A, T4A(OAS), T4A(P), T4E, T4PS, T4RIF, T4RSP, T5, T10, T2200, T2202, T101, T1163, T1164, TL11A, B, C and D, T5003, T5007, T5008, T5013, T5018(Subcontractors) and corresponding provincial slips.
2. Details of **other income** for which no T-slips have been received such as:
 - other employment income (including any severance or termination pay, retiring allowance, any tips or gratuities received, details on stock option plans and Election Form T1212), business, professional, partnership, and rental income (including all amounts received from the sharing economy, such as AirBnB, VRBO, Uber, etc), and internet-based provisions (e.g. payments from social media subscribers, product placement, advertising, etc.)
 - alimony, separation allowances, child maintenance (including divorce/separation agreement),
 - foreign or other pensions (certain pension income may be split between spouses),
 - interest income earned but not yet received (such as amounts from Canada Savings Bonds, Deferred Annuities, Term Deposits, Treasury Bills, Mutual Funds, Strip Bonds, Compound Interest Bonds),
 - scholarships, fellowships, and bursaries, and
 - any other income received (e.g. director fees, executor fees, etc).
3. **Details of other investments, such as:**
 - capital gains/losses realized (this may be obtained, in some circumstances, from your investment advisor)
 - real estate, or oil and gas investments – including financial statements,
 - bitcoin or other cryptocurrency transactions, and
 - any other investments.
4. **Details of deductible expenses, such as:**
 - employment related expenses – provide Form T2200 – Declaration of Conditions of Employment, **signed by employer** (where expenditures have a personal component, provide an allocation of personal vs employment usage),
 - business, professional, farm, investment & rental expenses (including capital purchases, such as vehicles & equipment).
5. **Details related to working from home.** If you worked from home in 2023, **in limited cases**, you may be able to make a claim based on actual expenses incurred. (NOTE: The temporary flat rate method whereby employees could deduct \$2/day that they worked from home in 2022 is not available in 2023.)

To claim a deduction for the actual costs related to working from home, one of the following criteria has to be met:

- the home was where you mainly (more than 50% of the time) did your work for a period of at least four consecutive weeks in the year, or
- you used the space exclusively to earn business/ employment income and used it on a regular and ongoing basis for meeting clients, customers or other people in respect of the business/ employment.

In addition, if you are an employee, your employer must have required you to work from home and they must have also provided you with a T2200 (please provide it to us). To make a claim, please provide details on the portion of your home that was used as a workspace (e.g. approx. square footage of workspace versus other space). If the space was not used exclusively for business/ employment purposes, provide the approximate time it was used for business/employment purposes.

Also, provide the expenses incurred that are related to working from home. Such expenses include, for example, home internet access fees, rent, utilities and office supplies. Self-employed individuals (but, not employees) may also deduct part of their property taxes and mortgage interest.

6. Details and receipts for other deductions and tax credits, such as:

- alimony, separation allowances, child maintenance (including divorce/separation agreement),
- adoption related expenses,
- childcare expenses (require name of child, name of provider and social insurance or business number of provider),
- charitable donations and political contributions,
- clergy residence deduction information (including Form T1223),
- disability tax credit and disability support expenses (speech, sight, hearing, learning aids for impaired individuals & attendant care expenses), (refer to CRA Guide RC4064 – Disability related information)
- Eligible Educator School Supply Tax Credit – If you are a teacher or early childhood educator, please provide receipts (up to \$1,000) for eligible school supplies purchased in the year. Please also provide a certification from your employer attesting to the eligible supplies expense.
- film and video production expenditures eligible for a tax credit,
- first home savings account (FHSA) contributions and withdrawals (including any associated slips),
- Home Accessibility Tax Credit – Certain expenditures (Up to \$20,000 for 2023) may be eligible for a tax credit if made in relation to a renovation or alteration of your home to enhance mobility or reduce the risk of harm for an individual who is either, eligible for the Disability Tax Credit, or 65 years of age or older at December 31, 2023. Examples of eligible expenditures include amounts relating to wheelchair ramps, walk-in bathtubs, wheel-in showers and grab bars,
- interest paid on qualifying student loans,
- labour mobility deduction – a deduction for up to \$4,000 of certain personally-incurred travel and temporary lodging expenses is available for employed tradespeople and apprentices in the construction industry that performs duties at a temporary work location. To qualify, the employee must not also receive a non-taxable allowance or be reimbursed by their employer for these costs.
- medical expenses for you and any dependent persons, (refer to CRA Guide RC4065 – Medical Expenses, for clarity on what qualifies)
- moving expenses, (refer to CRA Income Tax Folio S1-F3-C4, Moving Expenses for clarity)
- mining tax credit expenses,
- Multigenerational home renovation tax credit **NEW!** – certain expenditures (up to \$50,000) incurred in 2023 may be eligible for a tax credit to assist with the cost of renovating an eligible dwelling to establish a secondary unit that enables a qualifying individual (a senior or an adult who is eligible for the disability tax credit) to live with a qualifying relation,
- professional and union dues,
- Registered Retirement Savings Plan and any other pension plan contributions and withdrawals (including withdrawals and repayments for the Home Buyers Plan and Lifelong Learning Plan),
- scientific research and experimental development expenses,
- tools acquired by tradespersons and eligible apprentice mechanics, (**NEW!** the maximum deduction for tradespeople’s tools has increased to \$1,000 from \$500).
- tuition fees for both full-time and part-time courses for you or a dependant – including mandatory ancillary fees, and Forms T2202, TL11A, B, C and D where applicable,

7. Details on the disposition of your principal residence, other real property or any assignment sales. Please provide proceeds of disposition, a description of the property, and the year the property was acquired. If you disposed other real property, please provide the cost of the property in addition to the requirements listed above. This is required even if there is no gain on the disposition of the property. In addition, please indicate if you have a change-in-use of your property. This could include, for example, converting some or all of your principal residence into an income earning property, such as a rental suite. It could also include converting a property used for short-term rentals, such as AirBnB or VRBO, to long-term rentals.

NEW! Effective January 1, 2023, all gains arising from the disposition of residential property (including rental property and assignment sales) owned for less than 365 days are deemed to be business income unless a particular exception is met. If a disposition occurred within 365 days, please provide a reason for the disposition.

8. Name, address, date of birth, SIN, and province of **residence** on December 31, 2023, **if changed** in the current year.
9. **Personal status** – single, married, common-law, separated, divorced, or widowed. If **married** or **common-law**, provide the spouse/partner’s income, SIN, and birth date. If there has been a status change in the year, please provide the date of the change.
10. List of **dependants/children** including their incomes. Also, include their birth dates, and SINs if we do not already have them.
11. Details regarding residence in a prescribed area which qualifies for the **Northern Residents Deduction**.
12. Details of 2023 income tax **instalments**, or payments of tax.
13. 2022 Notice of Assessment/Reassessment and any other correspondence from CRA (including correspondence received after the filing of this personal tax return).
14. **Details of foreign property** owned at any time in 2022 including cash, stocks, digital currency (such as Bitcoin), trusts, partnerships, real estate, tangible and intangible property, contingent interests, convertible property, etc. Required details include description of the property, related country, maximum cost in the year, cost at year-end, income, and capital gain/loss for each particular property.

For property held in an account with a Canadian securities dealer or Canadian trust company, please provide the country for each investment, fair market value of the investments at each month-end, income or loss on the property, and gain/loss on disposition of the property.
15. Details of income from, or distributions to, foreign entities such as foreign affiliates and trusts.
16. Copy of any foreign tax returns filed and any associated tax assessments.
17. **If we are not preparing your spouse or common-law partner’s personal tax return**, please provide a copy of their return for planning purposes.
18. **Internet Business Activities** – If you have business, professional, farming, or fishing income, please indicate whether you have Internet business activities. According to CRA, Internet business activities include any activity where you earn income from your webpages, websites, or Apps. Information only webpages and websites like directories or ads will not generally trigger this information requirement.

If you have Internet business activities, please provide:

- The number and address of webpages or websites that your business generates income from. If you have more than 5, provide the 5 that generate the most income.
- The percentage of income generated from the Internet (if you do not know the exact percentage, provide an estimate).

B. Additional Information – New Clients Must Provide

1. All CRA correspondence for the previous **three years**.
2. Details of previous **capital gain exemptions claimed business investment losses** and **cumulative net investment loss accounts**.
3. Details of **carry-forward amounts** from previous years (ex. losses, donations, forward averaging amounts, RRSP).
4. A listing or copy of receipts for significant property and equipment previously purchased for business, rental, or farming activities, which are still currently owned and used in the related activity.

C. Questions to Answer - If Unsure Please Ask Us for Clarification

1. Did you receive interest, dividends, or benefits from a business in which a relative is a key party (in terms of ownership or involvement)?
2. Are you a U.S. citizen, Green Card Holder, or were you, or your parents born in the United States? You may have U.S. filing obligations.
3. Are you an indigenous person? Special tax rules may apply.
4. Are you or any of your dependants disabled? If so, provide Form T2201, Disability Tax Credit Certificate. The transfer rules allow claims for certain dependent relatives. In addition, are you, or would you like to provide support to a disabled person? Tax planning opportunities may be available, such as the establishment of a Registered Disability Savings Plan.

Persons with disabilities may also receive tax relief for the cost of disability supports (e.g., sign language services, talking textbooks, etc.) incurred for the purpose of employment or education. If you or your dependents are disabled but do not have a T2201 Form, please provide details so we can explore whether you are eligible for special credits or benefits.
5. Are you the caregiver for any infirm family members? Did you provide in-home care for an infirm dependent relative?
6. If you have children up to the age of 17, have you received the Canada Child Benefit?
7. Have there been any other significant life events in the past year, such as the death or impairment of a loved one? There can be tax planning opportunities.
8. Did you incur costs to access medical intervention required in order to conceive a child which was not previously allowed as a medical expense? Amounts may be claimed in respect of any such expense for the previous 10 years (if amounts were incurred in 2013, a claim must be made by the end of 2024).
9. Did you purchase a new home in 2023? If so, you may be eligible for the new residential property GST/HST rebate. Also, are you a first-time home buyer in 2023? A federal tax credit based on \$10,000 (@15% = \$1,500) may be available.
10. Have you spent more than 200 hours acting as a volunteer firefighter or a search and rescue volunteer? You may be eligible for a federal tax credit.
11. Have you made any contributions to a gifting tax shelter?
12. Did you receive any significant prizes or awards from your, or a related person's place of employment?
13. Did you receive a retroactive lump-sum payment over \$3,000 (for example, spousal support)? In certain cases, some tax relief may be available.