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Your Guide to Tax-Saving Strategies

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TAXSTRATEGY

Your 2020 Return:

What's Different?

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It's March and we are close to tax deadlines. And although we are facing the same sort of challenges as a result of the Covid pandemic today that we were facing last year, the CRA has decided not to extend the tax filing deadlines. So what do you need to know? Below are some highlights for you when preparing your 2020 tax return.

Plan ahead and go paperless

The CRA is actively encouraging Canadians to file their return electronically, and as soon as possible. If you choose to file a paper return, it is likely that your assessment will be slower than usual and potentially affect your ability to get your refund, benefit, or credit payments on a timely basis. In fact, the CRA is stating that it may take 10-12

weeks for the CRA to process and issue your assessment due to limited staff onsite in the tax centers (a large percentage of CRA staff is also working from home as well)). So consider filing online rather than through the mail (online filing for the 2020 tax year opened on February 22, 2021). And don't forget to sign up for direct deposit to access your refund faster.

COVID tax benefits

According to the CRA website, more than 27 million Canada Emergency Response Benefit (CERB) applications were made, totaling more than \$81 billion in payments to Canadians. The CRA also processed more than 2 million Canada Emergency Student Benefit (CESB) applications that totaled more than \$2 billion in payments.

If you were one of those applicants, then you will need to review your records as you will be required to include any amounts you received under any

one of the following programs: CERB, CESB, Canada Recovery Benefit (CRB), Canada Recovery Sickness Benefit (CRSB), or Canada Recovery Caregiving Benefit (CRCB) payments.

You may have already received in the mail a T4A slip (for benefits issued by the CRA) and/or a T4E slip (for benefits issued by Service Canada). If you didn't receive anything in the mail, but did receive benefits, you can also view these tax slips online by signing into My Account on the CRA website (another reason to go digital with the CRA). Residents of Quebec will receive both a T4A and RL-1 slip from the CRA, however, apparently the RL-1 slip will not be available for viewing in My Account.

So what do these slips mean? Well, recall that when these relief measures were announced, tax advisors across the country (myself included) warned Canadians that these amounts received will be subject to income tax. If you received the CERB or CESB, no tax was withheld by the CRA when payments were made to you, which means that you will likely have a tax bill for the year (unless you have other credits or deductions that can offset such amounts). If you received the CRB, CRSB, or CRCB, 10% tax was withheld at source – so your tax bill may not be as much if you only received the

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CERB or CESB.

At the end of the day, depending on how much income you earned from all sources, and deductions and credits you are entitled to claim in 2020, you may owe tax or be entitled to a refund. And if you received benefits from a province or territory, those amounts should also be entered on your tax return.

The Government has always stated that there would be no penalties or interest in cases where CERB needs to be repaid. Moreover, if repaying the CERB could present a significant financial hardship, the CRA will provide more time and flexibility to repay based on your ability to pay.

Moreover, the Government announced in early February that targeted interest relief will be provided if you claimed COVID-related benefits. So if you filed your 2020 income tax and benefit return, and owe tax, you will not be required to pay interest on any outstanding income tax owing for the 2020 tax year until April 30, 2022.

You may have also read in the papers a little while ago that the CRA has changed its rules for CERB and will not require self-employed individuals to repay the CERB if they would have qualified based on their gross income and provided they also met all other eligibility requirements. The same approach will apply whether the individual applied through the CRA or Service Canada. If you are a self-employed individual who already voluntarily repaid the CERB, you can reach out to the CRA to have such repaid amounts returned to you.

New for 2021

Some things to keep in mind that were announced for 2021:

■ Relief for families with young children: Back on November 30, 2020, the government announced immediate support for families with young children. For 2021, families will be entitled to four tax-free payments of \$300 per child under the age of six, provided that the families are entitled to the Canada child benefit (CCB) and have family net income equal to or less than \$120,000. For those families entitled to the CCB and have family net income above \$120,000, the tax-free payment will be \$150 per child under the age of six. The first two payments would be based on the family's net income in 2019 while the last two payments will be based on the family's net income in 2020. You must file their tax returns for these years to receive all four payments.

■ Home Office Expenses: If you worked more than 50 per cent of the time from home for a period of at least four consecutive weeks in 2020 (which is likely the majority of you), you may be eligible to claim a deduction for home-office expenses in the 2020 tax year (i.e. "work-space-in-the-home", office supplies and phone expenses). There are two methods in calculating this deduction:

■ The deduction can be calculated on a flat basis: you can claim \$2 for each day you worked from home during that period. You can then also claim any additional days you worked at home in 2020 due to the COVID-19 pandemic. The maximum amount that can be

claimed is \$400 per individual. This method avoids you having to calculate the size of your work space based on your total home size and also does not require you to keep supporting documents. Moreover, you don't need your employer to sign a Form 2200 normally required for personal expenses. This method can only be used for the 2020 tax year (it's still to be seen if the CRA will extend this relief for the 2021 tax year).

■ Alternatively, you can claim these expenses under the detailed method which allows you to claim the actual amounts you paid, supported by documents. You must complete Form T777S or Form T777 and get a completed and signed Form T2200S or Form T2200 from your employer

■ Canada training credit – If, at the end of 2020, you were 26 years of age or older (up to 66 years of age) and you have a Canada training credit limit for 2020 on your latest notice of assessment or reassessment for 2019, you may be eligible to claim this refundable tax credit for up to half of your eligible tuition and other fees paid to an eligible educational institution in Canada for courses you took in 2020, or fees you paid to certain bodies for an occupational, trade or professional examination taken in 2020.

■ Digital news subscription tax credit – For the 2020 to 2024 tax years, you may be able to claim a non-refundable tax credit for expenses if you paid for a qualifying digital news subscription with a qualified Canadian journalism organization. □