

The Tax Break

T1135 FOREIGN PROPERTY DISCLOSURE

SOME RELIEF

On July 8, 2014, CRA released a revised version of the **Form T1135 – Foreign Income Verification Statement**, relieving some of the onerous filing requirements as announced on June 25, 2013 and later on February 26, 2014. CRA noted that these **changes** will apply to T1135 filings for 2014 and later tax years.



One major change CRA noted is that taxpayers who hold specified foreign property in an account with a **Canadian registered securities dealer** or a **Canadian Trust company** will have the **option** to **report** the **aggregate value** of such property on a **country-by-country** basis. The **highest fair market value** at the **end of any month** during the year **and** the **fair market value at year-end** will be required to be reported. **Income** (loss)

from the property and any **gains** (losses) on disposition must also be **reported**.

Action Item: Be aware of possible foreign property disclosures.

INTERNET BUSINESS ACTIVITIES – UPDATE

CHANGE TO EFFECTIVE DATE

Subsequent to the release of our last newsletter, CRA announced a **delay** to the effective date for filing the new **Corporate Form Schedule 88, Internet Business Activities**.

A corporation is now required to file the Schedule 88 for tax years where the filing due date is after December 31, 2013 (generally where the **year end is after June 30, 2014**).

Corporations that earn income from one or more **webpages** or **websites** must disclose this information, as well as additional details on this schedule.

Action item: Be aware of your **business's online presence**. Disclosure may be required.



HAVE A GOOD NIGHT AT THE CASINO?

BE SURE TO DOCUMENT YOUR GAMBLING WINNINGS!

In a March 6, 2014 Tax Court of Canada case, the taxpayer argued that \$35,000 in bank deposits received were **gambling winnings** rather than unreported business income. The Court examined whether the deposits corresponded with the individual's casino player card records and did not find enough connection.

The Court determined that the **deposits** were **business income** and therefore taxable. Often, **gambling winnings** are considered "windfalls" and, therefore are **not taxable**.

Action Item: Fully document your **gambling winnings** and keep player card records.

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ARE YOU ONE OF THE 35%?

Of the Canadian taxpayers who received personal tax refunds in 2014, approximately 35% anxiously waited for their refund cheques to arrive in the mail. Meanwhile, the other 65% sat back and watched the money appear directly in their bank accounts. If you are not already getting your refund (or other payments such as the GST/HST, WITB, CCTB or UCCB credits) directly deposited and would like to do so, please advise us next time we prepare your personal income tax return or visit http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/drct_dpst-eng.html for more information.

If you are receiving this newsletter by mail and would like to receive it by email instead (or vice versa), or if you no longer wish to receive our newsletter, please contact Julie at julie@accountantsplus.ca or 604.299.9274.

SMALL BUSINESS CHECKLIST

USE THIS FREE CRA RESOURCE!

In May, CRA published an updated **checklist** discussing the **phases** that a **small business** may experience. This listing provides information on the following **four sections**: Before You Start, Start a Business, Maintain a Business and, Close or Resume Your Business. Each of the sections contains a list of **key activities** and **links** to relevant **articles** and **videos**.

See www.cra-arc.gc.ca/tx/bsnss/sm/chcklst-eng.html for the checklist.



U.S. AMNESTY PROGRAMS

MORE ACCESSIBLE FOR U.S. CITIZENS AND U.S. TAX FILERS!

On June 18, 2014, the Internal Revenue Service (**IRS**) updated its **website** in respect of “**Streamlined Filing Compliance Procedures**” (**SFCP**). Several changes **effective** for filings on, or after, **July 1, 2014** have been introduced.

The **SFCP** is a process by which individuals can **catch up** on their delinquent filings. Under these procedures, **three years** of **tax** and information filings and **six years** of **FBAR** (Foreign Bank Account Reporting) filings will be required. If the reason for previous non-compliance was **not willful**, most **penalties will be waived** (however the obligation for taxes and interest remains).

The new changes are widely considered to make the **SFCP** much more useful and **attractive**. Those who have more **complex returns**, such as taxpayers with **corporate interests**, significant investments or **tax planning** structures may be more inclined to use the **SFCP**. Previously, the returns of these individuals may have been considered “**high risk**” and, therefore, not eligible for penalty-free treatment. The risk assessment portion of the **SFCP** has now been eliminated.

A modified version of the **SFCP** has also been made available to those still residing in the US.

Action Item: If you are a US citizen, or subject to US Tax Filings, and have unreported income, contact us as there are now more accessible options to disclose the information.

MOVING EXPENSES

TAXPAYER MOVING BETWEEN TWO JOBS

In an April 2014 Tax Court of Canada case, CRA denied the taxpayer’s **moving expenses** on the basis that he did not change his **ordinary residence**. The taxpayer, a school-teacher, **taught in Toronto** from **September to June** and **Ottawa** in **July**.

Taxpayer Loses

An **eligible relocation** requires the taxpayer to **relocate** his place of **ordinary residence**. The taxpayer did not sell or lease his **house**, relocate his **spouse**, bring his **car**, change his **address**, or otherwise take up residence in the Ottawa area. Rather, he spent the summer with old friends and family, **always knowing he would return** to the Toronto residence in the fall. As there was **no change in ordinary residence**, he was not able to claim moving expenses.

Action Item: Ensure you fully

relocate to a new residence before claiming the Moving Expense credit.

TRAVEL EXPENSES

MULTIPLE WORK LOCATIONS

In a February 11, 2014 Technical Interpretation, CRA confirmed that if an individual has **multiple regular places of employment** (**RPE**) and travels between them during the day, the trip from the individual’s home to the first RPE, and the trip home from the last RPE, is personal. However, **travel between RPEs** is generally considered “**employment-related**” and, therefore, not a taxable benefit to the employee.

Action Item: Determine whether an individual’s multiple work locations constitute RPE.



DONATING BY WILL

PLAN AHEAD

Making a **donation through a Will**, as opposed to just prior to death, may be **advantageous** for several reasons.

A donation through a Will is **not subject to the general income limitation**; living donor claims are limited to 75% of the net income. As well, a donation under a Will is also deemed to occur in the donor’s final year. Therefore, the **donation tax credit** can be claimed on the donor’s **final tax return** even though the actual donation occurs after the donor’s death. The Estate can then use the donation in the most tax advantageous manner.

We recommend that you obtain professional advice before acting on information contained in this newsletter.

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