

# The Tax Break

## NON-COMPLIANT GST/HST REGISTRANTS

### IMPACT ON TAX REFUNDS OR CREDITS

In a recent **release** (Excise and GST/HST News No. 102), **CRA** reminded taxpayers that they may place a **non-compliance hold** on a taxpayer's account if they are a **non-compliant GST/HST registrant**. That is, for example, if income tax or GST/HST returns are outstanding. This would **prevent** the provision of any **refund** or credit to the taxpayer. In other words, refunds or credits will be held if **returns are outstanding**.

This may be the case, for example, if a taxpayer that is a quarterly GST/HST filer, prepares their GST/HST returns with their year-end work. The first quarter of the next year is generally late by the time the year-end is filed, so GST/HST or income tax refunds may not get paid out.

**Ensure that you are up to date with GST/HST filings and remittances.**

## GUARANTEED INCOME SUPPLEMENT

### CHANGE IN AN INDIVIDUAL'S CIRCUMSTANCE

The guaranteed income supplement (GIS) provides a monthly benefit payment to lower income individuals resident in Canada. Payments **from July of one year to June** of the next, are **based on income** of the previous calendar year (i.e. 2016 income is used to determine July 2017 to June 2018 payments).

Where an individual is married or in a common-law relationship, GIS entitlements are based on the **combined income of a couple**. Where an individual **enters into a spousal relationship**, the **payment issued in the following month** will be modified to account for the combined income and new GIS reduction threshold.

An **estimate of current year** income may be used to calculate the GIS rather than using the base year if a major event affecting income occurs in the year (e.g.



job loss, **business loss, loss of pension**). This is commonly referred to as the **“Option Method”**. The “Option Method” may also be used part way through a payment year when a marital status change occurs. The recalculation would occur for the second payment after the event occurred. This option may provide for increased monthly payments immediately rather than waiting until the following July when the payments are revised based on the prior year income.

For more information on GIS eligibility and the payment calculation, see Service Canada's information (<https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security/guaranteed-income-supplement.html>).

**If you experience a change in income or relationship status, consider applying for an adjustment to your GIS payments using the alternative “Option Method.”**

## IN THIS ISSUE...

- Non-Compliant GST/HST Registrants
- Guaranteed Income Supplement
- Business Loss or Personal Venture
- Underground Economy
- Dying Intestate

Check out our weekly blog at <http://www.accountantsplus.ca/blog>

You can also find us on Twitter: @PELCPA



## SEASON'S GREETINGS!

The PEL team wishes all of you a **Happy Holiday Season** and all the best for **2018!** May the joy of the season be shared by all. In lieu of Christmas cards, we have made a donation to **Covenant House**.

*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](mailto:julie@accountantsplus.ca) or 604.299.9274.*



## BUSINESS LOSS OR PERSONAL VENTURE

### CAN I DEDUCT LOSSES AGAINST OTHER INCOME?

In order for an individual to apply their business loss (where reasonable expenses exceed revenues) to another source of income such as employment earnings (thereby reducing the overall tax liability), the taxpayer must be able to prove that they are truly running a business. That is, they have to show that the undertaking was in pursuit of profit.

An April 28, 2017 **Tax Court of Canada** case considered whether a practicing **lawyer** had a **source of business income** in respect of her law practice for the 2011–2014 years.

The taxpayer **incurred losses** in all of the years in question ranging from \$4,014–\$12,613 and reported annual revenues ranging from \$0–\$3,850. The taxpayer reported that the time she spent on the proprietorship was diverse; however, on average she worked about 5–10 hours per week. The taxpayer testified that she did no pro bono or volunteer work, but rather, **charged clients depending on their circumstances**. In some cases, the clients did not end up paying for the services.

#### Taxpayer loses

The Court found that while the lawyer's work was very commendable, the **practice did not have a view to profit**. For example, the **gross revenue per hour** for the 2011–2014 years were not even minimum wage, much less amounts which could sustain a law practice operating with a view to profit.

Although the taxpayer's work was not strictly volunteering, it was very close. As the venture was not carried out with a view to profit, there was no business, so the losses were not deductible against other sources of the taxpayer's income.

If your proprietorship is in a loss position, document evidence to support your efforts to be profitable.

## UNDERGROUND ECONOMY

### CONTRACTORS, ONLINE SALES, FARMERS MARKETS...

In recent years, CRA has particularly focused on tracking underground economy activities. One way they are doing this is by **obtaining information from key 3<sup>rd</sup> parties**.

For example, CRA obtained details from **contractor credit applications** submitted to **Rona**. Consider the type of information that Rona would have: name, address, and other specifics that would help determine whether credit should be given. Presumably CRA could compare information reported on a credit application to the contractors' tax returns.

CRA has also obtained information from **Square Canada**. Many smaller vendors accept payment by swiping the customer's credit card through a little square plastic device connected to the audio jack of a phone or iPad. Square Canada provides this payment processing device, a Square Reader. Through a Federal Court Order issued to Square Canada, CRA obtained **identifying vendor information and sale details** associated with individuals or entities using these devices. The information request primarily focused on those with annual revenues of >\$20,000, for the 2012–2015 and part of the 2016 year.

It would not be unreasonable to expect that CRA could obtain similar

information from other websites, web-based apps and organizations.

**Make sure to bring in all related sales information for discussion at tax time. Sales may, or may not, be taxable depending on the specifics of your case.**



## DYING INTESTATE

### WHO CAN MANAGE THE DECEASED'S TAX AFFAIRS?

Where a family member of a deceased individual would like to be recognized by CRA as the **person** or persons who will **manage the tax affairs** of the person who died **without a last will and testament**, they can now do so by completing a CRA Form (Affidavit for intestate situation, Forms RC549 to RC561, with no form for Quebec).

Only certain people can register to manage these affairs. The form lists the **priority order** for those that may apply to be the representative. If another person ranks higher than the applicant, consent and a signature must be obtained from the higher ranking person(s). The priority order is generally:  
1) Spouse or common-law partner  
2) Adult children  
3) Parents  
4) Siblings  
5) Grandparents. CRA aims to process the application within 4 weeks.

Previously, when a person died without a will, the applicant would normally have to go to **Court** to be **appointed as the Administrator**. The costs of this process could cause hardship, especially if the only reason for the appointment in Court is to file tax returns.

**If a deceased family member dies intestate, consider this option to minimize legal costs when settling the individual's tax affairs.**

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

**PagnaniniEdwardsLam**

CHARTERED PROFESSIONAL ACCOUNTANTS

306 – 3701 Hastings Street • Burnaby, BC V5C 2H6 • t. 604.299.9274 • f. 604.299.9247 • info@accountantsplus.ca • www.accountantsplus.ca