

2023

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Allied Web Portal

Sending information electronically has become a more common practice as technology advances. Email is convenient and quick but comes with some security risk as it can be accessed by unintended users. Organizations have developed web portals that use verification and password methods to minimize these risks.

Allied has a web portal allowing secure access to transmit information such as financial statements and tax returns that you can easily save for your records or to send to third parties such as lenders. The portal also allows you to send us documents such as signed forms or other financial information. In either case, the information can only be accessed by users who have the appropriate verification.

We encourage everyone to take advantage of this tool. If you would like to be set up with the portal, please email portalsupport@alliedtax.ca and we will assist you with this process. ◀

Tax Highlights

Immediate Expensing Deduction Rules Extended

The current rule allowing Canadian Controlled Private Corporations to immediately expense certain capital expenditures effective for property acquired after April 19, 2021, and put into use before 2024, has a deduction limit of \$1,500,000 per year. This has been extended to include expenditures made by certain self-employed individuals and partnerships on purchases made after December 31, 2021 and put into use before 2025.

The \$1,500,000 limit must be shared with any associated companies and closely related individuals and partnerships. It excludes capital expenditures for buildings, quota, yards, and roadways, and energy transmission. It includes most machinery and equipment in Classes 8 and 10.

Ontario Regional Opportunities Investment Tax Credit

Introduced in the Ontario budget of March 25, 2020, this credit provides a 10% refundable tax credit on eligible capital investments by private corporations in eligible regions of the province. This credit has been temporarily increased to 20% for investments available for use on or after March 24, 2021 through to December 31, 2023. It is available on expenditures in excess of \$50,000 up to a limit of \$500,000 which translates into a maximum credit of \$90,000. For farmers, it would generally be for farm buildings that are categorized as either Class 1 or 6, that are for business use. Residential buildings do not qualify.

Profile:

Reba Jefferson, CPA

Reba was raised on a family dairy farm in Huron County. She joined Allied in 2015 after graduating from university.

Reba became the Accounting Advisor for Huron and Grey Bruce in 2017.

Reba enjoys music and is active in sports. ◀



Tax Highlights Cont'd

Small Business Deduction Limit for Canadian Controlled Private Corporations

Currently, the small business deduction limit for an associated group of Canadian Controlled Private Corporations is reduced on a prorated basis for companies with greater than \$10,000,000 in taxable capital and is completely eliminated at \$15,000,000 taxable capital.

The upper threshold for this deduction has been increased to \$50,000,000 effective on all corporate year ends beginning after April 7, 2022.

Updates to Disability Tax Credit

The government has recently passed legislation expanding the eligibility criteria for mental functions necessary for everyday life.

These functions include adaptive functioning, attention, concentration, goal-setting, judgement, memory, perception of reality, problem-solving, regulation of behaviour and emotions, and verbal and non-verbal comprehension.

This means more individuals will now qualify for this tax credit.

This is strictly a medical assessment, so if you believe a family member might qualify, please speak to your family doctor or medical professional.

There are also enhancements to the category of life-sustaining therapy. Other categories which remain unchanged are vision, speaking, hearing, walking, eliminating, feeding and dressing.

To claim the credit, please have the appropriate medical professional complete Form T2201 Disability Tax Credit Certificate and provide us with the completed form. We can then submit it to CRA for them to assess and make a ruling. If approved, the individual can claim a disability amount of \$8,870 providing a tax credit based on the lowest personal tax bracket. Unused credits can be transferred to a spouse or parent.

Alternatively, if the individual requires institutional care, this assessment allows much of the cost of that care to qualify as a medical expense.

New Underused Housing Tax

The Underused Housing Tax is an annual 1% tax on ownership of vacant or underused housing in Canada, which took effect on January 1, 2022.

While aimed primarily at foreign ownership, if you operate your farm through a Canadian Controlled Corporation or partnership and it owns residential property, you will be required to file an Underused Housing Tax Return for each applicable property, even if no tax is owing due to exemptions. Canadian resident individuals and non-resident Canadian citizens are not required to file the return.

The return and any resulting tax will be due April 30th annually. Failure to file on time could result in a late filing penalty of \$10,000 or more. Interest will be charged on any late payments.

Expanded Reporting of Trusts

Under current rules, a trust must file a T3 return for the tax year of the trust if there is tax to pay for the year, it disposes of a capital property, or it distributes all or part of its capital to its beneficiaries. Currently, no T3 return is required from trusts that are inactive or have no income or tax payable.

For taxation years ending on or after December 31, 2023, most trusts will be required to file a T3 return annually including trusts that have never filed before.

As indicated, trust returns will have to be filed in situations where it was not required in the past, including trusts that do not have income or dispositions of property and bare trust arrangements (property held in trust for beneficiary). It will be necessary to identify these trust situations and inform your advisor to ensure the appropriate filings are made.

Penalties for failure to file can be up to 5% of the maximum value of the property held by the trust during the year, with a minimum penalty of \$2,500.

Profile: John Fleming

John joined Allied in 2015. Over his career, John has served clients in many Ontario counties covering maternity and

medical leaves for other advisors or travelling to areas where an advisor was unavailable. Recently, John has settled in as the Accounting Advisor for Huron Middlesex and lives in Exeter. ◀



Profile: **Naje Kaddoura, CPA**

Naje recently joined Allied after working with a national accounting firm where he focused on agri-business clients. Naje obtained his CPA designation in 2020. He currently specializes in review engagement work. Naje's sense of humour helps to keep his workload in perspective. ◀



Tax Highlights **Cont'd**

Staycation Tax Credit

The government has introduced a new temporary Ontario Staycation tax credit for 2022 that will provide Ontario residents with support on 20% of eligible 2022 accommodation expenses of up to \$1,000 for an individual and \$2,000 for a family, for a maximum credit of \$200 or \$400, respectively.

Tax-Free First Home Savings Account

The Tax-Free First Home Savings Account (FHSA) is a new registered account to help individuals save for their first home.

Contributions to an FHSA would be deductible and withdrawals from the FHSA will not be subject to tax, provided the funds are used to purchase a qualifying home.

The lifetime limit on contributions will be \$40,000 subject to an annual contribution limit of \$8,000. These accounts are expected to be available at some point in 2023. ◀

Frequently Asked Questions

When will CRA start charging me interest on my outstanding balance?

For individuals, interest is calculated from the time the return was due, which is April 30th. Additional interest will be charged on late or deficient instalment payments from the date they were due.

For corporations, tax is due on the last day of the second month following the taxation year, however there is a one-month extension for smaller Canadian Controlled Private Corporations which include most family farm corporations, provided that the taxable income does not exceed the aggregate business limit in the preceding year (i.e., income eligible for the small business deduction).

All this is despite the fact that the filing deadline for corporations is six months following the year end. Again, additional interest will be calculated on late or deficient instalment payments.

Why do I have to sign a T183 form to give authorization to efile my return when my Advisor has authorization to represent my account?

CRA requires all individuals complete the T183 form to allow their filer to electronically file their income tax and benefit return. Effective 2021 and future tax years, a digital signature will be recognized as appropriately filed.

How can Allied help?

Our accounting advisors are supported by accounting, tax and administrative staff and advisory specialists in our London and Peterborough offices.

Their role includes:

- Supporting our accounting advisors with the completion and processing of all accounting, tax, and advisory work.
- Assisting clients with CRA correspondence such as notices of reassessment, pre and post assessment reviews, and requests for supporting information.
- Responding to any tax questions that you may have, including questions relating to HST.
- Assisting with registration for "My Account" or "My Business Account" with CRA so that clients can access, respond to, and make changes to their account online.
- Providing basic software support for various accounting software applications, including Quickbooks, Simply, and AgExpert.
- Advice regarding succession and estate planning.
- Discussing the implications of various farm purchases and/or sale transactions.

You can contact our team by telephone at 1-800-661-1956 and our receptionist will direct you to the appropriate person, or you can send an email to info@alliedassociates.ca for a follow up response. ◀

Profile: Ruth Ann Harvey, CPA, CGA

Ruth Ann joined Allied in 1993 and is one of the leaders of our office team of specialists. She obtained her Chartered Professional Accountant (CGA) designation in 1996. Ruth Ann's experience and technical skills have made her an excellent mentor to many of our staff members and accounting advisors. ◀



Allied Benefits: The Allied Advantage

- Focus on family farm clients.
- In-home service.
- Consistent Accounting Advisors year after year.
- Specialized succession, estate, and business planning advisors available in our London and Peterborough offices.
- Advisors live in your community.
- Pre-determined appointments are scheduled weeks in advance.
- Fees are pre-determined so there are not any surprises.
- Our staff participate as sponsors and members of the Canadian Association of Farm Advisors.
- Regulated by the Chartered Professional Accountants of Ontario.
- Our values are based on integrity, excellence, and respect.

The Allied Team



Allied Associates LLP, Chartered Professional Accountants

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