

# NEWSLETTER

*In our ever-changing business environment, our goal is to be the one constant that our clients can trust and rely upon to provide the business, financial and advisory services they need at an outstanding value to them.*

## WMKL

Chartered  
Professional  
Accountants &  
Business Advisors

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## WMKL Office Hours

As the income tax deadline approaches, our office will be holding extended hours during the months of February (18<sup>th</sup> & 25<sup>th</sup>), March and April. Our office hours will be as follows:

Mon: 8:30am – 5:00pm  
Tues: 8:30am – 5:00pm  
Wed: 8:30am – 5:00pm  
Thurs: 8:30am – 5:00pm  
Fri: 8:30am – 5:00pm  
Sat: 9:00am – 12:30pm

EH6106-T5



"They said he had to post his office hours, but they didn't say where."

The office will be closed in observance of Good Friday – April 14<sup>th</sup> and Saturday April 15<sup>th</sup>.



Regular office hours will resume in May.

## Welcome New Hire!

The Partners and staff at WMKL would like to welcome new Brock University co-op student, Joe Pagnotta.



# Income Tax Filing

## Alert: Important

### Changes Beginning in

### 2016

#### **Be aware of the changes that affect your 2016 income tax filing and beyond.**

As you gather your 2016 tax data together for your CPA, take a few moments to read about the following changes and assess the impact they may have on you and your family's filing for 2016 and after.

#### **Principal Residence**

There has been a significant change in the CRA's policies regarding principal residency that must be followed by all taxpayers. Prior to 2016, there was a requirement to fill out form T2091 to designate your home as a principal residence. The form required you to designate the years in which the home was your principal residence. Although this form was required to be filed in the year of disposition, most individuals never filed the form because the resulting capital gain was often fully eliminated by claiming the principal residence exemption. Administratively, the CRA had waived this requirement to file if the exemption eliminated the gain.

#### **Significant Rule Changes**

For the taxation years that end on or after October 3, 2016 (e.g., the 2016 calendar year), if you sell your principal residence, you are required to report the sale and the resulting capital gain or loss on Schedule 3 of your T1. You are also required to file the form T2091 if you are claiming the principal residence exemption. These requirements are imposed regardless of whether or not the

gain is fully exempt as a result of the designation.

A failure to file and disclose the information will have serious implications. Firstly, there is no limitation period (i.e., after which your returns are considered "statute-barred") on the CRA's ability to reassess in the future. Therefore, the deadline which would otherwise restrict the CRA's ability to re-open the tax return would not start unless the information had been fully disclosed in the year of disposition.

Secondly, the principal residence exemption itself will only be allowed if the sale and the designation of principal residence are reported on your income tax return. Should you realize subsequent to the year of sale and filing of your income tax return that you did not file the sale of your principal residence, **the CRA is not obligated to accept a late filing that designates the sale as a principal residence sale.** Even if the CRA accepts the late filing, the taxpayer will be liable for penalties that are the lesser of \$8,000 or \$100 for each complete month from the original filing due date to the date the required information was received by the CRA in an acceptable format.

Since these rules will be effective for the 2016 calendar year, you should remember to report the sale of your principal residence if you had a disposition during the year.

#### **Basic Personal Amount**

The Federal Basic Personal Amount will increase to \$11,474 for 2016, up from \$11,327 in 2015. For 2017, the amount will be \$11,635.

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***Marginal rates remain the same in 2017.***

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#### **Marginal Rates**

There have been no changes in the overall federal marginal tax rates; however, the thresholds for taxable income have been changed as indicated in the comparison table below. Keep in mind that these rates do not include the provincial rate nor do they include the various credits and

deductions that may reduce the overall income tax for which you may be liable.

2017 Taxable Income	Percentage Rate	2016 Taxable Income
On the first \$45,916	15%	On the first \$45,282
\$45,917 up to 91,831	20%	\$45,283 up to 90,563
\$91,832 up to 142,33	26.0%	\$90,564 up to 140,388
\$142,354 up to 202,80	29.0%	\$140,389 up to 200,000
Over \$202,800	33.0%	Over \$200,000

### Other Changes

- The 15% children's fitness and arts tax credit, as well as the education and textbook tax credit, will be eliminated effective January 1, 2017. For 2016, the maximum Children's Fitness and Arts tax credit will be 50% of the previous allowable amounts. Unused textbook and education tax credits from previous years may be carried forward and applied to reduce future taxable income.
- Teachers and early childhood educators will be able to purchase up to \$1,000 of eligible school supplies for use in the classroom. From January 1, 2016, a 15% tax credit will be available on those purchases. For instance, if \$500 is spent, a tax credit of \$75 would become available to reduce taxable income. Teachers and early childhood educators should familiarize themselves

with the allowable expenses and prepare a summary supported by the original receipts to assist in meeting Canada Revenue Agency's guidelines.

- Prior to January 1, 2016, if a couple was supporting a child under the age of 18, the couple was able to split income to reduce the overall family tax liability. Effective January 1, 2016, income splitting is no longer available.
- Northern residents will have their residency deduction increased for the 2016 taxation year. The northern residency deduction will increase from \$8.25 to \$11 per day (or from \$16.50 to \$22 per day for living in a self-maintained dwelling) if you lived in Zone A for at least six consecutive months. If you lived in Zone B, the intermediate area, the deduction will increase from \$4.125 to \$5.50. (\$8.25 to \$11 per day for living in a self-maintained dwelling). The zone for deductions is determined on a province-by-province basis. Thus, to ensure the appropriate tax deductions are available to you, consult the CRA website, click on your province's name, and search for your place of residence. Make sure your CPA is aware you resided in a zone that provided deductions for line 255 of the tax return.

### Check with Your CPA for the Required Documents

There have been changes in personal tax issues in the 2016 year, but none are as important as the principal residence rules. If you have sold your principal residence in 2016, contact your CPA to find out what documentation is required to ensure you are meeting the CRA reporting requirements.



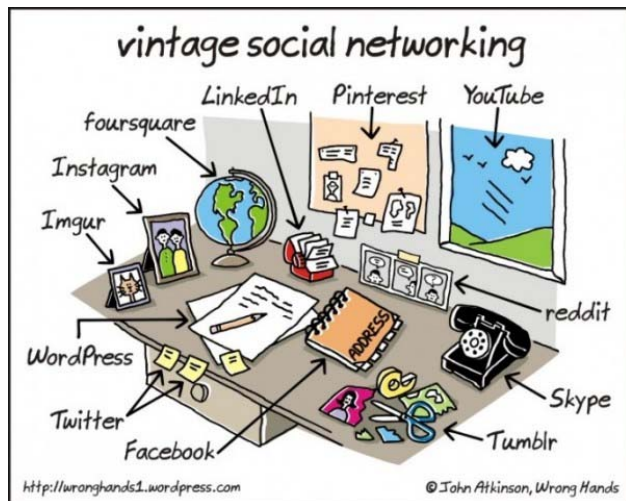
The following article is reprinted from the newsletter *Business Matters* with the permission of the Chartered Professional Accountants of Canada:

## Face to Face

**Social media have their place, but do not forget to talk to each other face to face.**

Social media are reducing the number of face-to-face conversations. "In person" encounters allow a person to speak while another responds spontaneously without resorting to the more formal structure of the written word.

Why do we seem to prefer Facebook/Twitter or emails rather than meeting with someone to discuss issues? The most obvious answer is that electronic media is more effective and saves us time. Psychologists tell us we find interacting with others through the computer is easier because a computer does not require us to become emotionally involved.



### When to Meet Face to Face

Certainly there are situations when communicating via social media is effective, such as when sending a quick inquiry to a colleague. But when owner-managers need to announce decisions that will have an emotional impact and bring employee reaction, face-to-face meetings are a must for the following reasons:

- Face-to-face communication has incredible advantages since you receive an immediate response. If, on the other

hand, you text someone and they do not respond, uncertainty prevails.

- One-on-one proximity allows you to "read" the respondent's reaction to the message. A shrug of the shoulders, a deep sigh, or an unexpected expletive are great indicators of the recipient's acceptance or understanding of what has been said.
- People need to be able to express how they feel about a project, a change in venue or a performance review. Face-to-face meetings allow each party to add a level of interpretation to the message by providing and reading body language, eye contact, or voice intonations. The meaning of words alone can often be misinterpreted. Receiving a text saying "The project is due next week." sends a different message than someone who laughs and says "The project is due next week!" then rolls their eyes.

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### *Talking face to face allows more effective negotiation.*

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- Talking face to face allows each party to negotiate more effectively by immediately understanding the obstacles and opportunities that may not be easily understood by simply reading a progress report or a job description.
- Communicating face to face provides each party a better opportunity to adjust their approach to ensure the end results are achieved. Interpreted another way, face-to-face interaction builds trust, creates understanding, and assists both parties to understand they share a mission for the project and the organization.
- Face-to-face meetings force interactions, which in turn create new ideas and approaches that are

essential to success. Yahoo's CEO Marissa Mayer indicated in a memo:

Some of the best decisions and insights come from hallway and cafeteria discussions, meeting new people, and impromptu team meetings. Speed and quality are often sacrificed when we work from home. We need to be one Yahoo!, and that starts with physically being together.

Meeting through Skype is a means of communicating with remote jobsites. Surveys indicate employees like Skype because it allows them to "get more done" as they can handle one-on-one meetings without the distractions of social graces. However, such methods still disconnect the workers from each other and the company and as such it is important for management to instill the need to maintain one-on-one personal contact.

Communicating face to face embraces the seven most important elements of interpersonal communication by:

1. Clarifying expectations and purpose
2. Creating brief, unambiguous communication
3. Focusing all parties on a purpose
4. Setting a consistency of tone that allows individuals to understand the underlying pattern and seriousness of the message
5. Addressing all issues without the need to wait for additional instructions
6. Ensuring that all points relevant to both sides of the discussion are brought to the table and discussed
7. Allowing both parties to measure the knowledge and competence of the other party.

#### **Get Back to Personal Contact**

Even though Twitter has lifted the 140 character limit on messages, both owner-managers and employees must recognize that regardless of the length of the message, projects must be discussed face to face to

generate the best results possible for the company, the employee and its customers.



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#### Reminder

Don't forget to check out the WMKL website under our Taxation News Quick Links. Each month we post articles involving tax updates and tips as well as a Quarterly Newsletter for Personal and Corporate Tax.

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We encourage your feedback! Please send your comments or suggestions for future issues to: Brittney Ransom at [ransomb@wmklca.com](mailto:ransomb@wmklca.com)

#### **Disclaimer:**

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