

WMKL NEWSLETTER

Wormald Masse Keen Lopinski LLP

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ISSUE 33

Firm Announcements

What's new with WMKL Partners and staff

Welcome to the WMKL Family!

Congratulations to Dane Elliott and his wife, Beth, on the birth of their daughter, Rae Jo Elliott, born on March 17th.



Welcome New Hires!

The Partners and staff of WMKL would like to welcome our new summer co-op students: Nicole Keen, Kerissa Sebastiano, Tyler Minor, and Cal Sentence.



Joe Fletcher

Congratulations to Partner, Joe Fletcher, on once again being

appointed to officiate at the FIFA World Cup!



Joe will be headed to Russia this summer – we can't wait to watch!

Summer Office Closures

The office will be closed in observance of Canada Day on Monday, July 2nd, the Civic Holiday on Monday, August 6th, and Labour Day on Monday, September 3rd. We will also be closed on the Fridays prior to these holidays.

Pay Your Invoice Online

We are pleased to offer our clients the convenient and secure option to pay their WMKL invoices online. You can find WMKL as a payee through your regular online banking with most major financial institutions.

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.

In This Edition

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New CRA Allowances for Company-Use Vehicles: the CRA has increased the maximum tax-exempt car allowance rates. (See page 2)

Looking Beyond Disability: when employers accommodate the disability, they benefit from the ability. (See page 4)

Office Hours

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Mon: 8:30am – 5:00pm

Tues: 8:30am – 5:00pm

Wed: 8:30am – 5:00pm

Thurs: 8:30am – 5:00pm

Fri: 8:30am – 12:00pm

Our summer office hours are in effect from Friday May 18th to Friday, August 31st.

New 2018 CRA Allowances for Company-Use Vehicles

Owner-managers should discuss Canada Revenue Agency (CRA) changes to employee vehicle allowances with their CPAs before announcing any changes to company policy.



To keep up with the rising costs of operating vehicles, Revenue Canada has increased the maximum tax-exempt car allowance deductible for employees to 55 cents per kilometre for the first 5,000 kilometres, and to 49 cents per kilometre for distances travelled in excess of 5,000 kilometres.

If you live in the Northwest Territories, Nunavut or the Yukon, the per-kilometre rate has increased to 59 cents for the first 5,000 kilometres and to 53 cents for distances exceeding 5,000 kilometres.

The rates and application are based on a calendar year. As can be expected, any employee claim for the exemption must be supported by

documentation. Employees must keep a travel log for each vehicle indicating:

- date
- starting point of business trip
- destination
- purpose of the trip
- vehicle starting kilometres
- vehicle ending kilometres
- kilometres driven.

Expense reports should be submitted monthly. Management should enforce a policy that travel costs will only be reimbursed after the expense reports are received.

Use of Personal Vehicle

Because employees and owner-managers alike also use their personal vehicles for business trips, it is important to record the January 1 odometer reading and the December 31 odometer reading of each personal vehicle that may be used for business.

The purpose of the car allowance is to cover all expenses relating to the operation of a vehicle. These expenses include:

- maintenance and repairs
- fuel, including gas, oil and propane, and charging cost
- insurance
- registration and licence fees
- leasing costs
- capital cost allowances (a percentage of the cost of the vehicle allowed by the CRA to be offset against revenue as an expense)
- interest costs paid on any loan used to buy the vehicle.

None of these expenses should be submitted to the employer if the employees are receiving a

vehicle allowance. The allowance paid is *not* taxable in the hands of the employee only if:

- the allowance is based on the number of kilometres driven for business purposes
- the rate per kilometre is reasonable
- none of the above expenses was reimbursed by the employer.

Allowance Less Than Vehicle Expenses

Sometimes, the allowance paid may be less than the vehicle expenses incurred by the employee while working. In some circumstances, the employees do not get reimbursed for their employment-related expenses at all. If so, employees may claim their out-of-pocket expenses on their personal tax returns.

In order to claim these expenses, the employees should retain copies of the expense reports submitted for the year as well as all the vehicle expenses incurred during the year. They may wish to categorize them into specific expenses as outlined under “Calculation of allowable motor vehicle expenses” within the CRA form T777. If more than one vehicle is used, a detailed record of expenses should be maintained for each vehicle.

Additionally, the employees must obtain a T2200 Declaration of Condition of Employment form to be prepared and signed by the management. This form provides important information about the conditions of employment including:

- whether an employee was required to pay their own expenses while carrying out the duties of employment
- whether the employee was required to travel away from the employer’s place of

business in the normal course of employment

- whether the employee received any fixed allowances or per-kilometre reimbursement
- the amounts of allowances/reimbursements received and whether such amounts were included in the employee’s T4 slip.

The employees are able to deduct vehicle expenses on their personal tax returns only to the extent they did not receive sufficient allowance/reimbursements from the employer. Also, they can deduct expenses, even if they received sufficient allowance from the employer, if such allowance was included in their T4 income. Because the deductibility of employment expenses is dependent on each employee’s unique terms of employment, the T2200 form must be completed for anyone hoping to claim employment expenses. The CRA then uses this information to analyze which expenses are deductible.

“Place of work” may soon include off-premises job sites.

Changing Definition of “Place of Work”

Kilometres driven from residence to workplace or office (i.e., home base for use of the vehicle for work) are considered “personal” expenses, not reimbursable costs. Recent changes to tax rules further extend the definition of “place of work” itself to include job sites (i.e., off-premises work places). For instance, if an employee is driving directly from home to a job site such as a construction project (i.e., place of work) on a daily basis for an extended period, that construction site may be considered “home base”

and as such, travel to that site would not be considered a reimbursable expense.

HST/ITC

If employees do not receive a vehicle allowance but remit receipts for reimbursements, a business is allowed to reimburse the expense and offset the HST charged on the submitted receipt against the HST collected on sales. Similarly, when employees submit the car allowance expense report, a business should carve out the HST amount and claim it as an input tax credit (ITC). The ability to offset HST collected with ITCs from car allowances paid is another reason for employers to ensure employees submit expense reports on a timely basis.

No Change Since 2001

Despite the increase in the cost of vehicles over the last few years, the allowable ceiling costs for vehicle purchases, leases and interest have not risen accordingly. Unfortunately for the taxpayer, the vehicle cost ceiling has remained at \$30,000, the lease cost ceiling at \$800 per month, and the interest cost ceiling at \$10 per month since January 1, 2001.

Guidance from Your CPA

Vehicle allowances and deductions can be a contentious point between employee, employers and taxation authorities. Owner-managers are encouraged to discuss with their CPA the specific requirements and restrictions that may apply to their workplace and their employees for the 2018 tax year.



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

Looking Beyond Disability

When employers accommodate the disability, they benefit from the ability.

Disability is a loaded word. Is a disability a real mental or physical impairment, or is the "disability" a blockage to useful employment created by failure of society to accommodate? For example, is a person in a wheelchair disabled, or has society failed to enable them by building ramps and wider interior doorways that allow persons with disabilities to be usefully employed in the first place? Seeing failure to accommodate disability as a social problem recognizes that society loses the value of the other abilities possessed by persons with impairments.

Statistics Canada reports that in 2012, about 10.1% of the 2.3 million working-age (15-64) Canadians reported some form of disability. This figure jumps to 33.2% for those over 65. A report

by the Royal Bank of Canada completed in 2000 estimated that (at that time) persons with disabilities possessed about \$25 billion in annual spending power.

Impairment Is Not Always Obvious

Perhaps statistics gathered by the Vision Council of America can bring the role of accommodation closer to home. The Council estimates that 75% of the adult population uses some sort of vision corrective such as glasses (64%) or contact lenses (11%). But how many of us think of ourselves as visually impaired? Without such lenses to accommodate the visual impairments of three quarters of the adult population, many of us would not be employed in our current positions, and society would not function as it does today.

One has only to look at the Paralympic Games and the recent Invictus (i.e., Latin for “unconquered”) Games to see what persons with impairments can do when they are recognized for their abilities. The kind of determination shown by these star performers should make clear to any employer that persons with impairments have what it takes to be of value in the workplace.

Nevertheless, there are still preconceived biases to be overcome to achieve inclusiveness for all.

Inclusion and Equality for Everyone

In fact, the *Charter of Rights and Freedoms*, the *Canadian Human Rights Act* (CHRA) (for federally regulated institutions) and the various provincial *Acts* that supplement the CHRA all support what is now recognized as the human rights of persons with impairments to be accommodated so they can live their lives as they see fit. Ontario now

has the *Accessibility for Ontarians with Disabilities Act*, 2005, which requires all Ontario businesses to be able to accommodate persons with impairments by 2025.

Employing Disabled Persons

Employers should look past the impairment to consider the following:

1. Impaired persons may have the skills necessary to perform the task.
2. Building an inclusive environment starts at the top. Management must support hiring practices that evaluate individuals for what they can contribute, regardless of their impairment.
3. Integrating persons with impairments into the workplace may require educating current employees to set aside all preconceived ideas about disabled persons.
4. Management may need to address initial concerns about safety, perceived special treatment or productivity, to maintain a positive work environment.

Accommodation may require physical changes to the workplace.

The Employers' Duty to Accommodate
Accommodating those with disabilities may require changes in office layout or certain work areas, modifications of access points, washroom areas and equipment. In that this will be a learning curve for both employer and employees, management must ensure the concerns of all employees are addressed to maintain a positive work environment.

Organizational Help

Many organizations provide help, for example, Ready, Willing & Able (RWA), the national partnership of the Canadian Association for Community Living (CACL), the Canadian Autism Spectrum Disorders Alliance (CASDA) and their member organizations. Funded by the government of Canada and active in 20 communities across the country, RWA is designed to increase the labour force participation of people with an intellectual disability or Autism Spectrum Disorder (ASD) (readywillingable.ca). The Canadian Association for Supported Employment (CASE) is a national association of community-based service providers and stakeholders working to ensure the workplace includes people with disabilities. The organization provides online information to assist employers in finding not only the necessary tools to hire employees with disabilities, but also to provide guidelines for management and all employees (supportedemployment.ca).



Potential Problems

Employers must ensure the lines of propriety are not unintentionally crossed when hiring those with disabilities.

- Do the job analysis and determine what, if any, accommodation may be required for someone with a disability to perform effectively. Regardless of the degree of disability, it is essential to determine what accommodations must be made to support the employee in all aspects of the job.
- It may be advisable to consult an HR expert to review procedures and protocols to ensure bias-free recruitment and selection procedures.
- When scheduling an interview, ask the applicant whether there will be any special accommodation during the interview.
- Ensure access for the interview. Many older buildings have not yet been retrofitted to accommodate wheelchairs.
- Understand which questions you can and cannot ask. As with any applicant, focus on the applicant's job skills, experience, and how they would accomplish the tasks outlined in the job description.

Engage with Life

Canadian businesses need to address the capabilities of persons with disabilities and the benefits these individuals offer not only to business but also to society. Corporal (Retired) Jackie Buttner, a participant in the Invictus games, best described the human need for a satisfying engagement with life: "I am just going for it with the Invictus Games. It's much more rewarding than sitting life out."



The Last Page

Quick Tips, News & Advice

Changes Coming to the Canada Pension Plan

Starting in January 2019, Canadians will begin contributing towards an enhanced Canada Pension Plan (CPP). At that time, employers and employees will begin making slightly higher



contributions to the CPP. These will gradually increase each year over the next seven years.

Employers will withhold and report enhanced contributions in the same way as they currently do for the base CPP.

Amended T4127 payroll deduction formulas will be published online by the CRA on November 15, 2018, with amended T4032 & T4008 payroll deductions tables following on December 18, 2018.

Learn more at this link:

<https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/federal-government-budgets/budget-2016-growing-middle-class/canada-pension-plan-enhancement.html>



Important Information Regarding GST/HST Returns

Are you among the 10% of GST/HST registrants that still file your GST/HST returns on paper?

Starting May 14, 2018, the CRA changed the GST34-2, Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants, to a new, streamlined filing package.

Previously, if you filed GST/HST returns monthly or quarterly by paper, you would receive your returns 12 or 4 times a year, respectively. With this new process, the documents required will be mailed together in one convenient package. This package will be sent to you before your first return is due.

Your filing and payment due dates will remain the same.

Visit the following link for more information:

<https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/rc542/changes-affecting-your-gst-hst-return.html>



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.

Feedback

We encourage your feedback! Please send your comments or suggestions for future issues to: Michelle de Prinse at deprinsem@wmklca.com

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