



### CRYPTOCURRENCY TAXATION

The world of Cryptocurrencies like Bitcoin, Ethereum and others is like many other investment devices. While the currencies are not regulated like normal central bank funding mechanisms they are very much utilized and traded much like other currencies.

Canada Revenue Agency's position on these "currencies" is dependant on what is taking place with the currency. The approach is very similar to other investments and securities.

The trading of cryptocurrencies, like other securities, may be treated as income on account of capital which would result in capital gains or capital losses or it may be treated on account of "ordinary" income. Being treated on account of income would cause any taxation of gains to be calculated like other forms of income such as self employment. This means the "net income" from the trading activity would be taxed at the individuals current marginal tax bracket and may also trigger other taxation such as CPP on self employment. It also means that any net losses would be capable of being offset against all other forms of income. Various direct and indirect expenses can also then be claimed against the trading gains or losses to arrive at the net income.

If the gains and losses are treated on account of capital which means the gains or losses are treated as any other form of capital gain or loss then the preferential tax treatment would apply which largely takes the form of half of any gain being taxable. Also, other investment losses could be used to offset the gains from the cryptocurrency trades.

The treatment will depend on a number of things including any taxpayer elections. If you have questions on this you are urged to consult with us for clear guidance.

### PRINCIPAL RESIDENCE SALE

You are reminded that you need to report the sale or deemed sale of your principal residence. Although the reporting may not create any tax liability you do need to declare the sale on your tax return. To declare the sale you must report the property description, year of purchase, date of sale, and sale price.

In some cases, portions of the sale gain may be subject to taxation as a capital gain. Such conditions could include:

- Some of the property has been used for income generation now or in the past such as rental income.
- The property is larger than one half hectare
- The property was not always regularly inhabited by you

Over the years there have been various changes to legislation regarding principal residences including the ability of spouses to have more than one.

It is highly advisable for you to keep detailed records, notes, and receipts of the history of any real property owned (whether entirely or partially) by you at any time during your lifetime. Once a sale takes place do not dispose of these records since reviews or audits may take place years after the sale and reporting.

### 2017 Personal Income Tax Season - Some New Information & Reminders

This time of year is not only a great time to let you know of recent changes which may affect your tax filings for the 2017 year but also to remind our clients of certain issues which can help keep you in compliance with your tax responsibilities.

- **PLEASE COMPLETE, SIGN, AND RETURN YOUR CLIENT INFORMATION SHEET. YOU DON'T HAVE TO BRING IT IN EARLY BUT SIMPLY INCLUDE IT WITH YOUR**

#### 2017 TAX PAPERS.

- The children's physical fitness tax credit is no longer available for post-2016 tax years. Do not include any documents for such claims in your 2017 paperwork.
- The children's arts tax credit has been discontinued starting with the 2017 tax year. Please do not include any paperwork for these credits unless you are filing tax returns for pre-2017 years.
- Significant changes are taking place in the claim for tuition, education, and textbook amounts both Provincially and Federally. This also affects any transfers of credits to parents or other guardians. Please include all documents such as T2202A and TL11. Do not include documents related to textbook purchases. Important to note that even though no tuition may have been paid in 2017 you may still have a T2202A tax slip from payments in 2016. The slips are usually not



## 2017 Personal Tax Season (continued)

- mailed out and must be obtained from the educational institution via their website or other means.
- If you are a self employed sole proprietorship or partnership and you employed qualifying people enrolled in co-operative education programs or apprenticeship programs please provide us the applicable information regarding their registration and payroll for 2017.
- If you have a business included in your taxes and need your HST return completed please ensure you notify us that you need this service performed. If you include your HST paperwork we will presume to perform these services for you.
- If you are able to claim vehicle expenditures as part of employment expenses or your sole proprietorship/ partnership income we require you to submit the qualifying kilometers driven for the year and the total kilometers driven. Alternatively, you can provide us a percentage use figure. **If you fail to provide this information we MAY NOT include these expenses on your income tax return or an inaccurate estimate may result.**
- Employed individuals who wish to claim eligible employment related expenses MUST submit a fully executed T2200 Declaration of Conditions of Employment along with all required supporting expense claim materials.
- If you wish to claim prescription medical expenses it is very efficient for you to ask your pharmacist for a annual prescription report. This report makes certain that all applicable claims can be made in the event any small receipts have been missed. It also assists in the timely preparation of your return.
- If you received income (foreign or domestic) and did not receive a tax slip make sure you report it to us. If you are unsure of its tax status please include a note with your paperwork so we can keep you compliant.
- If you spent money on qualifying public transit passes in 2017 please include the receipts. PLEASE NOTE that **you may only claim the expenditures for January to June of 2017** as this tax credit is being phased out.
- If you are a self-employed professional (lawyer, accountant, veterinarian, etc) you will now have to calculate and include any work-in-progress income up to your fiscal year end. Previously these amounts could be elected out and declared when billed.

### INVESTMENT REPORTING

Please remember that it is the law to report the sale, or deemed sale, of any capital property. This applies to stocks, mutual funds, bonds, real estate, and certain personal properties. Failure to report this information could result in significant penalties in addition to taxes.

It is important to remember that some of these transactions may provide tax savings both now and in the future. You may also be able to recover past taxes through loss carrybacks. In any case you must report these transactions regardless of gains or losses incurred.

To ensure your return is accurate and your filing is compliant please include statements for any unregistered investment accounts you received in for 2016 with your tax paperwork



### TAX DATA CONFIRMATION

Our office continues to do everything we can to make sure your T1 Personal Income Tax Return is as complete and accurate as possible.

The steps we take include comparing your tax return with previous returns, reviewing the possibility of additional investment activity not captured on tax slips, comparing CRA data to information you have submitted, and reviewing possible tax credits you may not have indicated.

While all of this work can identify potential missing tax items it is not always fool proof. This is why we ask you to submit items which you may not think have anything to do with your taxes and also why we ask you to complete the Client Information Confirmation document each year.

We also ask you to carefully review your income tax return. In your package you will see a summary of the tax slips we used to prepare your return (whether you submitted them or not). Please confirm this information as best as possible.

Your tax package also has a cover letter. This cover letter is used by us to communicate information to you. While each cover letter will include basic information such as your return balance or refund and RRSP contribution information it may also indicate important matters which need to be addressed by you such as RRSP over contributions or possible missing items.

Please read your cover letter carefully. Thank you.