

February, 2017

Dear Client:

## ARE YOU READY FOR TAX TIME?

The May 1, 2017 deadline to file your 2016 personal income tax return is quickly approaching. As a result of changes in tax laws and the ever-increasing complexity in preparing personal tax returns, please gather your required tax information (as outlined in the attached 2016 Personal Tax Checklist) and submit them to us no later than Monday, April 3rd, 2017.

### Electronic Filing

Tax preparers must now electronically file tax returns (with limited exceptions). As a result, this year we will again be electronically filing (efiling) tax returns utilizing our state-of-the-art computer equipment. In addition to the mandatory requirement to efile, this process will help to ensure that your tax return is assessed as quickly and as accurately as possible. It eliminates the need to file a paper version of the return, as all necessary information is transmitted electronically. You only need to sign an authorization notice and engagement letter which we will provide to you (via private fax, email or in person). All slips pertaining to the tax return will be retained by us and if requested by Canada Revenue Agency (CRA) will be provided to them for their review. If you have any questions, please speak to your Lipton LLP advisor and he/she will discuss this further with you. If you prefer, you can also scan and email all of your tax filing materials to your Lipton representative and keep the original documents.

### New for 2016 personal tax returns

#### 1) Principal Residence Exemption:

There are new reporting requirements if you disposed of your principal residence in 2016. All dispositions of a principal residence must now be reported in the tax year in which the property was sold. For sales of a principal residence that occur on or after January 1, 2016 you will be required to report basic information (date of acquisition, proceeds of disposition and description of the property) on your income tax return when you sell your principal residence in order to claim the principal residence exemption.

#### 2) Home Accessibility Tax Credit:

The new, non-refundable, Federal Home Accessibility Tax Credit (HATC) for seniors and persons with disabilities is available for the 2016 taxation year. The credit is for qualifying expenses incurred in 2016 or later, for work performed or goods acquired in respect of a qualifying renovation of an eligible dwelling of a qualifying individual. The HATC can be claimed by a qualifying individual or an eligible individual. The HATC applies to total qualifying expenses up to a maximum of \$10,000 per year. The credit is at the lowest personal tax rate of 15%, so the maximum tax reduction per year is \$1,500.

3) Eligible Educator School Supply Tax Credit:

The Teacher and Early Childhood Educator School Supply Tax Credit will be available to employees who are eligible educators. Qualifying individuals will be able to claim a 15% refundable tax credit based on an amount of up to \$1,000 of purchases of eligible teaching supplies by the employee in a taxation year.

4) Tax Credits Reduced and Eliminated:

The Family Tax Cut has been eliminated for 2016.

The maximum fees for the children's arts amount is reduced from \$500 to \$250 and the maximum fees eligible for the children's fitness tax credit is reduced from \$1,000 to \$500. Both credits will be eliminated in 2017.

### Foreign Reporting Requirements

The government requires individuals to report their holdings of certain offshore (including U.S.) assets. Generally, this will apply to individuals who own offshore assets (other than personal use property) with a tax cost of more than \$100,000 Cdn at any time in the year. This information must be reported on your 2016 income tax return. There are substantial penalties for failing to disclose this information.

CRA allows a simplified reporting method for individuals who own foreign investments with a tax cost between \$100,000 and \$250,000 Cdn. The CRA requires taxpayers to indicate the type of foreign property held, the country to which the property relates and the income/loss and capital gain/loss from dispositions in the year.

Foreign investments having a tax cost of more than \$250,000 will require more detailed information. The CRA requires taxpayers to include the name of the bank/entity holding the foreign funds, identify the foreign country to which the property relates, the income/loss and capital gain/loss from the particular property and maximum cost or fair market value (depending on the location of the investments) during the year and the cost or market value amount at year end.

Furthermore, if you and anyone related to you own 10% or more of a foreign corporation, you must report ownership as well as any transfers made to or distributions received from certain foreign trusts in 2016 regardless of the amount.

Please inform us if these rules may apply to you.

### How should you prepare?

1. Check that you have received all the information slips (T3, T4, T4A, T5, T4A(P), T4A(OAS), T4RRSP, T4RIF etc.) that you are expecting. It is important to note that the failure (even if accidental) to report an amount required to be included in income will result in an automatic penalty where there has been a previous failure to report an amount in a return of any of the three preceding taxation years. In some cases, a more severe penalty can be imposed. The CRA now uses a computerized matching program to ensure that all tax slips issued are reported. Comparison of the 2016 slips to 2015 slips is an effective way to minimize the chance of any missing slips.

2. For stock market transactions during the year, including purchases and sales of bonds, income trusts and similar investments, make sure that you have the broker's slips available. Note that for sales of investments which were purchased in prior years, original cost and return of capital information is required. For all other capital transactions, please provide us with similar information.
3. If you are entitled to deduct expenses against employment income (e.g. commission salesmen) or claim a HST rebate (discussed further below), please summarize the relevant expenses by category. If you can deduct any employment-related expenses or claim the HST rebate, ensure that you obtain a completed Form T2200 from your employer. Please retain all supporting receipts and your automobile mileage log book for future reference.
4. You must have appropriate receipts or other documentation to support various deductions and credits.

Deductions/credits for which receipts must be forwarded to us are:

- RRSP contributions
- medical expenses
- charitable donations or gifts (including donations of publicly traded securities)
- political contributions
- interest paid on student loans
- disability tax credit (Form T2201)
- child care expenses (see below)
- tuition fees (see below)
- union or professional dues
- moving costs (including mortgage interest for up to three months for a vacant former home)
- investment counsel fees (excluding RRSP or RRIF)
- alimony or separation payments (see below)
- interest expense (see below)
- child fitness credit (see below)
- child arts credit (see below)
- public transit credit

You do not need to forward us receipts for university text books.

5. If you, or any of your dependants, are taking post-secondary school courses, be sure to obtain a completed Form T2202 (tuition fees and/or education deduction) and/or Form TL11A if the student is attending a foreign university.

Eligible tuition fees include:

Amounts paid to an educational institution, professional association, provincial ministry or similar association to take an examination:

- that must be taken to obtain professional status or to be licensed or certified to practice a profession or trade in Canada.
- that include ancillary fees such as exam materials but not other costs such as travel, calculators or computers.
- that do not include admission tests to enter a program of study.

- that are exam fees in excess of \$100 (similar to other tuition claims).
6. For child care expenses, please provide us with information regarding amounts paid, the payee, the address, and if applicable, the payee's social insurance number. The maximum amounts that can be claimed are \$8,000 for children under age of seven, to \$5,000 for children aged seven through 16 and \$11,000 for children who are eligible for the Disability Tax credit.
  7. Children's Arts Tax Credit and Children's Fitness Tax Credit:  
  
A refundable credit of up to \$75 per child under 16 at the beginning of the year is available for the Children's Fitness Tax Credit and non-refundable tax credit of up to \$37.50 per child under 16 at the beginning of the year for the Children's Arts Tax Credit is available. Expenses that are eligible for the child care deduction, the Children's Fitness Tax Credit or the Children's Arts Tax Credit can only be used to claim one of the three aforementioned amounts, i.e. the same expense cannot qualify under more than one of these areas.
  8. For alimony or separation payments, please provide us with a copy of the divorce or separation agreement or court order, and your spouse's/former spouse's name and social insurance number.
  9. If you have incurred interest expense to earn income of any nature, please provide details. If possible, obtain from the lender(s) a letter setting out the date(s) and amount(s) of the original loan(s), the interest paid during 2016, the purpose of the loan(s) and the balance(s) outstanding at December 31, 2016.
  10. If you had any investments in tax shelters, etc., please provide us with the relevant financial statements, income tax schedules and information slips (e.g. T5013, T101, T102).
  11. If you lived in or maintained a residence for someone who was dependent on you by reason of mental or physical infirmity (except for a parent or grandparent whose age exceeds 65) please let us know, since the caregiver tax credit may apply.
  12. If you have a dependant with an impairment in physical or mental functions, a "Family Caregiver Amount" may be available in addition to any caregiver, dependant or other amounts.
  13. If you are a senior (at least 65 years old at December 31, 2016) or living with a senior family member and expenses were incurred in 2016 on your principal residence in Ontario for improvements to your home or property that improve access or mobility or reduce the risk of harm for a senior, please provide us with these invoices as the Ontario Healthy Homes Renovation Tax Credit may be available to you.
  14. If you have disposed of any real property in 2016 (including your principal residence, cottage or a U.S. or other foreign property), please let us know and we can discuss the tax consequences
  15. Tax instalments:
    - a) Total tax instalments paid on account of 2016.
    - b) The amount paid for your March, 2017 instalment.



## 16. Quebec:

Please forward correspondence received from Revenue Quebec (if any) to us including the “Authorization for an Accredited Tax Preparer to Download Your Fiscal Data” form.

### Pension Splitting:

These rules allow for a Pensioner to transfer up to 50% of “eligible pension income” to his/her spouse or common-law partner. This rule can result in a reduction of overall taxes payable for the married/common-law couple. Our tax return software will automatically do this calculation and ensure that the lowest possible taxes are paid. A joint election will need to be signed by both parties.

### CRA Online Mail:

The CRA is now providing an online mail service. You will receive an email notification when you have CRA correspondence in your online account. If you wish to register for this service, please provide us with your email address.

### Direct Deposit:

The Government of Canada is switching to direct deposit for all payments that it issues. April 2017 is the government’s target date for Canadians to enrol in direct deposit, those who are not enrolled by that date will continue to receive cheques.

### 2017 Instalments:

The Federal government mails notices in February, 2017 informing individuals of the exact amount of their instalment payments for March 15, 2017 and June 15, 2017. Notices will also be sent in August, 2017 for the instalments due on September 15, 2017 and December 15, 2017.

Any remaining 2017 tax liability will be due on April 30, 2018.

There are other methods to consider in determining the amount of instalment payments. We suggest that you contact us in order to determine which method is best for you.

### HST Rebates:

You may qualify for a rebate of the HST you paid on certain business-related expenses if:

- You are an employee (e.g. earning commission income, salary, employed in forestry, the transportation industry or as a musician) whose employer is a HST registrant (i.e. the employer has a HST registration number and filed HST returns), or
- You are a member of a partnership that is a HST registrant, and you have filed an income tax return reporting your share of income from the partnership.

You will not qualify for a HST rebate if:

- Your employer was not a HST registrant.
- Your employer is a listed financial institution (e.g. a firm that was at any time during the year a bank, an investment dealer, a trust company, an insurance company, a credit union, or a corporation whose principal business is the lending of money).

If the HST rebate applies to you, please speak to us so that we can arrange to prepare and include the rebate form with your T1 return.

#### Documents Checklist

In order to further assist you, we are pleased to include a documents checklist for you to complete and return to us with your tax information.

#### U.S. Tax and Information Filing Requirements

U.S. persons (including citizens and green card holders), regardless of where they live, as well as certain Canadian residents who dispose of real property in the U.S. and who have U.S. based investments must file U.S. tax returns and possibly other tax information forms. The penalties for non-filing can be punitive. The IRS has implemented a voluntary disclosure program with respect to non-filing U.S. citizens residing in Canada. If you think this situation may apply to you, please call us to discuss.

Yours very truly,

*Lipton LLP*

LIPTON LLP - CHARTERED ACCOUNTANTS

## 2016 Personal Tax Checklist

To help you assemble your financial information for preparation of your income tax return, keep this checklist handy. The checklist should be completed and returned to us together with the financial information assembled.

( X ) IF APPLICABLE TO YOU	PROVIDE
_____ LAST YEAR'S ASSESSMENT NOTICE	Provide a copy (all pages)
_____ ANY REASSESSMENT NOTICE(S) RECEIVED DURING THE YEAR	Provide a copy (all pages)
<b><u>EMPLOYMENT INCOME</u></b>	
_____ Regular earnings	All T4's or pay slips
_____ Odd jobs, tips	Pay slips, details
_____ Director's fees	T4's or details
_____ Profit sharing income	T4PS slip
_____ Loans from employer	Full details
_____ Any other employment benefits	Full details
<b><u>PENSION, RETIREMENT, ANNUITY INCOME</u></b>	
_____ Old Age Security	T4A(OAS) slip
_____ Canada or Quebec Pension	T4A(P)
_____ Foreign (eg. U.S. Social Security)	Details, foreign slips
_____ Employment (including retiring allow.)	T4A
_____ Registered Retirement Income Fund	T4RIF
_____ Withdrawal from a RRSP	T4RSP slips, details
_____ Annuity Payments	Full details, information slips
_____ Other	Details
<b><u>INVESTMENT INCOME</u></b>	
_____ Interest - savings account	T5 slips or pass books
_____ Term deposits or G.I.C.'s	T5 slips or details
_____ Mutual fund investment income	T3 slips or statements
_____ Dividends - Canadian corporations	T5 slips
_____ Interest - Canada Savings Bonds	T5, T600 or T600C slips (Details if no slips - for accrual)
_____ Interest - joint account with spouse	Details of split
_____ Interest - mortgage or other loans	Details, amortization schedule
_____ Foreign interest or dividends	Foreign slips or details
_____ Interest - Treasury bills	Full details of transactions
_____ Royalty or other invest. income	Details
_____ Partnership income	T5013
_____ Other	T5008 or other information
<b><u>INCOME FROM SELF EMPLOYMENT</u></b>	
_____ General	Record of all revenues & expenses
_____ Assets purchased, sold during year	Dates, descriptions, details
_____ Any partners	Name(s) and share(s)
_____ Salary paid to spouse	Details of work done
_____ Inventory	Value of closing inventory
_____ Accounts receivable, payable	List of each
_____ Any special elections in prior years	Details

# 2016 Personal Tax Checklist

( X ) IF APPLICABLE TO YOU

PROVIDE

## SALE / EXCHANGE OF INVESTMENTS

<input type="checkbox"/> Stocks, bonds, trust units	Transaction slips/details, broker statements (for any month with a transaction, plus for month of December), information circular (for takeovers, share exchanges, reorganizations, etc.)
<input type="checkbox"/> Real estate and other properties	Sale documents, details of purchase
<input type="checkbox"/> Any properties gifted to others	Full details
<input type="checkbox"/> Elections in Prior Year(s)	Full details
<input type="checkbox"/> Prior year Reserves	Full details

## RENTAL INCOME

<input type="checkbox"/> General	Details of all revenue & expenses
<input type="checkbox"/> New properties	Purchase agreement & details
<input type="checkbox"/> Rental of part of residence	Details of split
<input type="checkbox"/> Change of use of rental property	Date and details
<input type="checkbox"/> Sale of rental property	Sale documents and details of purchase

## OTHER INCOME

<input type="checkbox"/> Employment Insurance Benefits	T4E slip
<input type="checkbox"/> WCB benefits	T4, T5007, details
<input type="checkbox"/> Social assistance payments	Full details, slips
<input type="checkbox"/> Alimony or child support received	Full details
<input type="checkbox"/> Scholarships, bursaries	Details, T4A slip(s)
<input type="checkbox"/> Universal Child Care Benefit	RC62 slip
<input type="checkbox"/> Other	Full Details

## EMPLOYMENT RELATED EXPENSES

<input type="checkbox"/> General - required by employer to pay certain expenses	Form T2200
<input type="checkbox"/> Travel/Auto	Records of expenses and calculation of business mileage
<input type="checkbox"/> Moving expenses	Details of charges
<input type="checkbox"/> Other expenses	Details of charges
<input type="checkbox"/> Transport employees	Form TL2
<input type="checkbox"/> Union or Association Dues	Official tax receipts

## COMMISSION RELATED EXPENSES

<input type="checkbox"/> Travel/Auto	Record of expenses and calculation of business portion of use
<input type="checkbox"/> Sales expenses	Record of expenses
<input type="checkbox"/> Office in home	Form T2200 & details of area used and cost of home, including interest, taxes (Note: Mortgage interest is not deductible as an employment expense)

## INVESTMENT EXPENSES

<input type="checkbox"/> Borrow money to earn invest. income	Record of amounts paid
<input type="checkbox"/> Borrowed on margin account (stocks)	Records from broker
<input type="checkbox"/> Accounting fees to record income	Details of charges
<input type="checkbox"/> Investment counsel and investment management fees	Details of charges
<input type="checkbox"/> Tax shelters	Purchase documents



## 2016 Personal Tax Checklist

( X ) IF APPLICABLE TO YOU

PROVIDE

### SALE OF PRINCIPAL RESIDENCE

\_\_\_\_\_ Sale of principal residence

Statement of adjustments for original purchase and disposition

### ALL OTHER DEDUCTIONS AND CREDITS

\_\_\_\_\_ Alimony or separation allowance paid  
 \_\_\_\_\_ Tuition fees over \$100 paid (post-secondary)  
 \_\_\_\_\_ Registered Retirement Savings Plan  
 \_\_\_\_\_ Stocks/bonds rolled over into RRSP  
 \_\_\_\_\_ Donations to registered charities  
 \_\_\_\_\_ Unused prior year donations  
 \_\_\_\_\_ Amounts paid for child care  
 \_\_\_\_\_ Medical Expenses for any 12 month period ended in the tax year including private insurance (ie. Blue Cross, travel health ins.)  
 \_\_\_\_\_ premiums and amounts deducted from your pay cheque for same  
 \_\_\_\_\_ Political Contributions paid  
 \_\_\_\_\_ Loss on shares of or loss on loans to a private company  
 \_\_\_\_\_ Self or dependant  
     to attend postsecondary level courses  
 \_\_\_\_\_ Disability Credit  
 \_\_\_\_\_ Incurred disability support costs  
 \_\_\_\_\_ Contribute to support of relative  
 \_\_\_\_\_ Parent or parents (over 65) live with you  
 \_\_\_\_\_ Non-resident dependants supported  
 \_\_\_\_\_ Oil & Gas, Mining investments  
 \_\_\_\_\_ Canadian Feature Films, Videos  
 \_\_\_\_\_ Public transit passes  
 \_\_\_\_\_ Children's fitness credits  
 \_\_\_\_\_ Adoption expenses  
 \_\_\_\_\_ Other, if not mentioned above

Record of payment & details  
 Official tax receipt(s), professional exam fees  
 Official tax receipt  
 Official tax receipt, details  
 Official tax receipts  
 Full details  
 Details of payments  
  
 Receipts, details  
 Official tax receipts  
 Full details  
  
 Form T2202 or T2202A  
 Form T2201 (first year)  
 Full details, Form T929  
 Full details  
 Full details  
 Full details  
 Full details  
 Full details  
 Full details  
 Receipts  
 Receipts  
 Full details  
 Full details

### FOREIGN REPORTING REQUIREMENTS & MISCELLANEOUS

\_\_\_\_\_ Received any funds from a foreign trust after 1995, or have ever transferred or loaned property to a foreign trust  
 \_\_\_\_\_ Own over 1% of a foreign corporation or trust, and together with related parties own over 10%  
 \_\_\_\_\_ Owned assets outside Canada with a cost in excess of \$100,000 (Canadian funds) during year (excluding personal use assets)  
 \_\_\_\_\_ Became or ceased to be a resident of Canada during the year  
 \_\_\_\_\_ Paid installments of taxes  
 \_\_\_\_\_ Dependant children  
  
 \_\_\_\_\_ Marital status changed  
 \_\_\_\_\_ Spouse

Full details - discuss situation  
  
 Full details - discuss situation  
  
 Full details - discuss situation  
 Date of status change  
 Record of amounts paid (T7DR)  
 Provide full details - names, birthdays, details of income if any  
 Date and details. Note that you may be considered married if living common law. if we are not preparing a tax return for your spouse, provide full details of spouse's income for the year, SIN, birthdate etc.