14 Expenses You May Be Entitled To Deduct



Thousands of Canadians pay more income tax than they should. By not taking full advantage of tax credits and deductions, you may be one of those generous Canadians without even knowing it. Are you aware of all of the deductions that are available to you? Do you file your return on time? Do you pay tax instalments quarterly to avoid interest charges?

Here is a look at some of the commonly missed opportunities that could be contributing to your larger than necessary tax bill.

Expenses you may be entitled to deduct

Employment Expenses

Automotive Expenses

Employees who are required to use their own automobiles for work (other than for travelling from home to and from their workplace) without reimbursement from their employer can deduct the work-related portion of their automotive expenses. If you are reimbursed and the amount of the reimbursement is not “reasonable,” you can still claim a deduction for the non-reimbursed portion. In order to claim employment expenses, your employer will have to provide you with a completed form T2200 Declaration of Conditions of Employment.

Home Office Deduction

In 2020, the Federal Government announced a temporary simplified home office deduction. Eligible employees could deduct a maximum of $400 relating to home office expenses without needing to track the details of the expenses. For the years 2021 and 2022, this amount has been increased to $500 annually.

The CRA also indicated that there would be relief in 2020 on amounts that would normally be considered taxable employee benefits. For example, the CRA announced that it will not consider an employer’s reimbursement of up to $500 for home office equipment to be a taxable benefit, as long as the employee requires the equipment to perform their employment duties at home. Reimbursements or reasonable allowances received from employers for certain commuting costs, parking, internet and cell phone costs relating to employment purposes would also not be considered taxable benefits. The CRA has extended this relief to December 31, 2022.

You may be able to claim additional home office expenses related to your work space

and office supplies. Your employer will need to provide you with a completed form T2200 or form T2200S and you must ensure you maintain records of receipts and expenses for any eligible home office expenses incurred. Eligible home office expenses may include utilities, home internet access fees, maintenance costs and rent. Commission employees may also be able to claim home insurance, property taxes, and lease of a cell phone, computer, etc. reasonably related to earning commission income as eligible home office expenses. The CRA has not updated its guidance on deductibility of home office expenses incurred in 2022 due to COVID-19 to include additional expenses, however, you should keep records in case you are eligible to claim these expenses.

Carrying Charges and Deductible Interest

Borrowed funds must generally be used for the purpose of earning income (e.g. investing) in order for the related interest to be deductible. Maintaining proper documentation of loans and interest payments will help support claims for interest deductions. Deductible carrying charges may include investment counsel fees, bank fees, or similar charges.

Childcare Expenses

Subject to certain limitations, childcare expenses may be deducted from income by the lower-income spouse. These expenses include daycare, babysitting, boarding school, and day camps. Note that you will have to provide the Social Insurance Number of any individual you paid for childcare and supporting documentation is frequently requested by the CRA.

Moving Expenses

If you moved during the year to be at least 40 kilometres closer to a new job, to run a business, or to attend a post-secondary educational institute full-time then you may be able to deduct certain moving expenses. The amount you can deduct is limited to the amount you earn at the new location in the year. Unused deductions can be carried forward and deducted against the related income in a subsequent year.

Some examples of allowable moving expenses are:

- Accommodation, meals, and temporary living expenses near your new or old residence
- Cost of changing your address on legal documents
- Cost of replacing your driver’s license
- Cost of cancelling the lease for your old residence or expenses for selling your old residence such as real estate commissions and advertising
- Cost to maintain your old residence when vacant (maximum of $5,000)
- Certain expenses related to purchasing your new residence
- Transportation and storage for household effects
- Travelling from your old residence to your new residence
- Utility hook-ups and disconnections, etc.

Proper documentation of your expenses, including receipts, is critical as the CRA generally requests support for moving expenses.

Tax credits you may be eligible to claim

Charitable Donations

Charitable donations made by you or your spouse during the year should normally be added together and claimed on the income tax return of one spouse. A higher credit is available when total donations exceed $200, so it makes more sense to combine the donations and claim them on one return. If your total donations are less than $200 there is no advantage to claiming them on one return. The key to supporting your claim is to keep the official tax receipts.

If you are donating certain publicly-listed securities, your donation credit is based on the fair market value of those securities. Furthermore, you will not pay tax on capital gains on the donated securities.

Donations can also be carried forward up to five years, so if you find a donation receipt that was not previously claimed, bring it in to review with your tax advisor.

Medical Expenses

You may claim a non-refundable tax credit on medical expenses for yourself, your spouse, and dependent children. While either spouse can make the claim, as with charitable donations, medical expenses should usually be added together and claimed on the income tax return of one spouse (usually the lower income spouse) in order to maximize tax savings. You are not restricted to claiming on a calendar year basis as you can claim medical expenses for any 12-month period that ends in the year. The most commonly missed expenses are dental bills, eye glasses, private medical insurance (including certain travel medical insurance premiums), and certain travel costs such as travel to regional or provincial centres for treatment.

You may also claim certain expenses in respect of an animal specifically trained to perform tasks to assist with post-traumatic stress disorder.

Medical cannabis can be claimed as a medical expense. However, individuals can only claim purchases from specific registered sellers. Purchases from other retailers may not be eligible.

Attendant Care and Nursing Home Expenses

For persons who qualify for the disability amount, attendant care expenses may be claimed for:

- Part-time or full-time attendant care in a self-contained domestic establishment (the person’s home, for instance)
- Full-time attendant care in a nursing home
- Attendant care in retirement homes, homes for seniors, or other institutions

Attendant care expenses can be claimed as medical expenses to a maximum of $10,000 per year if the disability tax credit is claimed. However, there is no maximum amount if the disability tax credit is not claimed.

When the expenses are for full-time care in a nursing home there is no limit on the total attendant care expense that can be claimed as medical expenses, however, the disability tax credit cannot be claimed. It is recommended you get a detailed fee statement from long term care facilities to ensure appropriate expenses are claimed.

Disability Tax Credit

This credit is available to a person with a severe and prolonged impairment in physical or mental function subject to certain criteria. To qualify, the CRA must approve an application signed by your doctor or nurse practitioner. Areas that may apply include the following:

- Vision/Blindness
- Life-sustaining therapy
- Impairment to physical functions such as walking, speech, hearing, feeding
- Impairment to performing the mental functions necessary for everyday life

Recent changes to eligibility requirements should make the credit more accessible to those with an impairment to performing the mental functions necessary for everyday life. There has also been a reduction in the eligibility requirements for individuals undergoing life-sustaining therapies, reducing the frequency of therapy to two times each week; however, an individual must still receive therapy for a duration averaging not less than 14 hours a week. These recent changes have been enacted with a retroactive date and apply to DTC certificates filed on or after January 1, 2021.

The disability tax credit can be claimed retroactively for up to 10 years. A T1 adjustment can be filed to claim the credit for any tax years that have lapsed since the time that impairment began, as certified by your doctor.

Once a person with a disability has applied for and is deemed eligible for the disability tax credit, they may also be eligible to participate in a Registered Disability Savings Plan, which will be discussed later in this newsletter.

Other credits may be available to those supporting certain family members who are dependent on them due to a physical or mental infirmity:

- Amount for infirm dependents age 18 or older
- Attendant care and nursing home expenses
- Canada Caregiver amount

Teacher and Early Childhood Educator School Supply Tax Credit

The Teacher and Early Childhood Educator School Supply tax credit is a refundable tax credit. Traditionally this credit allowed an employee who is a teacher or early childhood educator to claim a 15% refundable tax credit on up to $1,000 of purchases of eligible teaching supplies during the year. The rate was increased to 25% for the 2021 and subsequent taxation years.

Student Loan Interest

Interest paid on student loans obtained under the Canada Student Loans Act, the Canada Student Financial Assistance Act, or similar provincial or territorial government legislation for post-secondary education can be claimed as a tax credit. If you do not use the credit for the year in which the interest is paid, the unused amount can be carried-forward for up to five years.

Home Buyers' Amount

If you are a first time home buyer, you may be eligible to claim a 15% non-refundable tax credit on $5,000. Generally speaking, you may be considered a first time home buyer if neither you nor your spouse or common-law partner owned and lived in another home anywhere in Canada in the calendar year of the purchase or in any of the four

preceding calendar years. The Federal Government proposed to increase the amount used to calculate the tax credit to $10,000, which would provide a tax credit of up to $1,500 for eligible home buyers for the 2022 and subsequent taxation years.

Home Accessibility Tax Credit

The Home Accessibility Tax Credit (HATC) is available for seniors (age 65 and older) and individuals who qualify for the disability tax credit. This credit allows these individuals to claim a 15% non-refundable tax credit on up to $10,000 of expenses incurred to perform a "qualifying renovation" on their home. The renovation must allow the individual to gain access to, be mobile or function within the home, or reduce the risk of harm to the individual within or gaining access to the home. Such expenses may also be eligible for the medical expense tax credit, providing a double tax benefit from claiming these expenses. For the 2022 and subsequent taxation years, the annual expense limit for HATC has been increased to $20,000, which would provide a tax credit of up to $3,000.

Digital News Subscription Tax Credit

For the years 2020 to 2024, individuals can claim a 15% non-refundable tax credit on amounts up to $500 spent on a digital news subscription with a qualified Canadian journalism organisation. Note that only the cost of a standalone digital subscription will be eligible. If your subscription provides you with access to content in digital and non-digital form, then only one-half of the amount paid will be eligible for the credit.

Canada Training Credit

The Canada Training Credit is a refundable tax credit aims to help workers between the ages of 25 and 64 and encourages them to pursue professional development. Individuals can accumulate $250 of credit room per year, up to a lifetime maximum of $5,000. The amount that an individual can claim as a credit in a particular tax year is equal to the lesser of 50% of eligible tuition and fees paid in a year and the accumulated room at the beginning of the year.

What to do next?

Filing On Time

The normal deadline for filing an income tax return for the previous year is April 30*. This filing deadline is extended to June 15 if you or your spouse are self-employed. However, income taxes payable are still due on April 30. Similarly, the information return for "Specified Foreign Property" having an aggregate cost over $100,000 CAD at any time during the year (Form T1135) must be filed by the individual's filing deadline.

Taxpayers who do not file their income tax returns on time face significant late-filing penalties: 5% of the balance due plus 1% per month to a maximum of 12 months for the first offence, plus applicable interest on the penalty. The penalty can more than double where the taxpayer fails to file on time for a second time in three years and if a formal demand for filing has been issued by the Minister.

Interest and penalties are not tax deductible and add up quickly at the rates charged by the CRA. Even if you cannot pay the amount of taxes due, ensure that you file on time.

**May 1, 2023, for the 2022 taxation year as April 30 falls on a Sunday*

Penalties for Failing to Report Income

If you have income from several sources, make sure that you do not miss reporting any of it. By failing to report income on your return in the current year and in any of the three preceding years, you could be subject to federal and provincial/territorial penalties based on 10% of the unreported income in addition to paying the understated tax liability on the unreported income. Interest applies on unpaid amounts. We recommend that you ensure that you have information on all of your income when having your return prepared.

Disclosing the Sale of Principal Residence

Many Canadians are aware of the fact that they will likely not pay tax on the sale of their home as a result of the principal residence exemption. However, what some taxpayers are not aware of is that this does not relieve them of the requirement to disclose the sale to the CRA. If you sold your home during the year, you must file your personal tax return, completing Schedule 3 and Form T2091(IND). Failure to do so will result in penalties.

Tax Instalments

Failure to pay quarterly income tax instalments when required may result in interest charges. It is possible to make catch-up payments and reduce or offset the interest charges.

Importance of Filing

Even if you do not have income to report, failing to file your return can put you at a financial disadvantage. Several benefits and social programs are available to individuals based on the income (or lack thereof) reported in their filed tax return. For instance, the Canada Child Benefit is a tax-free monthly payment from the Government to assist eligible low-income families with the costs of raising children. In order to be considered for the benefit, you and your spouse must file your return every year. Guaranteed Income Supplement (GIS), GST/HST credit, and the Canada Workers Benefit are other benefits that are assessed and paid based on personal income tax filings.

Expenses you may be entitled to deduct

Employment Expenses

Employees who are required to use their own automobiles for work (other than for travelling from home to and from their workplace) without reimbursement from their employer can deduct the business portion of their automotive expenses. If you are reimbursed and the amount of the reimbursement is not “reasonable,” you can still claim a deduction for the non-reimbursed portion. In order to claim employment expenses, your employer will have to provide you with a completed form *T2200 Declaration of Conditions of Employment.*

In 2020, the Federal Government announced a temporary simplified home office deduction. Eligible employees could deduct a maximum of $400 relating to home office expenses without needing to track the details of the expenses. The Federal Government has announced that it would extend the simplified home office deduction to the 2021 and 2022 tax years, increasing the maximum deduction to $500 annually.

The CRA also indicated that there would be relief in 2020 on amounts that would normally be considered taxable employee benefits. For example, the CRA announced that it will not consider an employer's reimbursement of up to $500 for home office equipment to be a taxable benefit, as long as the employee requires the equipment to perform their employment duties at home. Reimbursements or reasonable allowances received from employers for certain commuting costs, parking, internet, and cell phone costs relating to employment purposes would also not be considered taxable benefits. At this time, the CRA has not yet updated its guidance on this relief for 2021.

You may be able to claim additional home office expenses related to your workspace and office supplies. Your employer will need to provide you with a completed form T2200 and you must ensure you maintain records of receipts and expenses for any eligible home office expenses incurred. The CRA has not yet updated its guidance on deductibility home office expenses incurred in 2021 due to COVID-19, however, you should keep records in case you are eligible to claim these expenses.

Carrying charges and deductible interest

Borrowed funds must generally be used for the purpose of earning income (e.g. investing) in order for the related interest to be deductible. Maintaining proper documentation of loans and interest payments will help support claims for interest deductions. Deductible carrying charges may include investment counsel fees, bank fees, or similar charges.

Childcare expenses

Subject to certain limitations, childcare expenses may be deducted from income by the lower income spouse. These expenses include daycare, babysitting, boarding school, and day camps. Note that you will have to provide the Social Insurance Number of any individual you paid for childcare and supporting documentation is frequently requested by the CRA.

Moving expenses

If you moved during the year to be at least 40 kilometres closer to a new job, to run a business, or to attend a post-secondary educational institute full-time then you may be able to deduct certain moving expenses. The amount you can deduct is limited to the amount you earn at the new location in the year. Unused deductions can be carried forward and deducted against the related income in a subsequent year.

Some examples of allowable moving expenses are:

- Accommodation, meals, and temporary living expenses near your new or old residence
- Cost of changing your address on legal documents
- Cost of replacing your driver's license
- Cost of cancelling the lease for your old residence or expenses for selling your old residence such as real estate commissions and advertising
- Cost to maintain your old residence when vacant (maximum of $5,000)
- Certain expenses related to purchasing your new residence
- Transportation and storage for household effects

- Travelling from your old residence to your new residence
- Utility hook-ups and disconnections, etc.

Proper documentation of your expenses, including receipts, is critical as the CRA generally requests support for moving expenses.

Tax credits you may be eligible to claim

Charitable donations

Charitable donations made by you or your spouse during the year should normally be added together and claimed on the income tax return of one spouse. A higher credit is available when total donations exceed $200, so it makes more sense to combine the donations and claim them on one return. If your total donations are less than $200 there is no advantage to claiming them on one return. The key to supporting your claim is to keep the official tax receipts.

If you are donating certain publicly-listed securities, your donation credit is based on the fair market value of those securities. Furthermore, you will not pay tax on capital gains on the donated securities.

Donations can also be carried forward up to five years, so if you find a donation receipt that was not previously claimed, bring it in to review with your Crowe MacKay tax advisor.

Medical expenses

You may claim a non-refundable tax credit on medical expenses for yourself, your spouse, and dependent children. While either spouse can make the claim, as with charitable donations, medical expenses should usually be added together and claimed on the income tax return of one spouse (usually the lower income spouse) in order to maximize tax savings. You are not restricted to claiming on a calendar year basis as you can claim medical expenses for any 12-month period that ends in the year. The most commonly missed expenses are dental bills, eye glasses, private medical insurance (including certain travel medical insurance premiums), and certain travel costs such as travel to regional or provincial centres for treatment.

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if the disability tax credit is not claimed.

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Disability tax credit

This credit is available to a person with a severe and prolonged impairment in physical or mental function subject to certain criteria. To qualify, the CRA must approve an application signed by your doctor or nurse practitioner. Areas that may apply include the following:

- Vision/blindness
- Life-sustaining therapy
- Impairment to physical functions such as walking, speech, hearing, feeding
- Impairment to performing the mental functions necessary for everyday life

The 2021 Federal Budget proposed broader eligibility requirements which should make the credit more accessible to those with an impairment to performing the mental functions necessary for everyday life. The Budget also proposed a reduction in the eligibility requirements for individuals undergoing life-sustaining therapies, reducing the frequency of therapy to two times each week; however, an individual must still receive therapy for a duration averaging not less than 14 hours a week. The changes apply to DTC certificates filed on or after July 6, 2021.

The disability tax credit can be claimed retroactively for up to 10 years. A T1 adjustment can be filed to claim the credit for any tax years that have lapsed since the time that impairment began, as certified by your doctor.

Once a person with a disability has applied for and is deemed eligible for the disability tax credit, they may also be eligible to participate in a Registered Disability Savings Plan, which will be discussed later in this newsletter.

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Teacher and early childhood educator school supply tax credit

The Teacher and Early Childhood Educator School Supply tax credit is a refundable tax credit. Traditionally this credit allowed an employee who is a teacher or early childhood educator to claim a 15% refundable tax credit on up to $1,000 of purchases of eligible teaching supplies during the year; it has been proposed by the Federal Government to increase this tax rate to 25% effective for the 2021 tax year. Refer to the Major Canadian Tax Changes in 2022 for more details.

Student loan interest

Interest paid on student loans obtained under the Canada Student Loans Act, the

Canada Student Financial Assistance Act, or similar provincial or territorial government legislation for post-secondary education can be claimed as a tax credit. If you do not use the credit for the year in which the interest is paid, the unused amount can be carried-forward for up to five years.

Home buyers' amount

If you are a first time home buyer, you may be eligible to claim a 15% non-refundable tax credit on $5,000. Generally speaking, you may be considered a first time home buyer if neither you nor your spouse or common-law partner owned and lived in another home anywhere in Canada in the calendar year of the purchase or in any of the four preceding calendar years.

Home accessibility tax credit

The Home Accessibility tax credit is available for seniors (age 65 and older) and individuals who qualify for the disability tax credit. This credit allows these individuals to claim a 15% non-refundable tax credit on up to $10,000 of expenses incurred to perform a "qualifying renovation" on their home. The renovation must allow the individual to gain access to, be mobile or function within the home, or reduce the risk of harm to the individual within or gaining access to the home. Such expenses may also be eligible for the medical expense tax credit, providing a double tax benefit from claiming these expenses.

Digital news subscription tax credit

For the years 2020 to 2024, individuals can claim a 15% non-refundable tax credit on amounts up to $500 spent on a digital news subscription with a qualified Canadian journalism organisation. Note that only the cost of a standalone digital subscription will be eligible. If your subscription provides you with access to content in digital and non-digital form, then only one-half of the amount paid will be eligible for the credit.

Canada training credit

This refundable tax credit aims to help workers between the ages of 25 and 64 and encourages them to pursue professional development. Individuals can accumulate $250 of credit room per year, up to a lifetime maximum of $5,000. The amount that an individual can claim as a credit in a particular tax year is equal to the lesser of 50% of eligible tuition and fees paid in a year and the accumulated room at the beginning of the year.

What to Do Next?

File your taxes on time

The normal deadline for filing an income tax return in Canada for the previous year is April 30. This filing deadline is extended to June 15 if you or your spouse are self-employed. However, income taxes payable are still due on April 30. Similarly, the information return for "Specified Foreign Property" having an aggregate cost over $100,000 CAD at any time during the year (Form T1135) must be filed by the individual's filing deadline.

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and if a formal demand for filing has been issued by the Minister.

Interest and penalties are not tax deductible and add up quickly at the rates charged by the CRA. Even if you cannot pay the amount of taxes due, ensure that you file on time.

Penalties for failing to report income

If you have income from several sources, make sure that you do not miss reporting any of it. By failing to report income on your return in the current year and in any of the three preceding years, you could be subject to federal and provincial/territorial penalties based on 10% of the unreported income in addition to paying the understated tax liability on the unreported income. Interest applies on the unpaid amounts. We recommend that you ensure that you have information on all of your income when having your return prepared.

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Many Canadians are aware of the fact that they will likely not pay tax on the sale of their home as a result of the principal residence exemption. However, what some taxpayers are not aware of is that this does not relieve them of the requirement to disclose the sale to the CRA. If you sold your home during the year, you must file your personal tax return, completing Schedule 3 and Form T2091(IND). Failure to do so will result in penalties.

Failure to pay income tax instalments

Failure to pay quarterly income tax instalments when required may result in interest charges. It is possible to make catch-up payments and reduce or offset the interest charges. Contact your Crowe MacKay tax advisor if you are unsure if you are required to make tax instalments.

The importance of filing a tax return

Even if you do not have income to report, failing to file your return can put you at a financial disadvantage. Several benefits and social programs are available to individuals based on the income (or lack thereof) reported in their filed tax return. For instance, the Canada Child Benefit is a tax-free monthly payment from the Government to assist eligible low income families with the costs of raising children. In order to be considered for the benefit, you and your spouse must file your return every year. Guaranteed Income Supplement (GIS), GST/HST credit, and the Canada Workers Benefit are other benefits that are assessed and paid based on personal income tax filings.

[How Many Pay Periods Are in the Tax Year?]