



CESTNICK

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TAX MATTERS

## A few tax changes affecting Santa could affect you too

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A few times each year I get a call from my good friend, Jack. Well, he's Jack to me. He's Mr. Frost to most people. Jack is a chartered professional accountant (CPA) whom I've known for many years. He lives in Nunavut. He calls to chat about recent tax changes – especially things that might affect his biggest client. His only client, actually.

“Tim, there was an economic statement that the federal government released on Dec. 14. I just want to make sure there's nothing there that might be relevant for Kris.”

Kris is none other than Kris Kringle. “Jack, you don't mind if I just call him Santa, do you? I just can't call him Kris. It would be like calling my father by his first name, you know?”

“Tim, everyone calls him Santa when they talk to him.”

“What about Mrs. Claus?” I asked.

“Even she calls him Santa. Well, when she's not calling him Kris – which she only does when she's mad at him.”

“So, let's talk about the economic statement,” I said. “And while we're at it, I'll remind you of a couple of things from the April federal budget. I think a few things might be important for Santa.”

### Home office

“Santa is working from home, isn't he?” I asked.

“Yeah. He used to have an office here in Iqaluit, but he gave it up. The rents here are higher than ever. It's crazy.” “Is Santa an employee?” I asked. “Well, yes, of his own company – Jingle All The Way Enterprises Inc.” “So, he'll be treated like other employees,” I explained. That is, he'll be able to deduct a portion of his home office expenses since he works from home full- or part-time.

“As you know, Jack, there are two ways to calculate Santa's home office deduction – the flat-rate method, or the detailed method [see my article online from March 18]. The economic statement made the flat-rate method more generous. Santa can now claim \$2 for every full- or part-day he worked from

home, up to \$500 – it used to be up to \$400. And don't forget, Mrs. Claus is also an employee, so she can claim up to the same amount even though she's working from the same home."

### **Guaranteed Income Supplement**

"Tim, Santa's work is mainly charitable. He doesn't make much money – just a little from Coca-Cola for use of his likeness on a few products. But last year he collected the Canada Emergency Response Benefit (CERB) and the Canada Recovery Benefit (CRB), which is all taxable. This increased his net income so that his Guaranteed Income Supplement, which is reduced as income goes up, was almost completely clawed back to nothing."

I thought for a moment. "Jack, the first thing Santa needs to do is hire a new agent. I think he should be making more money – but I digress."

"The economic statement proposed that the government will provide one-time payments to reduce this problem that a lot of seniors face. It will restore the amounts Santa lost because of the clawback. The government is hoping to make these payments by May, 2022." I then asked a question which I'm sure no one is supposed to ask: "And by the way Jack, how old is Santa anyway?" He never did give me a straight answer to that."

### **Luxury tax**

"Jack, last year you mentioned that Santa wanted to buy a new sleigh. Did he do that this year?"

"Yeah, in June he picked up a custom-designed BMW Cloud Rider. The thing cost a fortune, but BMW paid for more than half of it as a gift. Santa still had to

pay \$300,000, which the bank agreed to lend him based on the equity in his home."

"I ask because the federal budget in April proposed a new luxury tax on cars with a retail price of over \$100,000, and boats and personal aircraft over \$250,000. The tax would be 20 per cent of the value over those amounts, or 10 per cent of the total value of the thing. The economic statement gave an update saying the government is going to release draft legislation on this change in early 2022. So, Santa may have dodged this tax by buying before the rules have changed."

"There were a few other things mentioned in the economic statement, Jack, including some relief for students who face tax debts because they collected CERB when they shouldn't have, and an increase to the tax credit teachers can claim when they pay for school supplies. There were also some new exemptions added for those who might have to otherwise pay the proposed 'underused housing tax' from the April budget. And some ongoing relief for businesses affected by the pandemic. But none of these apply to Santa."

"Thanks for all this, Tim. And I have some good news. Santa put you on his nice list this year. I know that the lump of coal he gave you last year ruined your tablecloth. He apologizes for that."

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