New or extended taxes, rates, tax deductions or credits

Unpaid tax penalty –CRA has set its penalty to 8% to the unpaid tax when the return was due, plus 2% of this unpaid tax for each complete month that the return was late, up to a maximum of 20 months. The amount owed compounds daily, and the interest comes on top of other penalties for paying late. To keep cost down filing returns on time and making timely payments should be viewed as a priority.

Disability tax credit (DTC) – The CRA introduced application to DTC with the new digital form. Now, via My CRA Account, individuals wanting to apply can complete Part A of the application and once issued a reference number, provide this to your qualified medical practitioner who can then complete Part B digitally for you. There's no need to print and bring the forms to your medical practitioner anymore.

NEW! Capital gains rate inclusion – As of June 25, 2024, 2/3s of capital gains in excess of $250,000 per year are proposed to be taxable. Capital gains of $250,000 or less will effectively continue to be included at a 50% rate due to a new deduction.

Capital losses carried forward and claimed in 2024 will be applied at the blended capital gains inclusion rate for 2024. This rate considers capital gains realized at both the 50% and 2/3 inclusion rate in 2024. That is, a capital loss of prior years claimed in 2024 cannot be applied only to capital gains included at the 2/3 rate if capital gains were also realized at the 50% rate (i.e. before June 25, 2024).

NEW! Short-term rental properties – As of January 1, 2024, expenses incurred to earn short-term rental income will *not* be deductible for tax purposes when the rental operation is not compliant with the applicable provincial or municipal licensing, permitting or registration requirements. If the operation is compliant for only a portion of the rental period, deductions will generally be denied on a pro-rata basis. However, if the operation is compliant by December 31, 2024, the operation will be considered compliant for all of 2024.

Underused housing Tax (UHT) – The UHT imposes a national annual 1% tax on the value of non-resident (for immigration purposes), non-Canadian owned residential real estate considered to be vacant or underused. Legal ownership of real estate must be considered as of December 31, 2024. The government has made changes that will exclude many individuals and CCPCs from filing this return. An "affected owner" must file this return by April 30, 2025. Please use this link to determine the type of owner you are. Please consult our office with any questions.

NEW! The Canadian dental care plan – Available to individuals and their spouse or common-law partner (if applicable) who have an adjusted family net income (AFNI) of less than $90,000; are Canadian resident for tax purposes; have filed their tax return in the previous year; and do not have access to dental insurance (e.g. through an employer, pension or group plan). A co-payment is required if AFNI is between $70,000 and $89,999.

Reminders

Electronic payment requirement –Individuals, corporations, partnerships, and trusts making payments or remittances to the Receiver General of Canada should be made as an electronic payment if the amount is more than $10,000. Payments can be made through a financial institution or online. If the payment exceeds $10,000, you can no longer make these payments using cheque. A $100 penalty would apply to each failure to comply.

Crypto-asset exchanges - Any income or capital gains earned from crypto-asset activities must be reported on your income tax return. Online exchanges may stop operations without notice. To meet your obligations for proper recordkeeping, it is strongly recommended that you download and keep any information related to transactions involving your exchange accounts.

Registered Disability Savings Plan (RDSP) - may be established for a person under 60 eligible for the disability tax credit. Non-deductible contributions to a lifetime maximum of $200,000 are permitted. Grants, bonds and investment income earned in the plan are included in the beneficiary's income when paid out of the RDSP.

T**ax on Split Income [TOSI] -** On June 21, 2018, the government passed new rules with the objective to eliminate the tax benefits of income splitting where the recipient of the income (a related family member) has not made a sufficient contribution to the family business. Essentially all income amounts, and types are subject to the new rules. Any income taxed under the TOSI rules is subject to tax at the highest personal marginal tax rates, eliminating any advantage achieved from income splitting.

Foreign reporting - If you held specified foreign property (examples – tangible property, funds deposited outside of Canada, shares of a company that is non-resident in Canada (i.e., US public companies)) with a total cost in excess of $100,000 at any time during 2024, you are required to file form T1135 – Foreign Income Verification Statement.

Foreign Affiliate Reporting - If you and those related to you owned a combined total of at least 10% of any class of shares of a foreign corporation, you are required to complete form T1134.

Reporting the sale of your principal residence - You are required to report basic information when you sell your principal residence (date of acquisition, proceeds on sale and address).

Residential Property Flipping Rule - Any person who sells a residential property they have held for less than 12 months would be fully taxed on their profits as business income. Some exemptions apply. The measure would apply in respect of residential properties sold on or after January 1, 2023. Residential property flipping rule extends to assignment sales. Specifically, the rule was extended so that individuals who hold the right to a pre-construction residential property and sell those rights for a gain within 12 months are deemed to have received business income for tax purposes. The expanded rule applies to assignment sales of residential properties for dispositions that occur on or after January 1, 2023.

Enhanced amortization of capital assets - If you own a business or rental property, many capital assets purchased and made available for use in 2024 will be eligible for an first year enhanced allowance, as follows 2024 & 2025 to 75%; 2026 & 2027 to 55%; 2028 onward normal first-year allowance will apply. Please note that the enhanced allowance is only applicable for manufacturing and processing equipment.

Voluntary Disclosure - If income, forms, or elections have been missed in the past, a voluntary disclosure to CRA may be available to avoid penalties.

Canada Pension Plan (CPP) receipts may be **split** between spouses aged 65 or over (Application is required). Also, consider if there are benefits to receiving CPP early or late.

No more paper mail - In the Spring of 2025, CRA will change the default method of correspondence for most businesses to online only. This means that most businesses will receive their notices of assessment, letters, forms, statements and other documents from CRA through My Business Account rather than by traditional mail. Notifications that new mail is available online will be sent to the email address(es) registered on My Business Account. Business correspondence will be presumed to be received on the date that it is posted in My Business Account. CRA recommended taxpayers sign in to My Business Account to ensure the email address on file is current. There can be up to three email addresses for each program account.