

2023 Personal Tax Changes and Reminders

Important personal tax dates:

- The **2023 RRSP contribution** deadline for it to be deductible for the 2023 tax year is Thursday, February 29, 2024.
- Personal **taxes** are due by Tuesday, April 30, 2024.
- The **2023 personal income tax filing deadline** is Tuesday, April 30, 2024.
 - If you or your spouse are **self-employed**, your **filing deadline** is Monday, June 17, 2024.
- **U.S. Residents** – Consider your U.S. filing obligations, information exchange agreements have increased the flow of information between CRA and the IRS.

New or extended taxes, rates, tax deductions or credits

Increase in unpaid tax penalty – Effective January 1, 2024 CRA raised its penalty to 10% 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) - In 2023, 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.

Electronic payment requirement – Effective January 1, 2024, 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.

Short-term rental income tax deduction - The 2023 Fall Economic Statement proposed to deny income tax deductions for expenses, including interest expenses, incurred to earn short-term rental income when that income is earned in provinces and municipalities

that have prohibited short-term rentals and when short-term rental operators are not compliant with the applicable provincial or municipal licensing, permitting or registration requirements, effective for expenses incurred January 1, 2024 and onwards. While this does not affect 2023 filings, it may impact the financial considerations surrounding these assets in 2024.

Alternative minimum tax (AMT) - The alternative minimum tax (AMT) regime is proposed to change for 2024. Individuals may find themselves subject to a larger AMT liability in 2024 and onwards if they have high earnings (above approximately \$173,000) and experience certain events with tax-advantaged benefits, such as large capital gains (including the use of the lifetime capital gains deduction) and significant charitable donations.

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.

Canada Pension Plan (CPP) - CPP contributions for 2024 have been increased by 6.5%. Maximum pensionable earnings under CPP have increased to \$68,500 – up from \$66,600 in 2023 (first earning ceiling). Effective January 1, 2024, a second ceiling, up to \$73,200, was introduced. Individuals earning above the first and below the second ceiling will be subject to an additional CPP contribution, up to an additional \$188 for the employee and another \$188 for the employer.

Note that self-employed individuals must account for both the employer and the employee side of the contribution.

Home office expenses - The \$2/day flat rate method available to claim expenses for employees working from home was a temporary administrative measure only available from 2020 to 2022; it is no longer available in 2023. As such, employees working from home can only use detailed calculations when claiming expenses.

For 2023 and subsequent years, a deduction can only be claimed where one of the following criteria is met:

- i. The workspace was the place where the individual principally (more than 50% of the time) performed their duties of employment; or
- ii. The individual used the space exclusively during the period to earn employment income and used it on a regular and continuous basis for meeting clients, customers, or other people with respect to employment.

CRA indicated that they would consider i) to be met by employees who were required to work from home more than 50% of the time for a period of at least four consecutive weeks in the year.

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, 2022 & 2023. Canadian controlled private corporations (CCPC) and trusts may have to file this new tax return even if there are no taxes owing. Please consult our office!

NEW! The government has proposed changes that would exclude many of these individuals from filings for the 2023 year (i.e. for those on title as of December 31, 2023). However, the relieving measures are not proposed to apply to those on title for the 2022 year. Filings for both the 2022 and 2023 years are due on April 30, 2024.

Canada Dental Care Plan (CDCP) New Income-Tested Benefit - You may be eligible to apply for the new Canadian Dental Care Plan. If you are over 70 years old, you may receive a letter by March 2024 with instructions on how to apply. If you are between 65 and 69, you can apply online starting in May 2024. Adults with a valid Disability Tax Credit certificate and children under 18 can apply starting in June 2024.

Tax-Free First Home Savings Account (FHSA) - A new registered plan to help Canadians save towards their first home by contributing to FHSA account. Eligible contributions are deductible, and withdrawals to purchase a first home are not taxable. Up to \$8,000 can be contributed annually to a maximum lifetime limit of \$40,000. Contributions must have been made in 2023 to be deducted against 2023 income.

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.

NEW! 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.

Registered Disability Savings Plan (RDSP) - May be established for a person who is under the age of 60 and 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.

NEW! Temporary measure to allow a qualifying family member to open a RDSP and act as the plan holder for an adult who is mentally incapable of entering into a contract was extended to December 31, 2026 (from December 31, 2023). Also, the definition of a qualifying family member for the purposes of this measure was expanded to include adult siblings, effective on June 22, 2023.

Tradesperson's tools expenses - Maximum deduction for the tradespeople's tools expense was increased to \$1,000 (from \$500 in 2022), effective for 2023 and onwards.

Clawbacks

Old Age Security (OAS) Clawback - A senior whose 2023 net income exceeds \$86,912 will lose all, or part, of their OAS pension. Senior citizens will also begin to lose their age credit if their net income exceeds \$42,335. Consider limiting income over these amounts. Another option would be to defer receiving OAS receipts (for up to 60 months) if it would otherwise be eroded due to high-income levels.

Reminders

Flow-through share expenses - A 30% critical mineral exploration tax credit is available for expenditures renounced under eligible flow-through share agreements entered into after April 7, 2022. The specified minerals in which the new enhanced credit is available are copper, nickel, lithium, cobalt, graphite, rare earth elements, scandium, titanium, gallium, vanadium, tellurium, magnesium, zinc, platinum group metals and uranium.

Tax-free Canada dental benefit - Payments of up to \$650 per child per year are available to cover dental expenses (as of October 1, 2022) for children under 12 if they do not have dental insurance coverage. The benefit is available to families with an adjusted net income of less than \$90,000. Applications can be made online through CRA's My Account. This benefit is available until June 30, 2024.

NEW! If no benefit was claimed for the first application period (ending June 30, 2023), an additional payment may be available for the second period (ending June 30, 2024).

Home Accessibility Tax Credit - Eligible individuals (seniors aged 65 and older at the end of 2023 and those who live with senior relatives) can claim a tax credit of 15% of up to \$20,000 of eligible expenses that are paid or become payable in 2023 (maximum credit of \$3,000), for safety and accessibility improvements made to a senior's principal residence in Ontario. This tax credit can be shared between eligible individuals.

Labour mobility deduction - A deduction for up to \$4,000 of certain personally-incurred travel and temporary lodging expenses for employed tradespeople and apprentices in the construction industry that performs duties at temporary work location. To qualify, the employee must not also receive a non-taxable allowance or be reimbursed by their employer in respect of these costs.

Canada Training Benefit - As of January 1, 2019, if you meet certain conditions, you will be able to accumulate \$250 per year, to a maximum over your lifetime of \$5,000, to be used in calculating your Canada Training Credit. Based on information from your return, the CRA

will determine your Canada Training Credit Limit and provide it to you on your Notice of Assessment. You may be able to claim a Canada Training Credit equal to your Canada Training Credit Limit for the year or 50% of your eligible tuition and fees paid to an educational institution in Canada, whichever is less.

Digital news subscription expenses - For the 2020 to 2024 tax years, you may be able to claim a non-refundable tax credit for expenses you paid in the year for a digital news subscription with a qualified Canadian journalism organization.

Zero-emission vehicles - If you are self-employed or claiming employment expenses, you may be able to claim capital cost allowance on zero-emission vehicles. Starting in 2019, there is a temporary enhanced first-year capital cost allowance of 100% for eligible zero-emission Vehicles (limited in some cases to the first \$61,000). Eligible vehicles must be acquired after March 18, 2019, and become available for use before 2024. The enhanced allowance decreases if the vehicle becomes available for use after 2023 and before 2028. Alternatively, zero-emission vehicles purchased in 2023 may be eligible for a federal incentive rebate of up to \$5,000.

Tax 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 2023, you are required to file form T1135 – Foreign Income Verification Statement.

Foreign Affiliate Reporting - If you and those related to you, combined, owned 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).

Canada Caregiver Credit (CCC) - The CCC increased slightly from last year. The credit consists of up to a \$7,999 tax credit in respect to infirm dependents who are parents/grandparents, brothers, sisters, aunts, uncles, nieces, nephews or adult children and their net income is between \$8,021 and \$26,782. The \$7,999 tax credit will be fully eliminated when the dependent's net income exceeds \$26,782. This credit is reduced by the

\$2,499 supplement claimed for an eligible dependent or the \$2,499 supplement claimed as a spouse or common-law partner amount.

First-Time Home Buyers' Tax Credit (HBTC) - Eligible individuals who purchased their first homes in 2023 can claim a 15% federal tax credit based on \$10,000. Maximum credit of \$1,500.

Multigenerational Home Renovation Tax Credit - Eligible expenses related to building a secondary suite for a family member who is a senior or an adult with disability may be claimed. The credit will provide a 15% tax refund on expenses of up to \$50,000 to a maximum of \$7,500.

Disability tax credit - Individuals with type 1 diabetes will be effectively deemed eligible for the disability tax credit. While this change was legislated in 2022, it is retroactive to 2021 and subsequent years.

Surrogate mothers and fertility treatments - Certain expenditures are eligible for the medical expense tax credit as of January 1, 2022.

Immediate expenditure of capital assets - If you own a business or rental property, many capital assets purchased and made available for use in 2023 will be eligible for a 100% CCA write-off under the immediate expensing rules.

The enhanced allowance of 100% deduction will phase-out for eligible property that becomes available for use after 2023. Phase-out of enhanced first-year allowance is 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.

Canada Workers Benefit (CWB) - This refundable tax credit that supplements the earnings of low- and modest-income workers. Anyone who received the CWB in 2022 will receive the advanced payments, there is no need to apply. CWB automatically provides advance CWB payments to individuals who qualified for the CWB in the prior year for 2023 and onwards.

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

Recordkeeping - Certain expenditures made by individuals by December 31, 2023 will be eligible for 2023 tax deductions or credits, including digital news subscriptions, moving expenses, labour mobility tax credit expenditures, multigenerational home renovation expenditures, child care expenses, charitable donations, political contributions, registered journalism organization contributions, medical expenses, alimony, eligible employment

expenses, union, professional or like dues, carrying charges and interest expense. Ensure you keep all receipts that may relate to these expenses.

Tax-Free Savings Account (TFSA) - Individuals 18 years of age and older may deposit up to \$6,500 into their TFSA in 2023. An additional \$7,000 may be contributed starting on January 1, 2024.

Canada Education Savings Grant (CESG) for registered education savings plan (RESP) contributions equal to 20% of annual contributions for children (maximum \$500 per child per year) is available. In addition, lower-income families may be eligible to receive a Canada Learning Bond.

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.