

ANNUAL PERSONAL TAX NEWSLETTER – February 2023

2022 TAX BRACKETS

Approximately first \$50,000 of income taxed at 20%, next \$50,000 at 30%, next \$50,000 upto 40%, and higher upto 50%

FEDERAL \$14,398-50,197 @15%, \$50,198-100,392 @20.5%, \$100,393-155,625 @26%, \$155,626-221,708 @29%, \$221,709+ @33%

ONTARIO \$11,141-46,226 @5.05%, \$46,227-92,454 @9.15%, \$92,455-150,000 @11.16%, \$150,001-220,000 @12.16%, \$220,001+ @13.16%

CANADA'S NEW UNDERUSED HOUSING TAX

Effective January 1, 2022 the federal government created a 1% tax charged to non-residents who own vacant or underused residential property in Canada. The problem is that even those that are exempt from the tax must file a UHT-2900 form.

THE PENALTY FOR NOT FILING IS \$5,000-\$10,000 (and is due April 30, 2023). All non-residents, Canadian private corporations, non-profits and Canadian individuals in a business partnership or holding property in trust, who are ON TITLE of a Canadian residential property, must file a return, even though most will be exempt from paying the tax.

Canadian individuals who are on title of their own personal use property or are joint owners of an investment rental property are not required to file. I will contact business clients who I think need to file.

<https://www.videotax.com/web-tips-articles/underused-housing-tax-quick-reference-chart> for more details

COVID-19 BENEFITS REPAYMENT

There will be an option to claim a 2022 repayment of covid benefits (that were initially paid in 2020 or 2021), as a deduction on the current and/or a prior year's return. We will pick the year with the higher income/tax rate applied.

FIRST-TIME HOME BUYER'S TAX CREDIT

The non-refundable tax credit available when buying a 'first-time' home has increased to \$10,000 x 15% starting in 2022

HOME ACCESSIBILITY TAX CREDIT

The non-refundable tax credit available when you make qualifying renovations for a qualifying individual to a home you own, has increased to \$20,000 x 15% starting in 2022 (up from \$10,000 x 15% in prior years). The renovation will allow a senior or disabled adult to gain access to, mobility within or reduce chance of harm in a dwelling.

EMPLOYEES WORKING AT HOME DUE TO COVID-19

If you are still working at home 'because of covid' during 2022, there is still a \$2/work day deduction to claim.

LABOUR MOBILITY DEDUCTION FOR TRADESPEOPLE

Provides eligible trades people with a deduction of up to \$4,000 for temporary relocation expenses. Eligible expenses will have been paid by the worker while away for more than 36 hours and over 150 km's from home.

PRINCIPAL RESIDENCE EXEMPTION AFTER SEPERATION

Couples who are married or living common-law can only declare one residence per year as eligible for the principal residence exemption. When couples separate they are not each eligible for their own separate principal residence claims until there is a written separation agreement signed.

CANADA DENTAL BENEFIT

There is a new program that helps to lower dental costs for families who earned less than \$90,000 in 2021. Parents and guardians can apply if the child receiving dental care is under 12 years old as of December 1, 2022 and do not have access to private dental insurance plan coverage. The current application period runs from October 1, 2022 to June 30, 2023. You can apply through CRA's MyAccount or by phone 1-800-715-8836, with dentist contact info, appointment dates, etc.

COMING IN 2023

CANADA'S ANTI-FLIPPING RULE - Starting January 1, 2023 if a residence is owned for less than 12 months, the profits earned will be taxed as business income, except when the timeline is caused by 'certain' life circumstances.

TAX-FREE FIRST HOME SAVINGS ACCOUNT - Starting April 1, 2023 each first-time home buyer (ie. hasn't owned a home for last five years) can contribute a maximum of \$40,000 in total (max \$8,000/year). Contributions are tax deductible, earnings while invested are tax-free, and later the withdrawal is tax free if is used to buy a qualifying home.

MULTIGENERATIONAL HOME RENOVATION TAX CREDIT – Starting January 1, 2023 expenses up to \$50,000 to build a self-contained secondary suite for a senior or disabled adult will be eligible for a 15% refund.