

ANNUAL PERSONAL TAX NEWSLETTER – February 2024

2023 TAX BRACKETS

Approximately first \$53,000 of income taxed at 20%, next \$53,000 at 30%, next \$59,000 upto 40%, and higher upto 50%

FEDERAL \$15,000-53,359 @15%, \$53,360-106,717 @20.5%, \$106,718-165,430 @26%, \$165,431-235,675 @29%, \$235,676+ @33%

ONTARIO \$11,865-49,231 @5.05%, \$49,232-98,463 @9.15%, \$98,464-150,000 @11.16%, \$150,001-220,000 @12.16%, \$220,001+ @13.16%

RULES CHANGED FOR "UNDERUSED HOUSING TAX" RETURNS

For 2023 onwards solely Canadian owned private corporations and Canadian partners and trustees will no longer have a requirement to file a UHT return. Penalties have been reduced and the filing deadline for 2022 & 2023 is April 30, 2024.

EMPLOYEES WORKING FROM HOME

The \$2/day deduction no longer is available - the only option for claiming business use of home, is to have your employer complete a T2200 form and use the historical detailed method, a combination of sqft, time used and operating costs.

ONTARIO STAYCATION CREDIT ENDED IN 2022 - NO LONGER AVAILABLE

FIRST HOME SAVINGS ACCOUNT (FHSA)

Launched April 1, 2023, this program is for first time home buyers (defined as 18 years old or older, Canadian resident and have not owned a principal residence in the last five years). Once you open an FHSA account, contributions will be tax deductible up to \$8,000/year, and based on the calendar year. The account can remain open for a maximum of fifteen years and has a lifetime contribution limit of \$40,000. Monies withdrawn to purchase a qualifying property are NOT taxable, nor will you have to repay (unlike an RRSP or HBP). You can transfer monies from existing RRSP's to your FHSA (while you won't get a second tax deduction, it does make future withdrawals tax free). If you do NOT purchase a qualifying residence, you can transfer monies to an RRSP account or you will be taxed on the withdrawal.

DO YOU HAVE A "TRUST" THAT NEEDS TO FILE A T3 RETURN

Starting for 2023 "Trusts" are subject to expanded reporting to CRA. There are two types of 'trusts' that never had to file in the past but most will now need to. Consider 1) am I holding monies that I contributed to an 'in trust' account for someone else – often a child or grandchild? 2) am I on title of property, vehicle, shares or bank/investment accounts that belong to someone else? Often this is done to facilitate financing or avoid probate, and while the owner is alive they make all decisions and are the only one to benefit from the asset (and pay the tax on all income earned from this asset). In this second scenario you may have a "Bare Trust" (with or without a formal agreement) which itself is not earning any income (any income belongs to the beneficial owner). Bare trusts now have a requirement to file a trust return, including Schedule 15 which details who is involved – who settled, who is holding title, who is the beneficiary and who can exert control. Please call to discuss the specifics of any situation that 'might' be included, noting the trust returns are due by March 30, 2024 and there is a penalty for not filing that is the greater of \$2,500 and 5% of the asset value!!

DISABILITY TAX CREDIT

This non-refundable tax credit that has been around for many years, but it bears repeating. People with physical or mental impairments who are "markedly restricted in the basic activities of daily living - walking, mental functions, dressing, feeding, eliminating, hearing, speaking, vision or life sustaining therapy" can have their doctor complete a T2201, which is then sent to CRA for review and potential approval. Note CRA is now offering a digital option for doctors this year, but paper forms can still be used - check what your doctor prefers. Doctors will charge a fee, but this amount can be claimed as a medical expense. Know that adjustments can be applied retroactively if applicable and can be worth up to \$1,800/year. This tax credit is required to claim attendant care costs (in home or long term care) as a medical expense.

REAL ESTATE ANTI-FLIPPING RULE

Starting in 2023 real estate sold in less than 365 days will be taxed as business income, unless meets certain exemptions.

COMING FOR 2024 - SHORT TERM RENTALS

The federal government plans to deny deductions for any expenses of short-term rental operators who are not compliant with existing provincial or municipal rules starting January 1, 2024.