

Plan now to minimize tax

Once again it is time to get ready to welcome the New Year. It is also that time of year when you need to start thinking about your personal income taxes and tax planning strategies. A few hours of effort now can help you minimize your tax liabilities and prepare you for the tax season.

RRSP* contributions

You will need to determine if you should be purchasing an RRSP for the 2023 taxation year. Check the amount you are eligible to purchase on your 2022 Notice of Assessment or your CRA My Account. Please contact our office if you are not sure if the purchase is cost effective for you, or if you should borrow funds to purchase an RRSP. February 29, 2024 is the deadline for contributing to an RRSP for the 2023 tax year. December 31 of the year you turn 71 years of age is the last day you can contribute to your own RRSP.

Tax Rate Changes

No change in rates for 2023.

Salaries, bonuses and dividends

Salaries to family members need special attention. This is an area which is under greater scrutiny by CRA. To ensure deductibility, make sure that cheques are actually written, source deductions remitted (by January 15, 2024) and T4's are prepared (deadline is February 29, 2024). Also make sure that the family member is performing duties for the business.

Under the current income tax rules with respect to the tax on split income (TOSI, shareholders of corporations that are not actively involved in the business activities during the year could be subject to tax at the top marginal rate on any dividends paid to them. You should discuss this with your accountant before paying dividends to these shareholders. Dividends are reported on a T5 and the deadline for filing the T5 return is February 29, 2024.

Principal Residence Sale

All principal residence disposals must be reported on the personal tax return, even if you qualify for the full exemption.

RDSP* contributions

Contributions can be made to an RDSP long term savings plan for individuals who are eligible for the disability tax credit and are under 59 years of age. These contributions may be eligible for additional government grants and bonds. These contributions are not deductible, however RDSPs may be matched by the government. There is a lifetime maximum contribution limit of \$200,000.

U.S. citizens

All legal citizens of the U.S.A. are required to file personal income tax returns every year regardless of where they reside. Currently there is a process available to you if you are a U.S. citizen to get your filings up to date and compliant. It is important to get these returns filed if you wish to visit the U.S. in the future. We strongly recommend you advise our office if you are a U.S. citizen and you are not compliant so we can advise you of your options.

Foreign Property

There are special forms to attach to your tax return if you own certain foreign property. There may also be foreign tax issues that you may need to address. Please ensure you discuss this with us.

New trust reporting rules

New trust reporting rules apply to taxation years ending after December 30, 2023 and therefore, they will apply to trusts with December 31, 2023 year ends. The new trust return filing obligations will apply to bare trusts that previously did not have a filing obligation. The new reporting rules require significantly more information disclosure regarding all settlors, trustees, and beneficiaries of the trust. Please contact our office if you are holding property or assets for a beneficial owner as a T3 trust return may have to be filed by March 30, 2024.

First Home Savings Account (FHSA)

The new tax free first home savings account rules were introduced to help first-time home buyers save up to \$40,000 for a home purchase. The maximum annual contributions of \$8,000 are deductible and the income earned in the FHSA is non-taxable. Individuals that are at least 18 years of age and resident in Canada can open a FHSA as long as the individual or their spouse did not own a home at any time in the year or in the preceding four years. Contributions to a FHSA must be made by December 31, 2023 in order to claim a deduction in 2023.

Underused Housing Tax (UHT)

The filing deadline for the 2022 UHT returns has been extended for a second time and the new filing deadline is April 30, 2024. The filing deadline for the 2023 UHT returns is also April 30, 2024. Generally, a person or entity that is on title of a residential property, jointly or otherwise, as of December 31 must file a UHT return unless they are an excluded owner. Excluded owners would include Canadian citizens or permanent residents but if you own a residential property as a partner of a partnership or as a trustee of a trust (including a bare trust, you may have a filing requirement. Also, if a private corporation owns a residential property, there may be a requirement to file a UHT return. Individuals are subject to a penalty of \$5,000 per residential property for failing to file a UHT return when required and private corporations are subject to a penalty of \$10,000 per residential property for failing to file when required.

Notify Canada Revenue Agency of any change in marital status or change in child custody to avoid having to repay amounts received for Child Tax Benefit and GST credit.

Personal tax credits & other deductions

Disability credit*

The disability credit may be claimable for disabled individuals or disabled dependents. A Disability Tax Credit Certificate must be completed and signed by a medical practitioner certifying the conditions of impairment. We can provide a copy of this certificate for your doctor to complete. The T2201 is also available on CRA's website.

Tuition and education credit

Tuition and education amounts paid for yourself or amounts transferred from a child may provide a federal credit. Should a child be transferring the tuition amount to you, the child must sign the back of form T2202A, and include with your personal tax receipts. To ensure the filing is correct we need to have information from the child's tax return.

Canada Caregiver amount

You may be able to claim a tax credit if you have a parent or grandparent (over 65) or other family members (over 18 and who are dependent because of mental or physical infirmity) who have resided with you at some time in the year.

Old age security (OAS)

If you are receiving OAS, your income will affect whether you receive the supplement or whether you will have to repay these payments. Consult a professional in our office if you plan to sell property or cash in RRSPs.

Teacher and Early Childhood Educator Supply Credit

Teacher and early childhood educators may qualify for a 25% refundable tax credit on purchases of up to \$1000 of eligible school supplies by a teacher or early childhood educator used in the performance of their employment. Receipt for purchases and a written certificate from their employer may be required by CRA.

Charitable donations

Save on your 2023 taxes by making a charitable donation before December 31, 2023. You may significantly reduce your income taxes by donations to charities. The tax credit for charitable donations is one of the best tax breaks available to Canadian taxpayers - it's a real savings, not just a tax deferral. Donations can be carried forward 5 years to maximize tax savings.

Investments

As a reminder, if you have invested in Mutual Funds you will be receiving a T3 slip. However, the T3 slip may not be issued until late March or early April.

***For more information on those printed in red, use search function at www.cra-arc.gc.ca**

Medical expense credit*

Medical expenses claimed on your return include expenses incurred by yourself, spouse, child or qualified dependent. Some medical expenses that qualify are:

- Premiums paid to a private health services plan for the benefit of you, spouse or children.
- Ambulance charges to or from a hospital.
- Dental charges.
- Diagnostic procedures prescribed by a doctor, dentist or chiropractor.
- Payments for prescription medicines and drugs. Prescription eyewear or laser eye surgery.
- You may be eligible to claim travel, meals and accommodation costs for medical trips.

Please ask each of your pharmacists, dentists, chiropractors and other practitioners for a printout of transactions during the calendar year. These summaries reduce preparation time when there is a significant amount of individual receipts.

Other tax credits:

- Interest paid on student loans
- Amount for an eligible dependent for single parents
- Political contribution credit
- Charitable donation credit
- Home buyers amount
- Adoption credit
- Home accessibility credit
- Digital News Subscription credit

Other deductions:

- Moving expenses for work or study
- Legal fees
- Northern residents deduction
- Carrying charges including interest and investment fees
- Child care expenses deduction

Motor vehicles

CRA has taken an aggressive position with respect to expenses relating to all motor vehicles, in particular extended cab trucks. If you have purchased, or are considering purchasing a new vehicle, we recommend that you consult with a professional in our office.

The common considerations:

- Who should own the vehicle?
- Should you lease or purchase?
- Will any deductions be restricted?
- Are there any taxable benefits involved?

You require a log book to track business use. (Auto log available upon request)

Please advise us if you will be receiving a T3 slip.

Some investments may have income that has not been reported on the T3 or TS slip. Also, gains and losses on sales or disposals of investments are not reported on T3 or TS slips. As a result, we ask that all summaries be provided to us for review. If your investment has been disposed of, we require details of proceeds and costs of the investments, and the actual date of sale of each investment.

Management fees and interest on loans regarding investments are deductible against investment income. It is important you advise us about all of your investments. We cannot offer the best advice if we do not have all your information.

Scams

Canada Revenue Agency is warning of scams involving phone, mail and e-mails that are purportedly from their offices. CRA notes that they NEVER send information via e-mail. Get more information from CRA's website.

If You Have Received All Of Your Receipts

Please bring your tax records in early March to allow us sufficient time to prepare your tax return. If you have T3s you may have to wait until early April.

Important Dates to Remember

- Count Inventory - Dec 31, 2023
- Salary to Family - Dec 31, 2023
- Source Deductions - Jan15, 2024
- T4 Filing - Feb 29, 2024
- WCB Filing - Feb 29, 2024
- RRSP Contributions - Feb 29, 2024
- T5018s for Dec year end - due June 30, 2024

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