L&L LLP CHARTERED PROFESSIONAL ACCOUNTANTS

2023 TAX UPDATE

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CLICK **HEADLINES** FOR **HYPERLINKS**

RRSP MAX CONTRIBUTIONS:	2022: $29,210	2023: $30,780

Check your notice of assessment to confirm your RRSP limit before you make your contribution.

RRSP DEADLINE: March 1, 2023

Residential Property Flipping Rule

Bill C-32 introduced a new rule effective for all properties sold after January 1, 2023. If you purchase a property for the purpose of selling it at a future profit, the gain will be considered business income, instead of capital. All gains arising from the sale of residential property, if owned for less than 12 months, will be deemed business income and therefore not qualify for the 50% capital gains treatment.

A few exceptions apply if the disposal of property is due to:

- death of the taxpayer or a related person, or anticipation of such a potential death
- addition of a related person joining the taxpayer's household (ie: birth, adoption, elderly dependent)
- separation/breakdown of marriage or common-law relationship;
- personal safety due to domestic violence
- disability or serious illness of taxpayer or related person;
- taxpayer (or spouse) change of employment to relocate due to work or an involuntary termination of employment (new home must be >40km closer to work)
- to avoid or due to bankruptcy and
- involuntary disposition for example due to expropriation, destruction, or condemnation of property due to natural/man-made disaster

If you hold your property for over 12 months, or meet any of the above exceptions, you may still generate either business income or a capital gain on sale, depending on the intention the property was purchased for. This provision does not apply if the sale results in a loss, but it will apply to corporations.

Climate Action Incentive

In 2022, the government began paying the CAI quarterly. You do not need to apply to receive this incentive, however there is a schedule to complete to claim the rural support.

CAI amounts for 2023-2024 will continue to apply in Alberta, Saskatchewan, Manitoba & Ontario and will begin July 1, 2023 in Newfoundland, Nova Scotia & PEI.

Ontario Payment dates: Apr, July, Oct 2023, Jan 2024

First Adult	$488
Second Adult	$244
Each Child	$122
Family of 4	$976

CAI is paid to the spouse/partner assessed first. If there is shared custody of a child, it will be split 50/50. Newcomers to Canada ***with children*** should complete an RC66 and RC66SCH and newcomers ***without children*** the RC151. If the additional rural support payment was initially missed when filing your T1, complete it separately and mail to your tax centre. CAI will first be applied to any unpaid income tax amounts or amounts owing to other federal or provincial programs.

Type 1 Diabetes and Eligibility for the Disability Tax Credit

Those who have Type 1 diabetes are now deemed to meet the requirements to claim the DTC, regardless of how long they actually spend on life-sustaining therapy. This is applicable for 2021 and subsequent years.

First Home Savings Account (FHSA)

Legislation comes into effect April 1, 2023, which helps first time home buyers save up to $40,000 on their first home purchase through a tax-free First Home Savings Acount (FHSA). Contributions made towards your FHSA are deductible, similar to an RRSP. Qualifying withdrawals for a home purchase and the income earned inside an FHSA are not taxable.

Eligibility: You must be resident of Canada and at least 18 years old to be eligible. If you or your spouse currently live in a home owned by one of you or jointly at any time during the year the account was opened, or in the preceding four calendar years, you are not eligible to open an FHSA. The maximum period you may participate in an FHSA is the earliest of:

(1) 15 years after opening the account
(2) December 31st of the year in which you turn 70, and
(3) December 31st of the year following your first qualifying withdrawal from an FHSA

For each taxpayer, the FHSA has an **annual contribution limit** of $8,000 and a **lifetime contribution limit** of $40,000. As with RRSPs, a 1% overcontribution tax will apply monthly. Qualifying withdrawals can be made for the full contents of the account tax-free. Contributions to your FHSA must be made **during the calendar year**. The first 60 days will not be attributed to the previous year, like with RRSPs. As with RRSP's you are also permitted to carry deductions forward, if you are not able to use the deduction in the same year of contribution. Unused annual contribution room can also be carried forward. For example if only $5,000 was contributed this year, you may contribute up to $11,000 in the following year ($3,000 carry forward plus $8,000 for the next year).

You may not make spousal contributions, however, you may fund a partner's contributions to a second FHSA. If you leave Canada you may contribute to your existing FHSAs, however, non-residents cannot make a qualifying withdrawal. Individuals are permitted to make tax-free transfers of RRSPs to FHSA, subject to annual and lifetime contribution limits.

When making a qualifying withdrawal from your FHSA, you must:

- Withdraw request forms must be filled out, indicating the location of the qualifying principal residence that will be lived in within one year of purchase
- You must be resident of Canada and not have lived in a home you owned four years prior to the withdrawal from the time of the withdrawal till the home purchase
- The qualifying home purchase or building agreement must be in place before October 1 of the year after the withdraw and
- The qualifying home is not purchased more than 30 days before the withdrawal is executed and the qualifying home is in Canada

If you withdraw for any purpose other than a first home purchase, it is taxable. You may transfer funds tax-free from your FHSA to an RRSP, any time before the year you turn 71, or into an RRIF, and it will not impact an your available RRSP room. Withdrawals & transfers will not add back FHSA contribution room.

FHSA Relationship Breakdown:
Regardless of contribution room, under these circumstances you may transfer one FHSA to the other partner's FHSA, RRSP or RRIF. However these transfers will not replenish the contribution room for the transferor. The use of both the FHSA and Home Buyers' Plan is now permitted for the same qualifying home purchase.

Death of an FHSA holder: You can designate your spouse as a successor, so that upon death, the account retains itself and the surviving spouse will become the new FHSA owner. The surviving spouse's FHSA contribution room is not impacted by this transfer, however if a deceased individual was overcontributed before their death, the surviving spouse's contribution room will be reduced by the overcontribution. When the last FHSA holder dies and the FHSA has not been closed by the end of the year after the account owner dies, a taxable deemed income inclusion will arise to beneficiaries or the estate if no beneficiaries are named.

This new account will have no impact on determining income-tested benefits or credits, such as the CCB. You cannot claim a deduction for FHSA fees, or for interest paid on amounts borrowed for contributions.

TFSA
Contribution Limits

Another tax-free savings option to consider is your tax-free savings account. Your contribution room starts in the year you turn 18 and accumuates each year after.

If you turned 18 after 2009, your TFSA contribution room starts in the year you turned 18 and your contribution room continues to accumulate every year after that year.

TAX YEAR	ANNUAL LIMITS	CUMULATIVE LIMITS
2021	$6,000	$75,500
2022	$6,000	$81,500
2023	$6,500	$88,000

Ontario Staycation Tax Credit

For the 2022 calendar year only, a refundable credit of 20% can be claimed for up to **$1,000 for individuals, or $2,000 for families** relating to accommodations you paid for your Ontario vacations in 2022.

The following criteria apply:

- You must be an Ontario resident on December 31, 2022, and the stay must have taken place in 2022, regardless of when payment took place.
- One family member can make the claim relating to other family members (ie: spouse, eligible children)
- Vacation stays only (no business) of less than a month at short-term accommodation, camping, hotel, motel, resort, lodge, bed-and-breakfast establishment, cottage or campground, however not for timeshares or self-propelled vehicles.
- The accommodations must be subject to GST/HST and stated on a receipt.

Receipts must include ALL of the following: location, reasonable amount for the accommodation, any GST/HST paid, date of the stay and name of the payor.

The tax credit cannot be claimed for the following: travel expenses not for short-term accommodation or camping, such as expenses for car rentals, fuel, flights, groceries, parking, admission to local attractions, accommodation expenses that were subsequently reimbursed to the individual, their spouse, child, or by any person, including by a friend or an employer, or expenses incurred for school or education, for work, employment or business purpose, or that can be claimed for a medical expense tax credit.

Multigenerational Home Renovation Tax Credit

This is a new refundable tax credit which provides up to $50,000 of relief on eligible expenses required to construct a secondary room for a **qualifying relation** who is a senior or disabled person. You may claim the credit if your spouse or a qualifying relation lives in or will live in, the new unit within 12 months of the renovation.

An **eligible person** is a senior over 65 at the end of year of renovation completion or someone over 18 who is eligible for the disability tax credit. Only one renovation may be claimed for an eligible person over their lifetime. A **qualifying relation** is over 18, and a parent, grandparent, child, grandchild, brother, sister, aunt, uncle, niece or nephew of the eligible person, or a spouse of any of these. A **qualifying renovation** must allow the eligible person to live with the qualifying relation by constructing a secondary suite with a private entrance, kitchen, bathroom and sleeping area. The unit can be completely new or created from an existing space. Building permits must be obtained, and renovations must be up to code for your area. The credit may be claimed the year the final inspection is passed, or when completion of legal requirements can be shown.

Eligible expenses include: the cost of labour and professional services, building materials, fixtures, equipment rentals and permits. Retain all receipts to support your claim. Furniture, construction equipment and tools **do not qualify**. Goods or services provided by a non-arm's length person, may not be eligible unless registered for HST. Expenses are not eligible if claimed as a *medical expense* or for the *home accessibility tax credit*. **The following expenses also do not qualify:** annual or routine repair or maintenance, home appliances or electronic home-entertainment devices, housekeeping, security monitoring, gardening, outdoor maintenance, financing costs from the renovation and any reimbursed cost.

• Automobile Limit Increases

For non-taxable employee allowances paid for use of a personal vehicle for business purposes: the limit is increased in 2023 by 7 cents to 68 cents per km for the first 5,000km driven and 62 cents thereafter. Northern provinces & territories rates are 72 cents for the first 5,000 km and 66 cents thereafter. The capital cost ceiling for CCA of most passenger vehicles is increasing to $36,000 from $34,000, and the limit for zero-emission passenger vehicles will increase to $61,000 from $59,000.

• Home Accessibility Tax Credit

Annual limit has been doubled to $20,000 so the limit on the non-refundable tax credit is $3,000, effective for 2022 and beyond.

• First-Time Home Buyers' Tax Credit

This credit has been doubled, so relief of $1,500 is available to eligible taxpayers, effective for qualifying home purchases on or after January 1, 2022.

• Expanded school supplies tax

will increase from 15% to 25%. Eligibility criteria will also expand to include electronic devices.

• Organ & Tissue Donation

Ontario & Nunavut have agreed to join this information offering. There will be an area on the tax return to add a tick box, enabling taxpayers to indicate if they want to receive information regarding organ and tissue donation from their government. Please let us know you are interested by filling out our contact update.

• Surrogacy: Medical Tax Credit

Surrogacy expenses relating to surrogacy arrangements, sperm & ova or embryo donations are now eligible for the medical tax credit. Expanded rules also allow expenses relating to in vitro fertilization or prescription medication related to their pregnancy.

• CPAP: Medical Tax Credit

The cost of a prescribed CPAP machine for sleep apnea, as well as replacement parts are an eligible medical expense. Amounts paid for distilled water used for the machine is not eligible. This is different from the cost of batteries for a hearing aid, which are considered eligible.

• Crypto Asset Mining Activities

are not taxable supplies. No input tax credits are available for purchases made to conduct mining activity. A crypto asset is a digital representation of value (property) that exists only virtually at a public blockchain.

Underused Housing Tax (UHT)

This new tax (UHT) will enact an annual 1% tax throughout Canada on vacant or underused residential real estate owned by **non-residents** or **non-Canadians.** Beginning January 1, 2022, filings and/or taxes will be due on April 30, 2023. The tax will be calculated as 1% of the greater of the property's assessed value for the calendar year (for property tax purposes) and the property's most recent sale price. Or the owner may elect to use the property's fair market value at any time during the calendar year and up to April 30 of the following year, but an appraisal of property would be required for this election.

The UHT will apply to the legal owner(s) of residential property on title in Canada, as of December 31st of each year. It is payable in proportion to the owners' legal interest in the property. A residential property includes detached homes or similar buildings containing no more than three separate units, semi-detached homes, row house unit or residential condominium unit.

Other than excluded owners, (see STEP 1 for excluded owners) all property owners are required to file annually with CRA. The UHT will be levied for all required to file, unless you meet one of the tax exemptions (see STEP 2 for exemptions). Many owners who are not required to pay the tax will still have filing obligations, and penalties apply for non-compliance. **Filings & taxes are due April 30 each year.**

STEP 1: You are considered an excluded owner if any of the following apply:

- **Canadian citizens** or **permanent residents,** except those who hold property inside a partnership or trust (with exception of personal representatives or estates of individuals who have died)
- **Public corporations** whose shares are listed on a Canadian stock exchange
- **Registered charities**
- **Cooperative housing corporations**
- Municipalities, Indigenous governing bodies, or corporations owned by such entities
- federal or provincial governments, or an agent of either and
- public service bodies (ie: universities, public colleges, school/hospital authorities)

EXCLUDED OWNERS NEED NOT FILE THE ANNUAL DECLARATION

If you are not an excluded owner, you are required to file the annual declaration, but you may meet an exemption to avoid the annual tax.

STEP 2: Potential Tax Exemptions

(1) TYPE OF PROPERTY OWNER

- A specified Canadian corporation - where foreign owners do not own or control (directly or indirectly) 10% or more of the votes and value of the corporation.
- A specified Canadian partnership - each member is an excluded owner of a specified Candian corporation on Dec 31st.
- A specified Canadian Trust - each beneficiary who has beneficial interest in the property is an excluded owner or specified Canadian corporation on Dec 31st.
- A new owner - property acquired in the year and was not an owner of that property any time in the prior nine years.
- Owner died in the current or previous year.
- Personal representative of a deceased individual if the person was not an owner of the property in the year of or the year after death.
- A co-owner of a property where another co-owner holds minimum of 25% of the property at their death.

(2) AVAILABILITY OF THE PROPERTY

- If the property is being renovated and is not substantially completed before April of the applicable year.
- If renovation is substantially completed between January 1 and March 31, and is put up for sale and was never occupied during the applicable year.
- Seasonally inaccessible properties not suitable or not maintained for year-round use.
- Uninhabitable property (minimum 60 continuous days each year) due to a natural disaster or risky conditions - exemption only available for max of 2 years resulting from the same disaster.
- Uninhabitable property (minimum 120 consecutive days each year) due to major renovations - exemption only available once every 10 years.

(3) OCCUPANT OF THE PROPERTY

- If the property is your primary residence, or that of your spouse or common-law partner, or your child attending a designated learning institution.
- One of the following individuals continuously inhabits your property for at least one month, for a total of at least 180 days: (a) an arm's legth individual who lives in the property under a written agreement; (b) a non-arm's length individual who lives in the property under a written agreement and pays fair rent (5% of property value).
- Owner or their spouse or common-law partner, while they are living in Canada for work purposes.
- Owner or their spouse or common-law partner, parent or child who is a Canadian citizen or perminant resident.

(4) LOCATION & USE OF PROPERTY

- A vacation property located in an eligible area of Canada (usually certain more rural areas) and used by owner or their spouse or common-law partner for at least 28 days during the year - See UHT vacation property designation tool to determine eligible regions.

Failure to file penalties

The penalty for failure to file is the greater of $5,000 for an individual or $10,000 if not an individual, and 5% of the UHT applicable for that calendar year, plus 3% of the UHT applicable to the property in the calendar year for every month the return is past due. **Failure to file by December 31 of the following calendar year, will make an owner ineligible for the following exemptions:** *qualifying occupancy, not suitable for year-round use, uninhabitable due to a disaster or risky conditions, major renovations and primary place of residence.*

Workspace in Home

Employers can provide a non-taxable reimbursement to an employee for up to $500 for home office equipment (ie: computer, monitor, desk, chair, etc.), that was used for working remotely during the pandemic. Any equipment reimbursement in excess of $500 is taxable. If the equipment is considered owned by the employer and borrowed for use at the employee's home, there is also no taxable benefit. This position applies for the entire period of March 15, 2020 to December 31, 2022.

CRA is again allowing a claim for the **temporary flat rate method at $2/day, up to a maximum of $500 for 2022.** Employees working from home may claim home office expenses using the (1) temporary flat rate method, (2) simplified detailed method or (3) historical (regular) detailed method. The chosen method is at the discretion of the taxpayer, and whether you have received a T2200 or T2200S and meet the criteria for each.

Canada Dental Benefit

Starting December 1, 2022, this program will offer up-front tax-free payments to cover dental visits for children under age 12 without dental coverage, with retroactive claims available from October 1, 2022 also being available. The program is available for two periods: December 1, 2022 to June 30, 2023, and July 1, 2023 to June 30, 2024 and is set to expire mid-2024. At that point the government has committed to a full dental program for all households with income below $90,000 by 2025. **Eligible services:** Those by registered dentists, denturists or dental hygienists providing oral surgery and diagnostic, preventative, endodontic, periodontal, prosthodontic and orthodontic services.

Payments provided per period, per child under 12, are based on adjusted family net income (AFNI). The AFNI is based on annual family income for 2021 for period one and 2022 for period two:

- $650/child if AFNI is under $70,000;
- $390/child if AFNI is between $70,000 and $79,999; and
- $260/child if AFNI is between $80,000 and $89,999.

Shared-custody parents are each eligible for 50% of the benefit, if they incur eligible expenses in the period and their respective AFNI. The benefit will not reduce other federal income-tested benefits.

To qualify: Parents need to attest that: (1) their child does not have access to private dental care coverage and (2) the child received (or will receive) dental care services during the period and provide documentation to verify if required. The child must be under 12 on December 1, 2022 for the first period and under 12 on July 1, 2023 for the second period.

The benefit application portal is available online through CRA's My Account. If you are unable to apply online, call 1-800-715-8836 to complete your application. Parents will also need to provide CRA with contact information of their employers, as well as information about their child's dental service provider.

Canada Student Financial Assistance Program's Repayment Assistance Plan

Interest is waived on Canada Student Loans & Apprentice Loans until **March 31, 2023.** Accrual of interest on student loans beginning on April 1, 2023 will also be eliminated. Loan repayments won't be required until borrowers are earning at least $40,000 annually (up from $25,000), for a family of one. Thresholds are adjusted upwards for larger families. The monthly cap on affordable payments will be lowered to 10% of a borrower's household income (down from 20%).

>>>Covid-19 Benefit Repayments

Taxpayers now have the option to claim a deduction relating to a covid-19 benefit repayment for the year the benefit was received, instead of the year the repayment was made. Starting in 2022, Form T1B on your tax return will need to be filled out to Request to Deduct Federal Covid-19 Benefits in a prior year. Basically, you may claim a deduction in 2020 or 2021 for a repayment you received in 2022.

Although some taxpayers received the Canada Recovery Benefit (CRB) in 2022, CRA has confirmed there will be **no CRB clawback for 2022.**

>>>Employee Labour Mobility Deduction for Tradespeople

A new deduction up to $4,000/year will recognize certain travel and relocation expenses of employed workers in the construction industry, starting in 2022. The maximum deduction is limited to 50% of annual income from construction activities at the work site. The deduction is claimed on the Statement of Employment Expenses (T777), but does not require a T2200.

Eligibility: A construction tradesperson/apprentice who receives employment income and temporarily relocates to a particular work site. Prior to relocating and during the relocation period, you must live in Canada. You must perform construction activities including: erection, excavation, installation, alteration, modification, repair, improvement, demolition, destruction, dismantling or removal of all or any part of a building, structure, surface or sub-surface construction or any similar property. The temporary lodging must be at least 150 km closer than your home to work site location. You must be relocated for **at least 36 hours**, as it is not intended to subsidize long-distance commuting. The individual's home must remain available to them during the period they are away.

Eligible expenses: reasonable amounts for temporary lodging, transportation and meals for the taxpayer for one round trip between the temporary lodging and your home. *CRA could request the following records to support a claim:* a daily record of expenses, with receipts and any cancelled cheques, ticket stubs for travel invoices, tenancy agreements, monthly credit card statements, and a record of each vehicle used for employment.

The detailed method record must show both total km driven and km driven for employment purposes. With **simplified method**, keep track of the number of km driven during the year, specifically for trips relating to eligible temporary relocation expenses.

Expenses must be deducted in the first year they are eligible, but can be carried forward to the next year. Reimbursed expenses cannot be claimed. Amounts claimed under this deduction are not eligible for the moving expense deduction and vice versa.

PORTAL & TAX TIPS

L&L LLP CHARTERED PROFESSIONAL ACCOUNTANTS

DO YOU HAVE ACCESS TO YOUR CLIENT PORTAL? CALL US TODAY FOR YOUR INVITATION

CCH iFirm Portal provides you with a convenient, safe, reliable file storage and exchange for confidential information. You will receive your completed tax package (tax return, engagement letter, T183 EFILE Authorization form, all other forms requiring your signature, along with your invoice and payment form) via Portal. Log into Portal to keep and view several years of tax information safely in one location, without expiry. Contact Alexandra for a registration link if you are not already using CCH iFirm Portal.

HOW TO ACCESS PORTAL:

(1) Bookmark the login link: https://landlllp.cchifirm.ca/clientportal/
(2) Staff's email signatures include a quick link access
(3) Visit our website home page and click the link

FORGOT YOUR PASSWORD?

Click the "*forgot your password*" link on the login screen.

INVITED TO MORE THAN ONE PORTAL?

You only have to register the first time!
For subsequent portal invitations, simply click the link in the invite email and log in. This action will link the subsequent account to your existing one.

Upload documents TO Portal:

1. Log into portal. You may have to authenticate your ID with a code text messaged to your cell phone.
2. Click My Documents > the correct tax year > Client Uploads
3. Click the gray +Upload button and browse (select files button) or drag and drop files > click Upload Files
4. An email notification will automatically be sent to L&L LLP to let us know a new file has been uploaded.

Download documents FROM Portal:

1. You will receive an email notification link when your document is ready
2. Click the link and log into Portal
3. Click Unread Files and click on file to download (or select box at the top to select download all)
4. Print, sign (or digitally sign) and upload your signed documents back into your Portal

PLEASE CALL ALEXANDRA TO SET UP AN APPOINTMENT

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HOURS OF OPERATION

WEEKDAYS: 9am – 7pm
SATURDAYS: 9:30am – 5pm
SUNDAYS: CLOSED

TIPS TO GET YOU ORGANIZED FOR THIS tax season:

- Use the T1 checklist & fill out contact update
- Check with your broker to make sure you've received your full investment package (see checklist for more detail)
- Visit your regular pharmacy for a summary of all your family's prescriptions instead of collecting individual receipts
- When uploading to Portal: Please upload everything only once when all tax information has been received (we get alerts for each upload)
- If mailing or dropping off, send everything together in ONE package with NO staples
- Refer to last year's tax return as a reminder of what to send in