2024 TAX UPDATE

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RRSP DEADLINE: February 29, 2024

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

RRSP MAX CONTRIBUTIONS:	2024: $31,560	2023: $30,780
Earned Income (PRIOR YEAR) MAX:	2024: $175,333	2023: $171,000

NEW TRAP: Residential House Flipping Rules

will apply if you sell a principal residence within 365 days of purchase. Not only will this cancel the Principal Residence Exemption, it will require a 100% business income inclusion for the profits and therefore not qualify for the 50% capital gains treatment. This rule will also apply to rental properties. **Exceptions include:** death of taxpayer or relation, addition of related person (birth, adoption, elderly dependent), separation or breakdown of marriage or common-law relationship, personal safety, disability or serious illness, change of employment >40km, bankruptcy, involuntary disposition, etc.

To report the gain, you are required to file the T2125 Statement of Business Income if criteria are not met. This rule will also disallow losses on disposition on the T2125.

OAS Clawback

15% Clawback per $1 of income between ranges specified below

2023 Threshold begins: $86,912
Credit eliminated: $142,609 (65–74)
Credit eliminated: $148,179 (75+)

2024 Threshold begins: $90,997

CPP Enhancement

Before the enhancement, the CPP first earnings ceiling, was calculated as 4.95% of the employee's earnings, to a maximum of the **year's maximum pensionable earnings (YMPE),** less the $3,500 basic exemption.

Phase 1 of the enhancement began in 2019 and reached a full 1% in 2023 for employee and for employer, translating to a 2% increase for those who are self-employed. As of 2023, the CPP rate rose to 5.95% and YMPE is now $68,500 in 2024.

Phase 2 will start in 2024 and introduce a **second earnings ceiling** at a contribution rate of 4%, applied to earnings above YMPE, up to the **yearly additional maximum pensionable earnings (YAMPE)** ceiling. For 2024, YAMPE will be $73,200 (7% higher than the first earnings ceiling) and is estimated to be $79,400 by 2025 (14% above the first earnings ceiling).

For employees, base CPP contributions are eligible for a 15% non-refundable tax credit (plus relevant provincial credits) while both enhanced portions are deductible. **The enhanced portion will generate tax savings at the employee's marginal tax rate.** Starting in 2024, base CPP contributions will continue to be reported in box 16 of the T4, while second ceiling enhanced CPP contributions will be reported in soon-to-be-introduced box 16A. For employers, all contributions (both base and enhanced portions) are deductible.

The enhanced portion of CPP payouts will only be available to those who contributed since the enhancements were introduced in 2019. **Employees that have fully participated under the enhanced contribution regime for sufficient years will receive maximum retirement benefits set at 33% of pensionable earnings, whereas benefits under the pre-enhancement regime would be 25%.**

Underused Housing Tax (UHT)

PROPOSED UPDATES

UHT imposes a 1% annual tax on the value of vacant or underused residential real estate owned on December 31 of each year. The tax was meant to target property owned by non-Canadians; however, filing requirements caught many Canadian entities and individuals, including CCPCs and trustees of a trust. Filings and taxes are due on April 30th of the following year. On October 31st, 2023, CRA announced that for 2022 filings, it will waive late-filing and payment penalties, if the return is filed and the UHT is paid by April 30, 2024.

The 2023 Fall Economic Statement announced proposed legislation for UHT changes including:

- Expansion of the definition of **excluded owner** by making specified Canadian corporations, partners of specified Canadian partnerships and trustees of specified Canadian trusts excluded owners for 2023 and later calendar years. These three types of affected owners of property will NOT be required to file for the same properties owned on December 31, 2023. Filing deadline is also April 30, 2024;

- Reduction of the minimum penalty for failure to file UHT returns by the deadline to $1,000 (from $5,000) for individuals and to $2,000 (from $10,000) for corporations, effective for 2022 and later calendar years;

- If the UHT return is not filed by December 31 of the following year, penalties will be calculated as if certain tax exemptions do not apply (ie: not usable for the full year, uninhabitable, primary place of residence and qualifying occupancy). Effective for 2023, it's proposed the exemption for vacation properties would also be added.

CRA also clarified an individual owning property as a trustee of a trust **(including a bare trust)** is NOT an excluded owner and still has UHT filing obligations. A **bare trust** occurs where the trustee is on legal title of the property, but is not the beneficial owner. Assuming it is not an excluded owner, a corporation that owns a property as a bare trustee, without beneficial ownership, would be required to file a UHT return.

Other common examples of bare trust arrangements include when an adult child is on title of their parent's property for estate planning purposes, and where a parent is on title of a child's property for financing purposes. **CRA notes that individuals with no beneficial ownership of the property are required to file a UHT return.**

Expanded Trust (T3) Reporting

CRA has announced certain changes to the annual T3 Trust Income Tax and Information Return for tax years ending on or after December 31, 2023. **THESE CHANGES MAY IMPACT YOU.** In summary there are three main changes under the new rules:

- All trusts, unless certain exceptions are met, will be required to file an annual T3 Return with the CRA
- Trusts that are required to file a T3 return other than certain listed exceptions, generally need to complete Schedule 15 (new) in their annual T3 return to report beneficial ownership information.
- Bare Trusts are now subject to the new reporting rules. A bare trust arrangement could exists if there is a mismatch between legal and beneficial ownership.

The changes may result in a situation where a trust is required to file for the first time. Please contact us if you believe any of these situations may apply to you. Where a trust is required to file for the first time, it will need to apply for a trust account number before being able to file a T3 Return electronically. For more details, please request or refer to our additional Trust Letter.

Multigenerational Home Renovation Tax Credit

You are eligible to claim this new **15% refundable tax credit** in the 2023 tax year, providing up to $50,000 on eligible expenses (maximum benefit of $7,500). It requires construction of a secondary room in your existing or new home 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 intends to live in the new unit within 12 months of the renovation. The individual claiming the credit must be a resident of Canada throughout the entire tax year for which the credit is claimed.

An **eligible person** is a senior over 65 at the end of the tax year when the renovation is complete, 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. A second detached housing unit located on the same parcel of land as the primary dwelling unit, is considered to be located *within the dwelling* and would qualify for the credit. The second property must be permitted under local law and regulations, as many municipalities do not permit detached secondary units. 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: cost of labour and professional services, building materials, fixtures, equipment rentals and permits. **Retain all receipts to support your claim** and ensure that the expenses are clearly separate renovations for the primary home and the secondary unit. 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.

Canada Dental Benefit Expansion

The Canada Dental Benefit (CDB) will expand to **The Canadian Dental Care Plan (CDCP)** which will now cover **ALL individuals without dental insurance**, and not just those under the age of 12, at the end of 2023. Benefits will be reduced for families with income over $70,000 and eliminated at income of $90,000 or more.

Under the 2023 plan, a tax-free payment of:

- $260 (Family income of $80,000–$90,000),
- $390 (Family income: $70,000–$79,000), or
- $650 (Family income: $70,000) is available for each eligible child. A maximum of 2 payments per child can be applied for until June 30, 2024 for dental care received between July 1, 2023 and June 30, 2024. You can apply online through CRA's My Account or by phone.

Eligibility criteria: Families with no private health care plan, with out-of-pocket dental costs backed up by receipts from licensed service providers, a family income under $90,000, and a filed 2021 and 2022 tax return are eligible. The Canada Dental Benefit will not affect other income-tested programs (ie: the Canada Workers Benefit, Canada Child Benefit or Goods & Services Tax Credit). Keep dental care receipts for 6 years in case of audit.

Note: Family net income can be reduced by making RRSP contributions and claiming deductions like child care expenses.

The New Canada Dental Care Plan

Applications will first open in December 2023 for seniors aged 87+. These taxpayers will receive letters inviting them to apply with a personalized application code and instructions online via Service Canada or by telephone. All applicants must have an adjusted family net income less than $90,000 based on their and/or their spouse's or common-law partner's 2022 tax returns; and be a resident of Canada in 2022 for tax purposes. Additional invitations will follow:

- Ages 77 to 86 in January 2024;
- Ages 72 to 76 in February 2024;
- Ages 70 to 71 years in March 2024;
- Age 70, or will be 70 years old+ by March 31, 2024;
- Age 65+ in May 2024 (an online portal will be available to apply for the CDCP);
- Those with a valid Disability Tax Credit certificate can apply online in June 2024;
- Parents can apply online for children under 18 in June 2024;
- All remaining eligible Canadian residents (ages 19-64) can apply online in 2025.

Invitation Letters: From December 2023 until the end of April 2024, seniors who receive invitation letters can call Service Canada to apply via an automated Interactive Voice Response (IVR) system. They will require two pieces of identification and advise whether they have access to any type of dental benefits. The applicant will immediately be told if they are eligible and will receive a confirmation letter. If it is later found that they do have access to a dental care plan, indicated by their T4 or T4A, the money will need to be repaid.

Once eligibility is determined, Service Canada will share the applicant's information with Sun Life (the provider), who will enrol eligible applicants in the CDCP and send them a welcome package, including coverage details, their member card, and the start date of their coverage. **Benefits should be provided as early as May 2024**. The CDCP will not reimburse oral health care services received before the start date provided in the welcome package from Sun Life.

Services covered include the following, with some services only becoming available in Fall 2024:

- Preventive services, including scaling (cleaning), polishing, sealants, and fluoride;
- Diagnostic services, including examinations and x-rays;
- Restorative services, including fillings;
- Endodontic services, including root canal treatments;
- Prosthodontic services, including complete and partial removable dentures;
- Periodontal services, including deep scaling;
- Oral surgery services, including extractions.

Only a percentage of eligible expenses will be paid at the established CDCP fee rates. The government has provided a definition of a "**co-payment**": the percentage of CDCP fees not covered, which will be paid directly to the dental provider. It will depend on adjusted family net income as follows:

- No co-payment for those with an adjusted annual family net income under $70,000;
- 40% co-payment for those with an adjusted annual family net income between $70,000 and $79,999;
- 60% co-payment for those with an adjusted annual family net income between $80,000 and $89,999.

In early 2024, licensed oral health providers in good standing in their province or territory, including dentists, denturists, dental hygienists and dental specialists, will be able to enrol, on a voluntary basis, directly with Sun Life. Patient information will be shared with oral health providers, who will be encouraged to follow the CDCP established fees structures. These are not the same as the provincial and territorial fee guides.

>>> New T-Slip Reporting

On November 16, 2023 the Canadian Government announced changes to the reporting of T4 slips for employers in Canada, with the introduction of the new **Canadian Dental Care Plan** for uninsured Canadians. This reporting will be required to ensure only eligible Canadian are applying to this program. Employers who fail to be compliant and report the required information may result in financial penalties. **What needs to be reported?** Employers will be required to report if an employee had access to dental insurance or dental benefits of any kind during the 2023 tax year and future tax years. Employers will need to identify to whom the coverage was made available and complete box 45 with the appropriate code description.

• Automobile Limit Increases For 2024

For non-taxable employee allowances paid for use of a personal vehicle for business purposes: the limit increases in 2024 by 2 cents to 70 cents per km for the first 5,000 km driven, and 64 cents thereafter. Northern provincial & territorial rates are 74 cents for the first 5,000 km and 68 cents thereafter. The capital cost ceiling for CCA of most passenger vehicles is increasing to $37,000 from $36,000, and the limit for zero-emission passenger vehicles will remain at $61,000. The limit on leases will increase to $1,050 per month for leases entered into on or after January 1st, 2024.

• Tradespeople Tool Expense Deduction

Included in Bill C-47 is the maximum employment deduction for tradespeople's tools, which will be doubled from $500 to $1,000, effective for 2023.

• Changes to Workspace In The Home

CRA has discontinued the $2/day temporary flat rate method and the simplified method for 2023.

• Childcare: Virtual Camps

Expenses incurred for virtual camps will not likely provide a sufficient level of basic protection and safety to qualify as eligible child care expenses.

• CRA Electronic Payments or Remittances

As of January 1, 2024, all payments or remittances over $10,000 are required to be made electronically, unless this cannot reasonably be done. A $100 penalty will apply to each payment not made electronically. Bringing a remittance form to a bank will however still be considered acceptible and not attract penalties.

• CRA Requests Shopify Records

CRA filed an unnamed persons requirement in April 2023 to require Shopify to provide information on Canadian vendors for the past 6 years. Shopify has vowed to fight the request.

• Alternative Minimum Tax (AMT)

Draft legislation targets wealthy individuals by increasing the exemption to $173,000 and tax rate (from 15% to 20.5%) while decreasing deductions & credits available to reduce AMT.

• Film and Television Tax Credit Eligibility

expanded to include productions only made available online.

Enhanced GST Rental Rebate

Department of Finance released a proposed increase to GST rental rebates **from 36% to 100%** and removal of phase-out thresholds for properties with a value in excess of $350,000. This will apply to rentals starting construction from September 14, 2023 to December 31, 2030, and complete construction by December 31, 2035. **To qualify,** new residential units must meet existing requirements and the following criteria:

- Must contain at least 4 private apartment units (with private kitchen, bathroom & living areas) or at least 10 private rooms or suites (ie: student residences, seniors, people with disabilities); and
- At least 90% of the property's residential units must be for long-term rental. Converting existing non-residential real estate, (ie: an office building), into a residential complex would also be eligible if all other conditions are met.

The enhanced rebate will not apply to individually owned condo units, single-unit housing, duplexes, triplexes or housing co-ops, but the existing rebate is still available for these units. Substantial renovations of existing residential complexes are not eligible. This proposal calls on provinces to remove provincial sales tax or HST from such projects.

Short-Term Rentals (like Airbnb):

Draft legislation effective January 1, 2024, proposes tax deductions will be denied for expenses (including interest), for short-term rental income when earned in provinces & municipalities that disallow short-term rentals OR when short-term rental operators are not compliant with provincial or municipal licensing, permits or registration requirements. Owners have until December 31, 2024 to become compliant to avoid these limitations.

GST/HST Registrants

If you supply **short-term rentals** (less than one month) such as Airbnb rentals and your are **not a small supplier** (revenues from taxable sales exceed $30,000 in the previous 12 consecutive months), **rent is subject to GST/HST**. Taxable supplies of all associated persons, must be combined to determine total taxable supplies. So, if an individual controls a corporation which generates more than the $30,000 maximum and is registered for GST/HST, that individual is required to register from the first dollar of short-term rent.

If the taxpayer is registered, GST/HST must be charged, collected and remitted on these rents. If taxes are not collected from the renter, then the taxpayer is liable for the relevant GST/HST applicable to the rent charged, so missing this requirement can be a costly oversight. As a registrant, the taxpayer will also be entitled to claim input tax credits (ITCs) on the costs associated with earning revenues to offset the GST/HST payable.

Registered Disability Savings Plans (RDSP):

The definition of a qualifying family member will be expanded to include siblings over the age of 18, permitting them to acquire rights as successor holder of an RDSP following the death of that plan's last remaining holder who was also a qualifying family member.

When there is a question of contractual competence for a person with a disability who is 18 years of age or older, the RDSP plan holder must be that person's guardian or legal representative. A temporary measure allowed a qualifying family member (the person's parent, spouse or common-law partner) to open an RDSP and be the plan holder when there was no legal representative. This temporary measure will now be extended by three years until December 31, 2026. Qualifying family members who become a plan holder before the end of 2026 can remain the plan holder after 2026.

Registered Educational Savings Plans (RESP):

Royal Assent was received on June 22, 2023 to increase the limit on Educational Assistance Payment (EAP) withdrawals for the first 13 weeks from $5,000 to $8,000 for full-time students and $2,500 to $4,000 for part-time students. Previously paid EAPs cannot be modified retroactively however, those who withdrew EAPs before March 28, 2023 may be able to withdraw an additional EAP amount, within the new limits and their plan's terms. Talk to your plan provider for details.

Under current law, only spouses or common-law partners can jointly enter into an agreement with an RESP promoter to open an RESP. Changes will now ensure that divorced or separated parents can also now jointly open RESPs for their children, or move an existing joint RESP to another promoter.

CONFUSED WHICH OPTION IS BEST FOR YOU? HERE'S A BREAKDOWN ON SOME COMMONLY ASKED QUESTIONS:

TFSA TAX FREE SAVINGS ACCOUNT A registered plan where contributions are not deductible and investment earnings & contributions are not taxable in the plan or on withdrawal.	RRSP REGISTERED RETIREMENT SAVINGS PLAN A registered plan where contributions are deductible and investment earnings & contributions are taxed on withdrawal, providing a tax deferral.	FHSA FIRST HOME SAVINGS ACCOUNT A registered plan (available for 15 years) where contributions are deductible and earnings and contributions can be withdrawn tax-free if used to purchase a qualifying home.
WHO CAN OPEN ONE?		
Individuals with a SIN who are at least the age of majority (18 or 19) in their province.	Individuals with a SIN who are under 71, have earned income and filed an income tax return in Canada.	Canadian residents 18 to 71. Individual or their spouse/common-law partner cannot have owned a home they lived in the current year or any time in the previous 4 years.
WHAT IS THE CONTRIBUTION LIMIT?		
The sum of the annual contribution limits available to the individual (in 2023, the annual limit is $6,500 and $7,000 for 2024), plus the withdrawals in earlier years, less previous contributions.	The sum of the annual contribution limits less previous contributions. The annual limit is based on 18% of the prior year's earned income in Canada, up to a maximum amount (indexed annually).	$8,000 annually, plus up to $8,000 of unused contribution room from prior years (determined by a formula) to a lifetime limit of $40,000. Neither of these limits increases annually.
CAN A NON-RESIDENT CONTRIBUTE?		
Yes, however not advised, as contributions by a non-resident are subject to a 1% tax each month the contribution remains in the account while the individual is a non-resident.	Yes, however not generally advised, as no deduction is available and there will likely be more beneificial retirement vehicles available in other countries.	Yes, however individuals cannot make a tax-free qualifying withdrawal as a non-resident.
MUST YOU EARN INCOME TO ACCUMULATE CONTRIBUTION ROOM?		
No.	Yes.	No.
ARE CONTRIBUTIONS TAX-DEDUCTIBLE?		
No.	Yes, contributions can be deducted in the year they are made, or any subsequent year. In addition, contributions made within the first 60 days of a calendar year can be deducted in the previous year.	Yes, contributions can be deducted in the year they are made, or any subsequent year. Contributions made within the first 60 days of a calendar year cannot be deducted in the previous year.
SPOUSAL CONTRIBUTIONS		
Individuals can gift funds to their spouse, who can contribute to their TFSA without income attributing back to the individual.	Individuals can contribute to their spouse's RRSP based on the individual (not the spouse's) contribution limit. The individual gets the deduction without income attributing back to them, provided the spouse does not withdraw the contribution before the end of the 3rd calendar year following the contribution.	Individuals can gift funds to their spouse, and the spouse can make the contribution and get the deduction without income attributing back to the individual.
CAN YOU WITHDRAW FUNDS FOR ANY PURPOSE?		
Yes, withdrawals are not taxable.	Yes, however withdrawals are taxed at your taxable marginal rate and you will lose that contribution room.	No, you may withdraw for a qualifying home purchase or look into transfers to other registered plans.
DO WITHDRAWALS INCREASE FUTURE CONTRIBUTION ROOM?		
Yes, withdrawal amounts will add to the contribution room the following Jan 1st.	No, withdrawals cause you to lose contribution room.	No.
IS THERE AN OVERCONTRIBUTION PENALTY ON TAX?		
Yes, 1% per month on excess contributions	Yes, 1% per month on excess contributions	Yes, 1% per month on excess contributions

Climate Action Incentive (CAI)

The CAI is now paid quarterly, rather than as part of the tax refund. To receive payment, the taxpayer must be at least 19 years of age, married or living common law, or the parent of a child and living in an eligible province (AB, SK, MB, ON, NS, PE, NL). As of July 1, 2023, Newfoundland, Nova Scotia and PEI will also be added.

ONTARIO PAYMENT DATES:
April, July, Oct & Jan

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

RURAL INCENTIVE PROGRAM

Starting in April 2024, the 10% rural top-up amount will permanantly increase to 20% under proposed legislation.

The year a qualified dependant turns 19, their CAI will no longer be included with their parents, but paid separately, if they filed a tax return for the previous year. **Ensure your 18 year old files a return.** If there is shared custody of a child, the related benefit will be split 50/50. Newcomers to Canada can also register for CAI.

Disability Tax Certificate (DTC) Upgrade

In 2023, **Part A** (the non-medical portion) of Form T2201, Disability Tax Certificate can now be completed online by the patient in My Account, with prepopulated information from CRA. This will generate a reference number to be given to the medical practitioner, when they complete **Part B** (the medical certification) inside the digital application. When Part B is complete and the reference number is entered, the information is automatically submitted to CRA. The reference number will remain available on My Account until Part B is completed. Part A cannot currently be completed through Represent a Client, but can still be completed by phone. Call the personal tax general enquiries line (1-800-959-8281) or the new automated voice system (1-800-463-4421), which is intended to be used only by the disabled individual.

PLEASE CALL KAITLYN TO SET UP AN APPOINTMENT

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HOURS OF OPERATION:

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

PORTAL & TAX TIPS

Our **CCH iFirm Client Portal** provides you with 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 Kaitlyn for a registration link if you are not already using CCH iFirm Portal.

FORGOT YOUR PASSWORD?
Click the "*forgot your password*" link on the login screen.

GET 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 your tax information, send everything together in ONE package with NO staples.
- Refer to last year's tax return or portal folder as a reminder of what to send in.