

2023 PERSONAL INCOME TAX CHANGES

Outlined below are a number of items which may affect 2023 personal income tax returns. Recurring items with updated limits are listed first, followed by new items for 2023 and subsequent years. Please note that this list does not include all existing or new items which may be available to a taxpayer.

1. **RRSP Contribution Limit:** Your RRSP contribution must be made by **February 29, 2024** to allow a tax deduction on your 2023 personal income tax return. The RRSP deduction limit for 2023 is \$30,780 (assuming maximum 2022 qualifying earnings and no pension adjustment from company pension plans) plus, unused RRSP room carried forward from prior years. You should review your 2022 notice of assessment to verify your limit and to ensure you do not over-contribute.

The 2024 deduction limit is \$31,560 which requires earned income of \$175,333 in 2023.

A non-deductible over-contribution is allowed up to \$2,000. Monthly penalties and interest will apply if over-contributions exceed \$2,000 so it is important that these limits are not exceeded at any time during the year.

2. **Tax-Free Savings Account (“TFSA”):** The annual contribution limit for 2024 is \$7,000. An individual who was 18 or older in 2009 (the year that TFSA was introduced) has *cumulative* TFSA contribution room from 2009 to 2024 of \$95,000 (assuming no prior contributions).
3. **Repayment of Old Age Security (“OAS”):** If your net income on line 23600 on your 2023 personal income tax return exceeds \$86,912, you will be required to repay some or all of your OAS and, you will receive a reduced amount of OAS in 2024. Full repayment of OAS is required when 2023 net income reaches \$142,609 (under 75) and \$148,179 (75 or older). If this applied to you in prior years, part or all of your OAS may have already been withheld.
4. **Personal Income Tax Rates:** There have been no changes to the personal income tax rates in Ontario for 2023. The tax brackets continue to be adjusted each year for inflation. **The lowest Ontario income tax bracket includes income up to \$49,231 for 2023 with an approximate personal income tax rate of 20%.** The top Ontario personal income tax rates on taxable income in excess of approximately \$235,000 for 2023 are:
 - Salary, interest and other income taxed at regular rates 53.53%
 - Capital gains 26.77%
 - Dividends ‘eligible’ for the enhanced tax credit 39.34%
 - Non-eligible dividends 47.74%



5. **Charitable Donations Credits:** For an individual resident in Ontario, the tax credit for charitable donations is as follows:
- 20.0% on the first \$200 of charitable donations.
 - 46.4% on charitable donations in excess of \$200.
 - 50.4% on charitable donations in excess of \$200 to the extent the individual has taxable income exceeding \$221,708 (that is, the taxpayer has income subject to the top federal personal income tax rate).

Instead of cash donations, there is no capital gains tax payable on accrued capital gains if publicly listed securities are donated in-kind to eligible charities.

6. **Medical Expenses:** Medical expenses paid in the year (*which have not been reimbursed or covered by a medical insurance plan*) can be claimed if they exceed the lesser of two amounts: 3% of your net income or, \$2,635.00 In Ontario, the claim results in a tax credit of approximately 20% of the amount claimed in excess of the threshold. Taxpayers can refer to the CRA Income Tax Folio S1-F1-C1 which lists eligible expenses. As a reminder, most pharmacies can provide a list of prescriptions paid during the year.

7. **Automobile Limits:** The following limits are effective for 2024 for residents of Ontario:
- Automobile allowance rates: 70 cents/km for the first 5,000 km, then 64 cents.
 - Maximum capital cost for capital cost allowance: \$37,000.00 plus HST.
 - Deductible lease cost limit: \$1,050.00/month plus HST. { An additional restriction may apply where the value of the vehicle exceeds the \$37,000.00 ceiling. }
 - Other limits may apply for zero-emission vehicles or, automobile salespersons.

8. **Important Reminders:**

- **Tax Instalments:** CRA will issue instalment reminders if your personal tax owing in the prior calendar year (before deducting instalments paid for that year) exceeded \$3,000.00. Instalment reminders are usually sent by CRA in February (for the March 15 and June 15 instalment) and August (for the September 15 and December 15 instalment). Interest, currently at 10%, (and possibly penalties) will apply if instalments are paid late. If you expect your current year's taxes payable to be less than the prior year, you may base your instalments on the estimated tax payable, however, interest will be charged if your estimate is too low.
- **Foreign Reporting Form:** Given the significant penalties for failure to submit these forms on time, this is a reminder that separate tax forms must be filed with CRA by the due date for filing your income tax return if you own certain foreign property or foreign investments with a combined cost exceeding \$100,000 CAD *at any time during the year*.
- **Sale of Principal Residence:** Prior to 2016, CRA's administrative position did not require reporting the sale of a principal residence when there was no gain to include in income. You are now required to report on Schedule 3 and form T2091 (Designation of a Property as a Principal Residence by an Individual) on your personal income tax return the sale of a principal residence, *even if the gain is fully exempt*. Taxpayers failing to report this information may not be eligible to claim the principal residence exemption.

- **Tuition Credits:** If you have paid post-secondary tuition, please visit the school's website to download the official T2202 tuition tax credit form. If you paid tuition to post-secondary schools outside Canada, you will require form TL11A to be completed by that school. Statements of account or other fee receipts *cannot* be used to claim tuition tax credits – only form T2202 and TL11A are acceptable.

9. **Underused Housing Tax Filing (“UHT”):** Effective for 2022, the Federal government introduced a 1% tax on the value of vacant or underused *residential* property for certain owners. (This is a separate reporting from those implemented by certain provinces and municipalities.) ‘Excluded owners’ (a defined term, including Canadian citizens or permanent residents) do not need to file the Federal UHT return.

If the owner is not an ‘Excluded owner’, certain owners may still be eligible to can claim one of the ‘Exemptions’ from the tax however, the owner of the residential property ***must still submit the UHT return*** even though no tax is owing. The due date of this filing is April 30, with significant penalties assessed for late filings.

Proposed changes to the UHT legislation indicate that Canadian private corporations with less than 10% foreign ownership (and certain other partnerships and trusts) are considered ‘Excluded owners’ **effective on January 1, 2023**. However, it is important to note that these changes have not passed into law at the time of writing this publication.

Copy the website address below to your browser for additional information:

<https://www.canada.ca/en/services/taxes/excise-taxes-duties-and-levies/underused-housing-tax.html>

10. **Multigenerational Home Renovation Tax Credit:** In 2023, a new refundable credit to a maximum of \$7,500 can be claimed for the purpose of establishing a secondary unit within the dwelling for occupancy by a qualifying individual (generally, related seniors and adults with a disability). The credit is based on a rate of 15% on up to \$50,000 in construction and renovation costs.
11. **First Home Savings Account (“FHSA”):** This new first home purchase savings plan incentive is effective April 1, 2023 and is available to a first home buyer (as defined). Tax deductible contributions can be made in the amount of \$8,000 annually, with maximum lifetime contributions of \$40,000. No income tax is payable on the income earned within the FHSA or, on ‘qualifying’ withdrawals from the plan to purchase a home.
12. **Residential Property Flipping Rules:** Effective for dispositions in 2023, profits from the disposition of residential property located in Canada (including rental property) owned less than 365 days will be fully included in taxable income as ordinary business income. Profits will not be eligible for the 50% capital gains inclusion rate or the principal residence exemption. There are a number of exclusions including the death of a taxpayer, breakdown of a marriage, serious illness or disability, eligible relocations for employment, and several other exclusions.



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February 2024

Please contact Gary Aslett at (905) 465-3313 or gary@aslettca.ca if you require further information on the above.

The material provided is believed to be accurate as of the date it is written. Tax laws are complex and are subject to continual change. Professional advice should always be sought before implementing any tax planning arrangements.

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