2023
Year-end tax tips for RTOERO members

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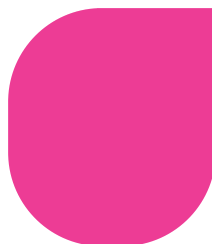
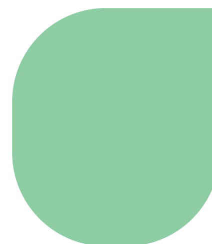
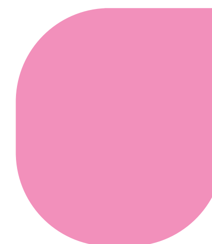

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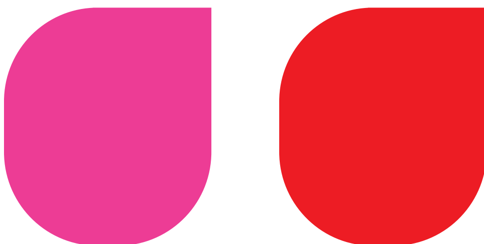
2023 year end tax tips

Income tax rules change almost constantly, largely as a result of new government budgets. Members of RTOERO should continually monitor their tax situation to ensure that they are taking advantage of the available credits and deductions that the tax system offers. This publication contains several points to consider for 2023, as well as some planning ideas for the future.

NOTE: Some of these strategies may be based on proposed tax legislation that is not yet law. Each person's tax situation is unique, and you should consult your tax advisor before undertaking any action on the basis of the following tips or any other general advice.

New reporting requirements for trusts

The rules governing which trusts must file an annual T3 Trust Income Tax and Information Return have been changed for trusts with taxation years ending after December 30, 2023. These new rules require certain trusts (including ones that were not required to file in the past) to file a tax return due April 2nd, 2023. Note that these new rules capture bare trust arrangements (for example "In-Trust For" accounts), even if an income slip is already produced by the financial institution. There are limited exceptions to the new rules, and each situation must be evaluated on a case-by-case basis. As such, if you are unsure of your filing obligations, we encourage you to review your fact pattern with your tax advisor.



Some examples of trust arrangements that may not have been required to file prior to 2023 but are now required to file for 2023 and future years include:

- "In-Trust For" accounts held with financial institutions
- Ownership of real estate whereby 100% of the beneficial ownership is with one person but another person is also on title (for example as a co-signor for the mortgage)
- Inactive personal trust owning private company shares
- Many others

For more information please visit https://www.canada.ca/en/revenue-agency/services/tax/trust-administrators/t3-return/new-trust-reporting-requirements-t3-filed-tax-years-ending-december-2023

Income splitting/sprinkling

Income-splitting/sprinkling is a tax planning technique whereby a taxpayer who is subject to a high personal income tax rate shifts income to a family member who pays tax at a lower rate. There are many legislative provisions that serve to prevent this from happening. On June 21, 2018, the new Tax on Split Income (TOSI) rules received Royal Assent and became law. You should consult with your tax advisor to ensure that you are aware of the impact of these new rules, and the tax consequences of making any transfers (transfer of property, loaning of money, etc.).

Nevertheless, there are still a number of tax planning arrangements that can be used effectively to redistribute income in a family unit. For example:

- Have your business pay a reasonable salary to your spouse or children.
- Contribute to a spousal RRSP. You will still get to claim the tax deduction on your tax return.
- Share Canada Pension Plan (CPP) income with your spouse or common-law partner.
- The higher income spouse or common-law partner should assume most or all of the personal household expenses, including tax payments, leaving the lower income spouse or common-law partner with as much income as possible for investment income earning purposes.
- Transfer or sell assets to family members for fair market value consideration. Any future income earned from these assets will be taxed in their hands. If a loan is received in consideration, reasonable interest must be charged and paid by January 30th of the following year. (The minimum interest rate that must be charged is prescribed by the CRA).
- The initial income earned on property loaned to a non-arm's length person may be attributed back to the transferor. However, income earned on that income will not be attributed.
- Buy capital property with a low yield but high capital gains potential in the names of your minor children. Any income earned will be attributed to you; however, any future capital gains will be taxed in your children's hands.
- Give cash or other assets to adult children. Gifts are subject to a deemed disposition at fair market value.
- Your spouse or common-law partner and/or children can participate in an incorporated business by owning shares acquired with their own funds. Any dividends or capital gains related to the shares will be taxable in their hands. However, the "kiddie tax" and/or TOSI may apply in respect of dividends received by family members. Corporate attribution may also apply.
- Create inter-vivos trusts to provide income-splitting opportunities (subject to the TOSI rules discussed above).
- Contribute to a Registered Education Savings Plan (RESP). Contributions are not tax-deductible; however, the earnings within the plan accumulate on a tax-deferred basis. In addition, there is a grant provided by the government of Canada that will match 20% of the annual contributions up to a maximum contribution of $2,500. If your child does not pursue a post-secondary education, the principal you contributed is returned to you; however, you may have to forfeit all the earnings. Consult with your investment advisor for more details.

Pension income splitting

Pension income-splitting was introduced for 2007 and subsequent years. If you are receiving income that qualifies for the pension income tax credit, you will be able to allocate up to one-half of that income to your spouse or common-law partner (and vice versa).

To qualify for pension income splitting, the pension income must satisfy certain criteria. If you were 65 years of age or older in 2023, eligible pension income includes lifetime annuity payments under a registered pension plan, a registered retirement savings plan or a deferred profit-sharing plan, and payments out of or under a registered retirement income fund. Eligible pension income does not include payments under the Canada Pension Plan (CPP) or Old Age Security (OAS) programs. Your tax advisor can assist you in implementing this planning strategy.

Taxation of capital gains

A capital gain occurs when you sell a capital property for more than its original cost. Capital gains receive very favourable tax treatment and are currently taxed at 50% of the regular tax rate.

With the lower rate of tax on capital gains compared to dividends and interest, now is a good time to review your investment mix with your advisor to determine if you are obtaining the maximum tax effectiveness from your investments.

Capital gains deduction

The $100,000 capital gains deduction has been eliminated for gains realized after February 22, 1994. However, you were able to file a special election to utilize this deduction on filing your 1994 personal tax return. If you continue to hold property for which a capital gains election was made, you should continue to monitor the revised cost base or the special tax account to consider it when you sell the property.

Enhanced capital gains deduction

If you own a qualifying farm or fishing property or shares in a qualified small business corporation, you are entitled to a cumulative capital gains deduction. For shares in a qualified small business corporation, the maximum lifetime deduction for 2023 is $971,190 (minus any amount you claimed in the past). For qualified farm or fishing property, the lifetime limit is $1,000,000 (minus any amount you claimed in the past).

You should plan your affairs to maximize the likelihood of benefiting from this deduction. As there are many potential tax traps and other costs associated with such tax planning, **professional advice is highly recommended.**

If you plan to take advantage of this enhanced deduction, talk to your tax advisor about the applicable related rules dealing with Cumulative Net Investment Loss (CNIL), Allowable Business Investment Loss (ABIL) and Alternative Minimum Tax (AMT).

Principal residence exemption

Starting with the 2017 taxation year, an individual is required to report basic information (i.e., the date of acquisition, the proceeds of disposition and a description of the property) as well as the principal residence designation on his/her income tax return on the sale of the residence in order to claim the principal residence exemption. This is done by completing form T2091 Designation of a Property as a Principal Residence by an Individual, and also requires reporting the designation on Schedule 3.

The CRA can accept a late principal residence designation in certain cases, but a substantial late filing penalty of up to a maximum of $8,000 may apply.

For taxation years ending after October 2, 2016, the rules permit the CRA to reassess

tax, after the end of the normal reassessment period (three years after the date of the initial notice of assessment, for most taxpayers), on a gain from the disposition of real or immovable property if the taxpayer does not initially report the disposition. This change also applies when the taxpayer owned the property indirectly through a partnership and the partnership did not report the disposition of the property in the partnership return.

Also, the rules limit the type of trusts that are able to designate a property as a principal residence. There are some transitional rules that may apply.

For a property to qualify as a principal residence for a particular year, one of the conditions is that the individual owner must be a resident in Canada during that year.

The taxpayer cannot designate more than one property per year but there is a special "one-plus" rule for individuals who, in the same year, disposed of their home and acquired a replacement home. This rule is in place to ensure that the individual is not "penalized" and can still designate both properties as a principal residence.

However, under the rules for dispositions that occur after October 2, 2016, this "one-plus" rule is eliminated if the individual was not resident in Canada during the year in which he/she acquired the property.

Given the complexity of the new rules, you should contact your tax advisor for more information.

Residential Property Flipping Rule

For 2023 and subsequent taxation years, Budget 2022 introduced a new deeming rule for residential real estate (including rental property). The new deeming rule is to ensure that profits from the disposition of "flipped property" are taxed as business income.

Property flipping involves purchasing residential property and reselling the property in a short period of time to realize a profit. This also includes reselling the rights to purchase a property before its official sale.

Starting on January 1, 2023, the new deeming rule applies to flipped property to ensure that profits are subject to full income inclusion. Under the new rule, profits from the sale of a flipped property are deemed to be business income. Where the new deeming rule applies, profits on the sale cannot be treated as a capital gain (50% income inclusion) and the Principal Residence Exemption is not available.

The definition of Flipped Property includes a housing unit located in Canada (or a right to acquire such a unit) that was owned by the taxpayer for less than 365 consecutive days prior to the disposition.

There are a number of exceptions to the property flipping rules, and any situation that is at risk of having these rules apply should be analyzed carefully.

Multigenerational Home Renovation Tax Credit

For the 2023 and subsequent taxation years, Budget 2022 introduced the Multigenerational Home Renovation Tax Credit (MHRTC), a refundable credit to assist with the cost of renovating an eligible dwelling to establish a secondary unit that enables a qualifying individual (i.e. a senior or an adult who is eligible for the disability tax credit) to live with a qualifying relation (i.e. an adult parent, grandparent, child, grandchild, sibling, aunt, uncle, niece, or nephew of the qualifying individual or their spouse). The credit is available for qualifying expenditures made or incurred after December 31, 2022, for services performed or goods acquired after that date.

A qualifying renovation is one that creates a secondary unit within the dwelling that will be occupied by the qualifying individual or a qualifying relation. The value of the credit is 15% of the lesser of qualifying expenditures and $50,000.

Certain conditions must be met for the secondary unit and related expenditures to qualify. Please ensure that you review the detailed requirements from the CRA.

Underused housing tax

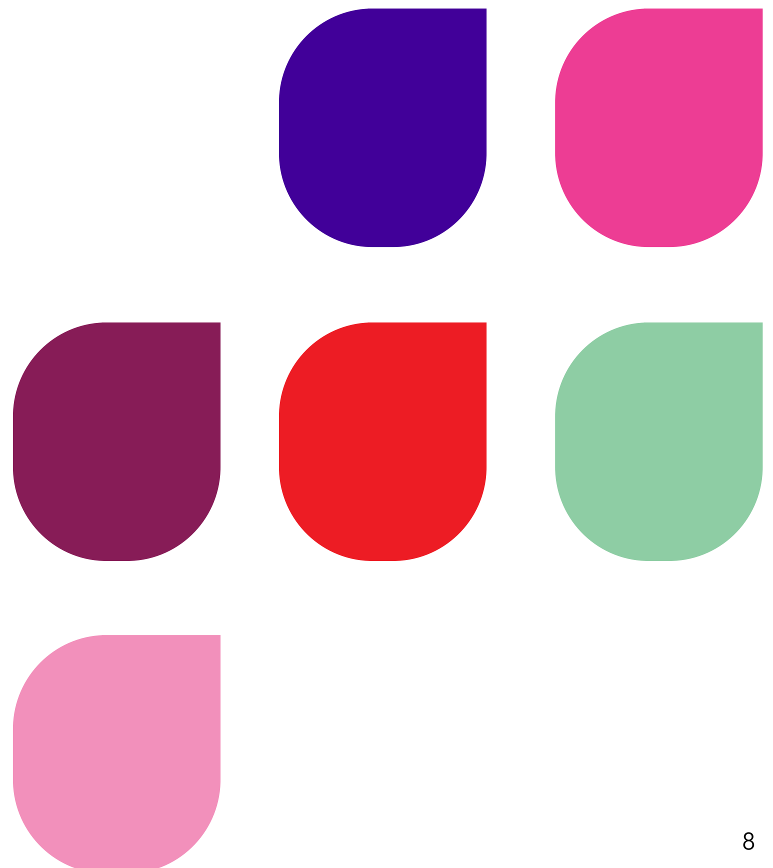
The Government of Canada has introduced an underused housing tax on the ownership of vacant or underused housing in Canada. The Underused Housing Tax Act received royal assent on June 9, 2022, and the tax took effect on January 1, 2022.

This new tax requires affected property owners with vacant homes to file a UHT return with the CRA annually. The UHT is calculated as 1% of the taxable value of the property as of December 31 of the previous year. The taxable value equals the greater of the value for property tax purposes and the most recent sales price at year end, but the owner may be able to elect to use a fair market value if a qualifying appraisal report is obtained.

Under the UHT rules, an affected owner is generally the title holder of the residential property under the applicable land registration system; however, life tenants, life lease holders or a person that has continuous possession of the land on which the residential property sits under a long-term lease may also be considered an affected owner.

Most Canadian citizens and permanent residents of Canada are excluded from any UHT filing obligations or liabilities but there are limited exceptions. In 2023 the Department of Finance tabled the federal government's Fall Economic Statement, expanding the definition of excluded owner to include certain corporations, partnerships, and trusts.

Given the complexity of the UHT rules, you should contact your tax advisor for more information.



Canada Dental Care Plan

The Canadian Dental Care Plan (CDCP) was created to help ease financial barriers to accessing oral health care for eligible Canadian residents who:

- Have an annual adjusted family net income of less than $90,000; and
- Don't have access to dental insurance.

The CDCP will help cover the cost of various oral health care services that keep your teeth and gums healthy and treat problems that can happen.

Examples of services that could be covered under the CDCP when recommended by an oral health provider, include:

- 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.

Note: Some services will only become available in fall 2024.

The timing for applying to the plan depends on your age, beginning with as early as December 2023 for seniors aged 87 and above, to May 2024 for seniors aged 65 to 69. Adults with a valid Disability Tax Credit certificate can apply beginning June 2024, and children under the age of 18 can apply beginning June 2024. The CDCP will only pay for oral health care services covered within the plan at the established CDCP fees.

If you are covered under the CDCP, you will not have to pay the full cost out of your own pocket. The amount covered by CDCP is based on your adjusted family net income:

- Lower than $70,000: 100% of eligible oral health care services will be covered by CDCP.
- Between $70,000 and $79,999: 60% of eligible oral health care services will be covered by CDCP.
- Between $80,000 and $89,999: 40% of eligible oral health care services will be covered by CDCP.

You should always ask your oral health care provider about any costs that won't be covered by the CDCP.

Loss utilization

The realization of losses inherent in assets on hand is still an appropriate year-end tax planning strategy. If you have realized capital gains in 2023 or in any of the three preceding years (that have not already been reduced by losses or your capital gains deduction), consider selling investments with accrued losses before the end of the year. Remember that a disposition of public shares is deemed to take place at the settlement date, which could be up to three business days after the trading date. Capital losses realized in a year can be used to offset current year or future capital gains, or they can be carried back and applied to reduce realized capital gains in the three preceding years (note: generally, capital losses can only be deducted against capital gains). Also, if your spouse or common-law partner has realized a capital gain and you own investments with an unrealized loss (or vice versa), there are ways to transfer the loss to the spouse with the gain.

Strategies to create capital losses are subject to special rules such as the superficial loss rules. For instance, if shares that are sold for a loss are repurchased within 30 days by yourself or a related person, the capital losses may be denied. Please contact your tax advisor before implementing this planning strategy.

Registered Retirement Savings Plans (RRSPs)

Your RRSP contribution for any given year is based on your earned income for the prior year. Earned income includes salaries, employee profit sharing income, business income, disability pensions under the CPP or QPP, taxable alimony or maintenance and rental income less losses. Earned income does not include retirement allowances, investment income, capital gains, pension income and business income earned as a limited partner. Your 2022 earned income determines your 2023 RRSP contribution limit and to make the maximum contribution of $30,780 in 2023, you will require earned income of at least $171,000 in 2022. The maximum amount you can contribute will also depend on whether you are a member of a Registered Pension Plan (RPP) or a Deferred Profit-Sharing Plan (DPSP). You can contribute any amount up to your maximum to an RRSP set up for yourself, your spouse/common-law partner, or a combination of both. To be a beneficiary of a plan you must be under the age of 71 at the beginning of the year. If you are older than this, but you have earned income and your spouse or common-law partner is under 71 at the beginning of the year, you can still contribute to his or her plan. You have until February 29, 2024, to make contributions to your RRSP for 2023. However, if you turned 71 during 2023, the contribution must be made, and the plan collapsed, by December 31, 2023. For most individuals, this means the RRSP will be transferred into a Registered Retirement Income Fund (RRIF), used to purchase an annuity, or a combination of both. You should speak with your tax advisor to determine which option is best for you.

Contributions to an RRSP do not have to be in the form of cash. For example, you can use qualified investments (at fair market value). As a general rule, you should not transfer investments that have declined in value to an RRSP. There are very complex tax rules around the transfer of investments into an RRSP as well as implications for the eventual disposal of the assets, so consult your tax advisor to see how it might affect you. Looking forward, the maximum contribution room for 2024 will be $31,560 which would require earned income of at least $175,333 in 2023.

Additional Planning Points about RRSP

- If you received an amount on termination of employment that qualifies as a retiring allowance, a special RRSP contribution may be available which is over and above your regular contribution room. The amount that can be transferred is $2,000 multiplied by the number of years you worked for your employer prior to 1996 plus an additional $1,500 multiplied by the number of years you worked for your employer prior to 1989 during which time your employer made no vested contributions to a registered plan on your behalf. This additional contribution must be made to your plan and cannot be made to your spouse or common-law partner's plan.

- You can over-contribute to your RRSP – within limits – without having to pay a penalty tax. In general, the cumulative lifetime total amount you can over-contribute to your plan is $2,000.

- If you are a member of an RPP or a DPSP and you leave before retirement or terminate your participation in the plan, your RRSP contribution limit may be increased by a pension adjustment reversal (PAR). The PAR is intended to restore lost RRSP contribution room in the event that your pension entitlement or the termination benefit under the RPP or DPSP is less than the foregone RRSP contribution room. The PAR is generally added to your contribution room for the year that you leave.

- The 2005 federal budget introduced rules that no longer restrict the amount of foreign investments you can hold in your RRSP. This change applies for 2005 and subsequent years.

Home Buyers' Plan (HBP) – using funds in your RRSP

You and your spouse or common-law partner can each "borrow" up to $25,000 tax-free from your respective RRSPs to use to purchase a home in Canada, provided you are both first-time buyers. If the withdrawal from the RRSP occurs after March 19, 2019, the maximum amount of the withdrawal is $35.000. You are considered a first-time buyer if, during the four calendar years prior to the year of withdrawal and up to 31 days before the withdrawal, neither you nor your spouse or common-law partner (if applicable) owned a home in which either of you resided.

If you contribute an amount to your RRSP, you cannot make an HBP withdrawal within 90 days of that contribution, or your ability to claim a deduction for that contribution may be restricted. You have until October 1 of the year following the withdrawal to complete the acquisition of the home or a substitute. If you fail to acquire a home by October 1 of the following year, you must return the borrowed funds to your RRSP by December 31 of that year to avoid a penalty.

Once enrolled in the HBP, the money you borrow must be returned to your RRSP in annual installments over 15 years, commencing in the second year following the year of the withdrawal. If the required repayment is not made, an amount will have to be included as income in the year of the shortfall. However, you may choose to repay more than the minimum annual amount, in which case, there will be less to repay over the remainder of the 15-year period, therefore reducing the repayment amount for subsequent years.

The Home Buyers' Plan can be used more than once in a lifetime. To participate in the program a second time, the full amount previously withdrawn must be paid back into your RRSP before the beginning of the given year in which you wish to participate a second time and you must still qualify as a first-time buyer.

Lifelong Learning Plan (LLP) – using funds in your RRSP

You can make a tax-free RRSP withdrawal to finance full-time training or education for you or your spouse or common-law partner. Withdrawals are limited to $10,000 per year, over a period of up to four calendar years, and are subject to a cumulative total of $20,000.

To qualify, you or your spouse or common-law partner must be enrolled or committed to enroll as a full-time student in a qualifying education program – which must be at least three months in duration – at a designated educational institution. The full-time requirement does not apply for disabled students.

Withdrawals must be repaid to the RRSP over a maximum 10-year period starting in the year after the last year that the qualifying individual was enrolled as a full-time student. However, the repayments must commence no later than the fifth year after the initial withdrawal, even if full-time enrolment continues. If the required repayment is not made, an amount will have to be included in income.

Contact your tax advisor to discuss whether you or your spouse or common-law partner would qualify under the HBP or LLP programs.

Tax-Free First Home Savings Account (FHSA)

The new FHSA was effective April 1, 2023 and is intended to help Canadians trying to save up to purchase their first home.

To open a FHSA you must be a Canadian resident, at least 18 years old and not turning 72 or older in the year, and a first-time home buyer which means you have not lived in a home owned by you or your spouse or common-law partner in the last four years.

Contributions to the FHSA are tax deductible during the calendar year they are made in and can be carried forward to be deducted in a future year. Starting in 2023, $8,000 per year can be contributed up to a lifetime contribution limit of $40,000. Withdrawals from the FHSA are tax-free provided that they are qualifying withdrawals used to buy a qualifying home.

For more information, please contact your tax advisor.

Tax-Free Savings Account (TFSA)

For the years 2009 to 2012 inclusive, every Canadian resident individual (other than a trust) 18 years of age or older has been able to contribute $5,000 a year to a TFSA. For 2013 and 2014, the contribution limit was increased to $5,500 per year, and $10,000 for the 2015 year.

For the years 2016 to 2018, the contribution limit was reversed back to $5,500, and increased to $6,000 in 2019 to 2022. The contribution limit for 2023 was increased to $6,500, and in 2024 is increased again to $7,000. For an individual that has never contributed to a TFSA and was 18 years of age or older in 2009, the cumulative 2024 contribution limit is $95,000.

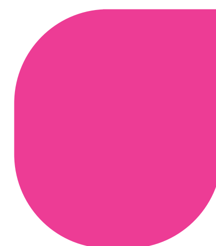
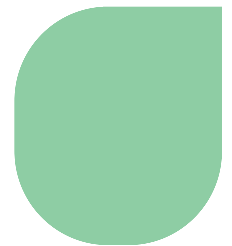
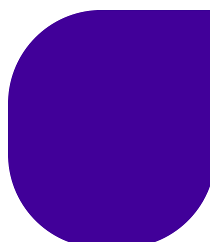
Subject to certain exceptions, the TFSA will generally be permitted to hold the same investments as an RRSP.

Unlike RRSP's, you will not be entitled to a deduction for contributions to a TFSA in calculating income for tax purposes. However, you will not include in income for tax purposes any income, losses or gains from investments held within a TFSA, or amounts withdrawn from it. Further, amounts withdrawn from a TFSA will not be included in determining your eligibility for income-tested benefits or credits, such as the age or medical credit or OAS claw-back.

If you do not contribute to a TFSA in a particular year, the contribution room can be carried forward indefinitely to future years. Also, amounts withdrawn from a TFSA can be re-contributed at the beginning of the following year without impacting your contribution room. Interest on money borrowed to invest in a TFSA is not deductible.

The tax payable for excess contributions to a TFSA account is 1% per month, for any month in which there is an excess amount at any time in the month. You may also be charged a penalty of 100% of any income earned from the excess contribution.

A TFSA can prove to be a worthwhile savings vehicle and can also provide you with some interesting opportunities to manage your retirement income. Your tax advisor can assist you in determining what savings vehicle is the best option for you, given your particular circumstances.

Tax rates

Effective calendar 2023, the Federal income tax rates and income thresholds are as follows:

- 15% will apply to income up to $53,359.
- 20.50% will apply to income over $53,359 up to $106,717.
- 26% will apply to income over $106,717 up to $165,430.
- 29.32% will apply to income over $165,430 up to $235,675.
- 33% will apply to income earned in excess of $235,675.

Proposed 2024 tax rate changes

Effective calendar 2024, the proposed Federal income tax rates and income thresholds are as follows:

- 15% will apply to income up to $55,867.
- 20.50% will apply to income over $55,867 up to $111,733.
- 26% will apply to income over $111,733 up to $173,205.
- 29.32% will apply to income over $173,205 up to $246,752.
- 33% will apply to income earned in excess of $246,752.

It is recommended that you have a tax advisor analyze your particular circumstances to determine the optimal distribution of income in the optimal period.

Non-Registered mutual fund investments

It is important to consider the timing of the sale or purchase of a non-registered mutual fund. If you are considering a purchase, you may want to defer the purchase until early 2024 (or 2025 if planning for the following year). Most mutual funds distribute income and capital gains once a year, around mid-December. If you purchase units of a mutual fund just prior to a distribution, you will be allocated a full share of the fund's income and capital gains for that year. Deferring the purchase until January of the following year will ensure that you will not have to report the income in the current year. Alternatively, if you are thinking about selling units of a non-registered mutual fund, you should sell them before the distribution date (again, usually around mid-December). By selling your mutual funds before this time, you may avoid receiving the income distribution and instead realize a capital gain or loss.

Consider changes to taxation of corporate class mutual funds

The comments above relate to investments in mutual fund trusts. A mutual fund corporation is structured with multiple classes of shares, each of which has a value that tracks a particular portfolio of securities. For example, one class of shares may track a fixed income portfolio while another class of shares may track an equity portfolio. One of the key benefits of corporate class mutual funds ("or switch funds") has been the ability to exchange shares of one class of the mutual fund corporation for shares of another class on a tax deferred basis under the current rules. A capital gain (or loss) did not have to be reported until the holding in the corporation was disposed of. Under new rules, for dispositions occurring on or after January 1, 2017, such exchanges will be taxable. There are two exceptions to this rule: 1) if the change in class happens because the fund itself restructures and converts all shares of one class into shares of a different class, there is no tax implication for the investor; 2) if you move from the same class of fund but into a different series, there is no tax implication. The difference between one series and the next is usually the fee structure. The government will not penalize investors for trying to have the exact same funds at a lower fee.

Interest income

Interest earned on investments made after 1989 must be reported on an annual basis, regardless of when the interest is actually paid. If you will soon acquire or roll over a short-term investment such as a GIC or a Treasury Bill, consider arranging for a maturity date early in 2024. This will allow you to defer the reporting of the interest income until 2024.

Interest deductibility

In general, interest is deductible from income for tax purposes provided it is incurred on money borrowed to earn business or property income (other than capital gains). Remember: borrow the maximum amount for business and investment purposes, borrow as little as possible for personal reasons, and always repay loans on which interest is non-deductible (i.e. on personal debt) before you repay those on which interest is deductible.

Linked notes

A linked note is a debt obligation in which the return is linked to the performance of one or more reference assets or indexes over the term of obligation. Under the old rules, any increase in value was generally reported as a capital gain, only 50% of which was required to be reported as income. For dispositions of linked notes after September 2016, the rules provide for a deeming rule that will generally treat any gain realized on the sale of a linked note as accrued interest.

Foreign spin-offs

If you received common shares of a foreign corporation ("spin-off shares") from another foreign corporation in 2023, the value of the shares received is generally taxed as foreign dividend income. However, you may be able to make a special election to avoid being taxed on the foreign source dividend on otherwise taxable distributions received after 1997. To qualify for the election to not include the amount in income, the following conditions must be met:

- You must have received the dividend for all the common shares of the original corporation that you owned
- You must have received solely common shares of the spin-off corporation
- The shares of the spin-off corporation must have been owned by the original corporation immediately before the spin-off
- Both the original corporation and the spin-off corporation have to be resident in the same country
- The country in which the corporations are resident must have a tax treaty with Canada
- Both corporations must never have been resident in Canada
- For public corporations, the shares of the original corporation must have been widely held and actively traded on a designated stock exchange at the time of the spin-off
- For private corporations, the shares of the original corporation must have been widely held and be required, under the Securities Exchange Act of 1934 of the United States, to be registered with the Securities and Exchange Commission of the United States, and they must be so registered
- Under the tax laws of the country of residence of the corporations, the spin-off must not be taxable to shareholders resident in that country
- The corporation has to provide certain information to the Canada Revenue Agency within a particular period

For qualifying distributions in 2023, the election must be made by including a letter with your tax return for the year. If the election is made, there is a cost base adjustment to the original and the spin-off shares based on their relative fair market values. Your tax advisor can assist you in determining if you qualify to make this election.

Old Age Security (OAS) claw-back

The claw-back tax will apply if your net income for 2023 is greater than $86,912. The amount you have to repay is 15% of the amount by which your net income exceeds $86,912 up to the amount of OAS you received during the year. For the 2023 year, assuming you start to receive OAS benefits at age 65 the full amount of OAS benefit will be eliminated when your net income (including OAS benefit) is just over $142,609. This tax is based on individual, rather than family, net income so its impact can be reduced or eliminated by lowering your individual net income (for example, if you are in position to control the receipt of your income and/or see Income Splitting above).

The CRA collects the claw-back tax by withholding a portion of your monthly OAS payment. When you file your 2023 tax return, a calculation of the claw-back tax will be made based on your actual net income for the year. If too much was withheld, you will get a credit. If not enough was withheld, you will have to pay the difference. If you are just over the $86,912 claw back threshold and your spouse or common-law partner's net income is below it, consider sharing your CPP benefits or splitting qualifying pension income with your spouse or common-law partner if that will bring your net income below the limit. If you received OAS in 2023 and do not file a tax return, CRA may ask you to do so. Failure to comply with this request may result in the entire OAS payment being withheld.

The 2016 federal budget returned the age of eligibility to 65 over the 2023 to 2029 period. Seniors have the option to defer receiving OAS pension for up to five years after the month they turn age 65. Those who begin to receive their pensions later will receive a proportionately larger pension. This may be a good strategy to defer OAS income to a year where you have lower overall income. Withdrawal from your TFSA may also help you keep your net income below the threshold. Please consult your tax advisor to determine whether you may benefit from deferring your OAS pension.

Age amount tax credit

If you are 65 or older, you may be eligible to claim an age tax credit. The amount of the credit is based on your income level, starting with a reduction of 15% of the amount by which your income exceeds $42,335. Once your income exceeds $98,308 your age credit will be fully eliminated. This credit can be transferred between spouses or common-law partners.

Entitlement to this credit is based on individual income, so you should talk to your tax advisor about ways to keep your income below the threshold.

Pension income tax credit

If you are 65 or older, you are entitled to a non-refundable tax credit on up to $2,000 of eligible pension income. Eligible pension income does not include OAS, CPP, or Guaranteed Income Supplement payments. If you are under 65 years of age, only certain payments are eligible for the credit. This credit can be transferred between spouses or common-law partners. Consult your tax advisor to determine the types of payments that qualify, and whether you can transfer some of your unused credit to your spouse or common-law partner.

Education and textbook tax credit

The Federal education and textbook tax credits have been eliminated effective January 1, 2017, but the Federal tuition tax credit is still available.

Medical expense tax credit

Medical expenses in excess of the lesser of $2,635 and 3% of your net income, that were paid for in any twelve-month period ending in 2023 are eligible for a non-refundable tax credit (assuming that they were not used to claim a credit in 2022). The federal credit is 15%. The provincial credit amount varies by province.

Medical expenses can be claimed for yourself, your spouse or common-law partner and for certain other related persons. Therefore, you should time your payment of major medical expenses to maximize the available tax credit, if possible.

The list of eligible medical expenses is extensive and includes:

- Payments to medical practitioners, dentists, nurses, or to public or licensed private hospitals in respect of medical or dental services provided to the patient.

- Payments for eyeglasses or devices for the treatment or correction in vision, lab tests and dentures, where these have been prescribed by a medical practitioner or dentist.

- Payments for drugs and medication where these are prescribed by a medical practitioner or dentist and the prescriptions are filed by a pharmacist.

- Premiums paid by the taxpayer to private health services plans.

- Payments for real-time captioning services or for sign-language interpretation services, to the extent that the payment is made to a person in the business of providing such services.

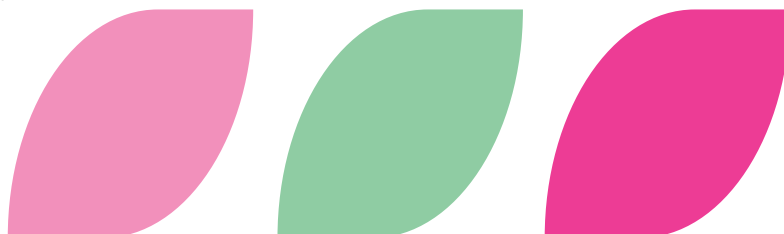
- Costs of voice-recognition software, provided the need has been certified in writing by a medical practitioner.

- Additional costs related to the purchase of gluten-free food products compared to the cost of comparable non-gluten-free food products for a patient who has celiac disease, provided it has been certified in writing by a medical practitioner.

- Reasonable supplemental expenses for the construction of a principal residence considered necessary to enable a person with a serious, prolonged mobility impairment to gain access to this residence or to be mobile or functional within it.

- Reasonable expenses for renovations or alternations to a dwelling to enable a person who has a severe and prolonged mobility impairment to gain access to or to be mobile or functional within the dwelling.

- Amounts paid for a full-time attendant or for full-time care in a nursing home for a disabled person who is entitled to the disability credit. The issue has been less clear with respect to amounts paid to a retirement home. It is the CRA's position that seniors who live in a retirement home and are eligible for the disability tax credit can claim attendant care expenses as medical expenses. The maximum amount that can be claimed under this provision is $10,000 per year ($20,000 in the year of death).



- Amounts paid as remuneration for the care and supervision of a person eligible for the disability credit who resides in a home exclusively for such persons.

- Amounts paid for design of individualized therapy plan, where the cost of the therapy itself would be eligible for the credit and certain other conditions are met. In particular, the plan must be designed for an individual who qualifies for the disability tax credit.

- Payments for transportation (e.g. taxicabs and trains) or reasonable expenses for a private vehicle for transportation to and from a hospital, clinic or doctor's office, provided the patient has traveled a distance in excess of 40km to obtain medical services not otherwise available closer to home. The expenses for a private vehicle can be calculated using the detailed method, which involves prorating the total expenses such as fuel, oil, license fee, insurance and maintenance and repairs based on the mileage for medical purposes over total mileage for the year. All the receipts for expenses must be kept. Alternatively, the simplified method of calculating vehicle expenses can be used by multiplying the number of eligible medical km by the allowance rate set by the CRA which varies by province (see the CRA website).

- Reasonable travel expenses (e.g. meals and accommodation) incurred to obtain medical services at a location that is at least 80 km away from the locality where the patient lives, provided it has been certified in writing by a medical practitioner. For meal expenses, you can keep all receipts and claim the actual amount. Alternatively, beginning in 2020 you can claim a flat rate of $23 per meal, to a maximum of $69 (including sales tax) per day, per person without receipts.

- Budget 2018 has expanded the application of the Medical Expense Tax Credit, allowing for certain eligible expenses incurred after 2017 for an animal that is specially trained to assist patients with certain mental impairments. The animal must be specially trained to perform tasks such as guiding disoriented patients or applying compression to a patient. However, animals who are simply providing comfort and emotional support would not meet the eligibility requirement.

This list is not all-inclusive. The government is continually amending the list of expenses that qualify for this credit. For example, the payments for the purpose of conceiving a child when there is no medical condition preventing the individual from conceiving will qualify as a medical expense for 2021 and subsequent years. Adjustments back to 2007 can also be applied under the taxpayer relief provisions. You should contact a tax advisor to ensure that you are maximizing your medical expense claim.

Expenses reimbursed by either your employer or a private or government-sponsored health care plan cannot be claimed as medical expenses.

Remember that the premiums you pay for coverage under the RTOERO health plans are considered medical expenses for the purposes of the tax credit. This includes insurance taken out for foreign travel. These amounts may be significant and should not be overlooked.

RTOERO membership fees

Our auditors have provided the following response to the question of RTOERO membership fees being tax deductible:

"Membership in the RTOERO entitles the members to access a number of potential benefits/group plans, one of which is health insurance coverage. Based on this fact and our review of the legislation and other available information relating to the deductions of dues and other expenses of performing employment duties, and the definition of qualifying medical expenses tax credit, we are of the opinion that the membership fees paid to RTOERO are not eligible for deductions as 'dues' or to be claimed as 'medical expenses' for purposes of the medical expense tax credit."

Members may require receipts for a variety of reasons. RTOERO will, therefore, continue its practice of issuing a membership fee receipt on **written request.**

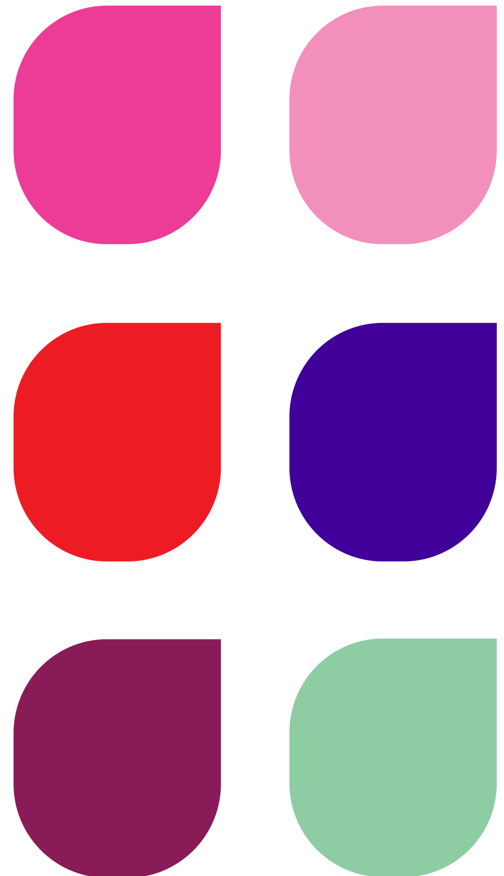
Disability supports deduction

If you have an impairment in physical or mental function, you may be able to deduct certain disability supports expenses from your income. This is a tax deduction, not a tax credit, and includes attendant care expenses as well as other disability supports expenses incurred by disabled persons for education and employment purposes, or for carrying on a business, unless such expenses were reimbursed or were claimed for purposes of the medical expense credit.

Please consult your tax advisor to confirm if any of your expenses may be eligible and determine whether you are deducting the maximum amount allowable.

Refundable medical expense supplement

A refundable medical expense supplement is also available to eligible individuals who have business or employment income of at least $4,083. The refundable credit is 25% of medical expenses that qualify for the regular medical expense tax credit and 25% of the disability support deduction up to a maximum of $1,399 for the 2023 tax year. It is reduced by 5% of the taxpayer's (and spouse or common-law partner's) income in excess of a specified amount ($30,964 per family). The credit is eliminated when family income exceeds $58,944. This credit is in addition to the non-refundable tax credit for medical expenses.



Disability tax credit

Individuals suffering from a severe and prolonged mental or physical impairment can claim a federal disability amount of $9,428 for 2023. If the disabled person is a child under 18 years of age, there is an additional supplement of $5,500 for a total disability amount of $14,928. To qualify, a medical practitioner must certify on Form T2201 that there exists a severe and prolonged impairment that "markedly restricts" the individual's daily living activities. The impairment must have lasted, or can reasonably be expected to last, for a continuous period of 12 months.

For DTC certifications made after March 21, 2017, the Budget 2017 added nurse practitioners to the list of medical practitioners qualified to certify eligibility for the DTC for all types of impairment, within the scope of their practice.

Another category for the DTC eligibility is life-sustaining therapy, which extends the ability to claim the disability credit in the following situations:

- Individuals who would be markedly restricted but for therapy administered to them at least two times each week for a total duration averaging not less than 14 hours a week in order to sustain one of their vital functions – for example, individuals on kidney dialysis and cystic fibrosis sufferers.
- The therapy is needed to support a vital function.

Individuals diagnosed with type 1 diabetes are deemed to have met the criteria for life-sustaining therapy.

The disability credit cannot be claimed if you or anyone acting on your behalf has claimed a medical expense credit relating to a full-time attendant or nursing home care. However, you may claim the attendant care deduction and the disability credit at the same time, as long as no additional attendant or nursing home claim has been made on behalf of the same taxpayer. To further complicate the rules, the disability tax credit can also be claimed where an amount is claimed as a medical expense for attendant care (to a maximum of $10,000 per year).

The rulings relating to this area of credits are exceedingly complex and often confusing. Before filing a return, it is recommended you have a tax advisor analyze your particular circumstances to come up with the appropriate claim or combination of claims.

Registered disability savings plan (RDSP)

The RDSP was initially announced as part of the 2007 federal budget, to be effective for 2008 and subsequent years. The intent of the plan is to improve the financial security of children with severe disabilities. To establish an RDSP for a particular person, that person must be eligible for the Disability Tax Credit (as detailed above).

The plan operates similar to an RESP. Contributions to the plan will not be deductible, but the income on the amounts contributed will accrue on a tax-deferred basis. When the amounts are finally paid out of the plan, only the investment income earned in the plan will be taxed in the beneficiary's hands. Payments will be required to commence by end of the year in which the beneficiary reaches 60 years of age. Amounts paid out of an RDSP will not be considered for the purposes of calculating income-tested benefits.

Contributions to an RDSP will be limited to a lifetime maximum of $200,000 for each beneficiary, with no annual limits. Contributions will be permitted until the end of the year in which the beneficiary reaches 59 years of age.

The RDSP contributions will qualify for a Canada Disability Savings Grant (CDSG) at matching rates of 100%, 200%, or 300%, depending on family net income and the amount contributed, subject to a maximum of $3,500 in matching grants in one year and a lifetime limit of $70,000. An RDSP will be eligible to receive a CDSG until the end of the year in which the beneficiary reaches 49 years of age.

In addition, a Canada Disability Savings Bond (CDSB) of up to $1,000 will be paid annually to the RDSP's of low- and modest-income beneficiaries and families, subject to a lifetime limit of $20,000.

Budget 2017 introduced new anti-avoidance rules for RDSP and RESP. The rules, effective after March 22, 2017, provide for a special tax on certain tax advantages that unduly exploit the tax attributes of an RDSP/RESP.

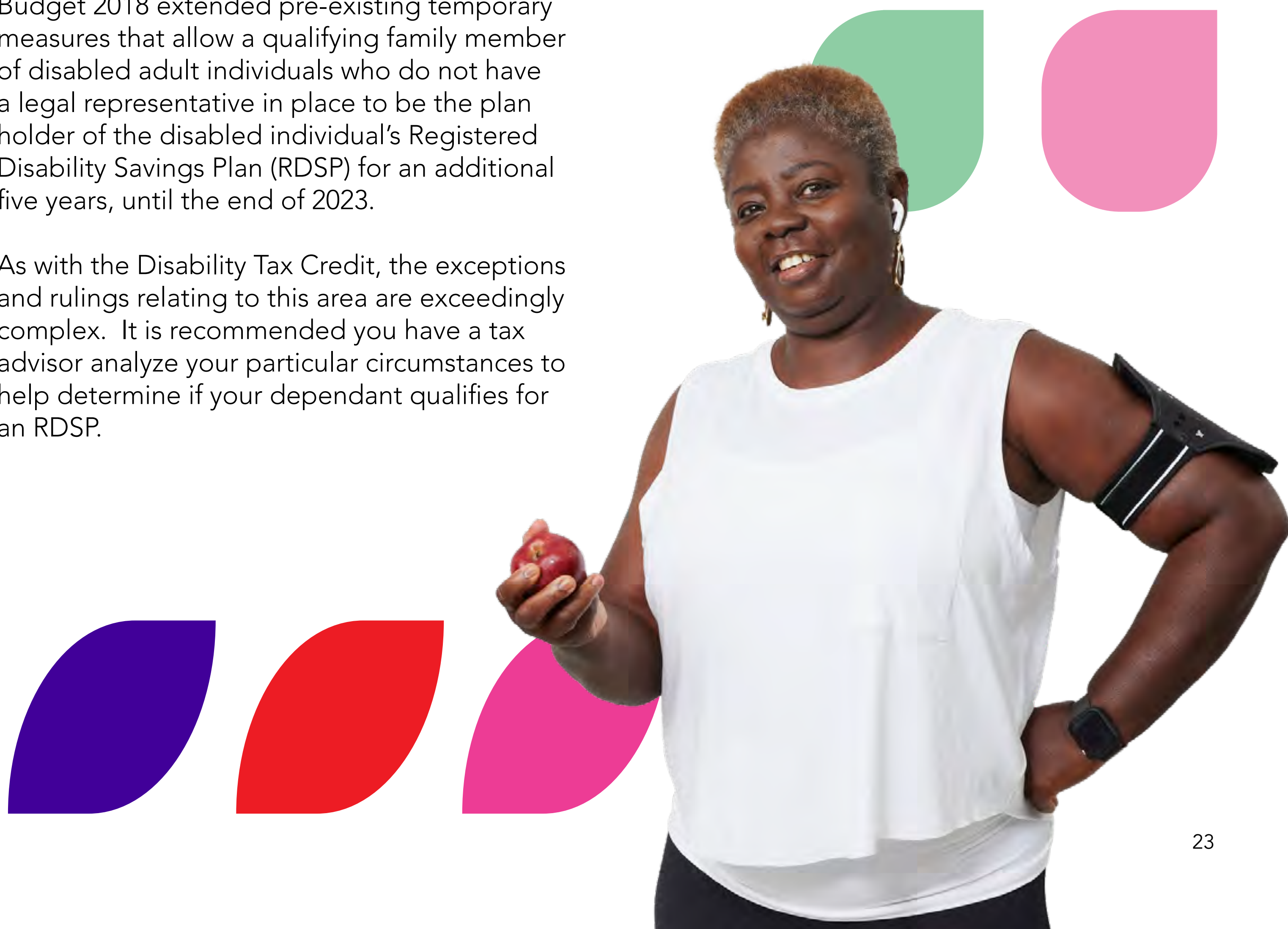
Budget 2018 extended pre-existing temporary measures that allow a qualifying family member of disabled adult individuals who do not have a legal representative in place to be the plan holder of the disabled individual's Registered Disability Savings Plan (RDSP) for an additional five years, until the end of 2023.

As with the Disability Tax Credit, the exceptions and rulings relating to this area are exceedingly complex. It is recommended you have a tax advisor analyze your particular circumstances to help determine if your dependant qualifies for an RDSP.

Canada caregiver credit

The Canada Caregiver Credit is equal to $7,999 in 2023 and can be claimed by a caregiver in respect of each infirm dependant who is an eligible relative. This amount will be reduced dollar-for-dollar by the amount of the dependant's net income above $18,783. The dependant will not be required to live with the caregiver in order for the caregiver to claim the credit. However, a credit will not be available in respect of a non-infirm individual over 65 years of age who resides with their adult children or grandchildren.

A lower amount of $2,499 is available for an infirm spouse or common-law partner for whom the individual claims the spousal amount, an infirm dependant for whom the individual claims the eligible dependant credit, and an infirm child who is under 18 years of age at the end of the tax year.



Charitable donations tax credit

The charitable donations federal tax credit is calculated as 15% of the first $200 of donations and 29% of the balance in excess of $200. Beginning in 2016, the federal government introduced a new tax rate of 33% on eligible donations made, which is equal to the portion of your income that is subject to the high 33% marginal tax rate, if any. This new donation tax credit rate of 33% applies to gifts over $200 to the extent than an individual has income subject to the 33% rate. Gifts made in 2015 and previous years but claimed in 2016 or later year will not be eligible for the 33% tax credit rate. You will also receive a similar provincial tax credit; however the rate of the credit will vary depending on your province of residence.

Donations do not have to be in the form of cash. For example, a donation of a life insurance policy to a registered charitable organization may qualify as a credit provided certain conditions are met (the tax rules dealing with this type of donation are complex, therefore it is recommended that you seek professional advice before making such a donation). Subject to special rules, if you donate capital property to a registered charity, you can establish the amount of the gift to be any amount between the cost and the fair market value of the property (this may result in a capital gain). If you donate "eligible property" to a charity, you are entitled to additional tax relief. Eligible property includes securities, such as shares and bonds listed on a prescribed stock exchange, as well as mutual fund units. For such donations the taxable portion of the gain is reduced to nil. This tax relief also extends to qualifying donations made to private foundations.

There are similar rules to provide preferential tax treatment where you exercise a stock option in order to donate shares to a charity. Capital gains realized on gifts of certified Canadian cultural property are exempt from tax.

Unused claims can be carried forward for up to five years, and back one year for donations made in the year of death. The annual limit on the amount of charitable donations eligible for the donation credit is 75% of net income and 100% of net income for gifts by individuals in the year of death (and prior year). In addition, there are special rules to increase the 75% limit where you gift appreciated capital property to a charity. Consult with your tax advisor before making non-cash donations.

Over the past several years, the government has gradually introduced additional rules to deter the promotion of abusive charitable donation planning arrangements. Although not as prevalent as in the past, new arrangements continue to be marketed. However, you should be cautious of all arrangements that promise a donation receipt in excess of the cash donated. Also note that Alternative Minimum Tax may apply when making large donations of property with accrued capital gains. As always, please consult your tax advisor before investing in a tax shelter.

Digital news subscription tax credit

Qualifying subscription expenses are the amounts a subscriber pays in the year for a digital news subscription with a qualified Canadian journalism organization, or QCJO (please see the CRA website for a complete list of QCJOs). The credit is available from calendar years 2020 to 2024 and is calculated as 15% of the qualifying expense with a maximum qualifying expense equal to $500. The credit is available only to the individual who enters into the subscription agreement.

Political contributions tax credit

Contributions to federal registered political parties generate a federal tax credit for 2023 as follows: 75% of the first $400, 50% on the next $350, and 33.33% of any contribution over $750 up to $1,275. The maximum credit allowed is $650, which means that you do not

receive credit for political contributions over $1,275 and the foregone credits cannot be carried forward to another year for future use. Therefore, consider spreading your contribution over two or more years. Or, you could split the contribution with your spouse or common-law partner. A $500 political contribution by each spouse will generate a total tax credit of $700, while one $1,000 contribution by one spouse will only generate a tax credit of $558.

Canada Child Benefit

Effective July 1, 2016, the UCCB and CCTB were replaced with a new Canada Child Benefit (CCB) providing monthly tax-free benefits that are tied to income. It provides for a maximum benefit of $7,437 per year per child aged less than 6 and $6,275 per year per child aged 6 to 17 (amounts relate to the payment period from July 2023 to June 2024). The maximum benefit will be received by families with net income of less than $34,863. The CCB will be phased out based on adjusted family net income and number of children in the family. There is also an additional benefit of $3,173 per child eligible for the disability tax credit.

Home accessibility tax credit

There is a non-refundable tax credit of 15% on up to $20,000 of eligible home renovation expenditures per qualifying individual, per eligible dwelling. The eligible expenses must be for work performed and paid for and/ or goods acquired during the year and be supported by receipts. This credit will not be reduced by other tax credits (e.g. medical expense tax credit) or government grants received. However, expenses reimbursed from non-government sources are not eligible.

Generally, the expenditures must be incurred to improve accessibility of a qualifying individual's principal residence, for that individual. Qualifying individuals include seniors (age 65 and older at the end of the year) and individuals eligible for the disability tax credit.

Examples of eligible expenses include costs relating to walk-in bathtubs, wheel-in showers and wheelchair ramps.

In addition to the qualifying individual, eligible individuals may also claim the credit. Eligible individuals include individuals who have or could have claimed (subject to certain conditions) one of the following amounts in respect of a qualifying individual: spouse amount, eligible dependant amount, caregiver amount or infirm dependant amount.

Northern residents deduction

To qualify for the northern residents' deduction, you must have lived, on a permanent basis, in a prescribed northern or intermediate zone for a continuous period of at least six consecutive months. This period can begin or end in the taxation year.

All places in the Yukon, Nunavut, and the Northwest Territories are in a prescribed northern zone. Some places in the provinces of Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Quebec and Saskatchewan can also be included in a prescribed northern zone or in a prescribed intermediate zone. For a complete list of prescribed zones, please refer to CRA publication T4039.

For 2016 and subsequent taxation years, the deduction is equal to $11 per day of residence in a prescribed northern zone or $5.50 per day of residence in a prescribed intermediate zone, and the amount of the credit may be doubled where no other household member claims it. The deduction is calculated on Form T2222. The maximum deduction that you may claim is limited to 20% of your net income for the year.

Tax instalments and withholding taxes

If you are required to make quarterly tax instalments, you should review your expected 2024 tax liability before remitting your final instalment (due December 15, 2024). This will be especially important if you had unusual income inclusions in the previous year or you expect increased deductions this year. The current rate of interest charged by CRA on late or deficient income tax payments is 10%. This rate is subject to change each quarter.

Foreign reporting requirements

As a resident of Canada, you are required to report your worldwide income on your Canadian tax return, even if the offshore investment vehicles rely on the fact that your interest is unknown to Canadian authorities. You may also be required to file an information return if you have transferred or loaned funds or property to a foreign-based trust, received funds or property from or are indebted to a foreign-based trust, or have a foreign affiliate.

If you own certain foreign property (shares, bank accounts, real property, etc.) with a combined cost in excess of CAD $100,000 at any time during 2023, you must report and provide details on such holdings using CRA prescribed form T1135 Foreign Income Verification Statement by the due date for filing your income tax return for the year. Note that foreign property includes shares or other foreign securities held in Canadian brokerage accounts.

Failure to file the required forms or to disclose the required information may result in substantial penalties. Therefore, if you have foreign investments, contact your tax advisor to ensure that you are reporting as required.

Non-resident trusts

Non-Resident Trust Rules

The Non-Resident Trust rules will tax certain foreign trusts in the same manner as Canadian resident trusts. These rules apply to certain trusts which are resident in a foreign country and can be inter-vivos or testamentary trusts, discretionary or non-discretionary trusts. These rules are very complex. If you have an interest in a foreign trust, either as a trustee, contributor or beneficiary, a careful review of the proposed legislation should be undertaken.

Canada/U.S. tax issues

If you own U.S. real estate

For Canadian residents who receive rent from U.S. real estate, a U.S. withholding tax of 30% normally applies to the gross amount of the rent. As an alternative, you can elect to pay tax on a net income basis. To make this election, you must file a U.S. tax return by the due date, reporting your net rental income and attaching a statement. By making this election with the Internal Revenue Service and providing the appropriate information to the tenant, the 30% withholding tax is not required. If a U.S. Withholding agent is engaged, you should provide your agent with a completed Form W-8ECI "Certificate of Foreign Persons' Claim That Income is Effectively Connected with the Conduct of a Trade or Business in the United States. Once you make this election, it can only be revoked in limited circumstances.

Many people assume that because their expenses always exceed their rental income, there is no need to file a U.S. tax return or to have U.S. tax withheld at source. However, if tax is not withheld at source, a tax return must be filed within 19½ months of the year-end if you want to claim expenses. Failure to do so may mean that you will not be entitled to claim any deductions and tax will be assessed on the gross income. As the rules are very complex, you should seek professional advice if you own a U.S. property that you use personally and rent for part of the year.

U.S. persons living in Canada

The United States taxes its citizens and residents, including green card holders, on their worldwide income, whether or not they live in the U.S. As a result, if you are a U.S. citizen or green card holder living in Canada you may be required to file a personal tax return under both systems. A return that is never filed is never statute barred meaning the U.S. can demand that a return be filed. Since the two tax jurisdictions contain important differences, you should not assume that a foreign tax credit can always be claimed to eliminate any U.S. tax liability.

Foreign financial asset reporting for US persons

Aside from a personal tax return, there are other reporting requirements that may apply to U.S. citizens or green card holders living in Canada, such as filing a report of your non-US bank and financial account holdings with an aggregate value of over $10,000 USD with the U.S. Department of the Treasury Financial Crimes Enforcement Network (FinCEN).
With the recent crackdown by the Internal Revenue Service (IRS) on FinCEN filings, failure to file these forms can result in significant penalties. If you are a U.S. expatriate, dual citizen, or green card holder living in Canada, you should contact your tax advisor to ensure that you are in compliance with IRS reporting obligations.

U.S. estate tax

Canadian residents who own certain U.S. property such as real estate, shares of U.S. companies, tangible personal property located in the U.S. and debts issued by U.S. residents, including the government, may be subject to U.S. federal and/or state estate tax liability on death. U.S. estate tax applies on the fair market value of the U.S. property on the date of death. If you own or are planning to buy U.S. property, you should consult your tax advisor to review your exposure to this tax. There are strategies available to defer, reduce or eliminate this potential liability.

U.S. residency regulations

If you spend a considerable amount of time in the U.S. each year, you should contact your tax advisor to ensure that you are complying with U.S. residency rules. The U.S. substantial presence rules may deem you an U.S. resident even if you spend less than 183 days in the U.S. in a year. You may find that you are required to fill out a special declaration (the "Closer Connection Exemption Statement") in order to be exempt from certain U.S. tax requirements.

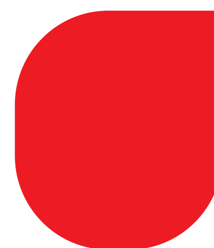
U.S. social security payments

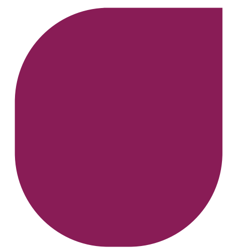
Under current rules, U.S. social security benefits received by residents of Canada are only subject to tax in Canada. The U.S. will not tax these benefits. For U.S. social security benefits received in 2010 and subsequent years, eligible residents may deduct an extra 35% of the benefits in addition to the existing 15% deduction allowed in accordance with the current Canada-U.S. tax treaty. This allows for a combined deduction of 50%. You will be eligible for the extra deduction if you have been resident in Canada and receiving these benefits continuously since before 1996.

As a result, in general, 85% of the benefits received in a year will be subject to tax in Canada. For those taxpayers who are eligible for the additional deduction, only 50% of the benefits received will be subject to tax in Canada.

Special filing requirements for holding certain Canadian registered accounts and investment vehicles

If you are a U.S. citizen, resident, or a U.S. green card holder, and you hold a TFSA account, you are likely required to file annual information returns to report ownership and transactions with foreign trusts (Form 3520 and Form 3520A). The U.S. does not recognize the tax-free status of these registered accounts and income is reported in the year that it is earned. Also, if you hold investments vehicles including Canadian mutual funds or Exchange Traded Funds (ETFs), you are likely required to file an information return as a shareholder of a passive foreign investment company (Form 8621). The reporting requirements and rules relating to U.S. informational returns are complex, contact a specialized tax advisor if you are a U.S. person living in Canada holding Canadian registered accounts and/or the above investment vehicles.





Renouncing U.S. citizenship or U.S. green cards

Renouncing U.S. citizenship or U.S. green cards In order to eliminate high levels of complexity and the associated compliance costs of being a U.S. citizen or a U.S. green card holder (i.e. "U.S. persons"), some U.S. persons have chosen to renounce their U.S. citizenship or have given up their green cards. Under certain conditions, a U.S. person in such a process may be considered a "covered expatriate," where there is a deemed disposal of his or her worldwide assets and if there is a resulting capital gain exceeding USD $866,000 (2024) / USD $821,000 (2023), the covered expatriate may be subject to an "exit tax". Such a situation may be mitigated via planning around the ownership of one's worldwide net assets and/or coming into compliance with U.S. tax filing requirements. It is therefore highly recommended that legal and tax implications are carefully examined prior to taking steps in renunciation through a specialized tax advisor.

Canadian resident owning shares in U.S. LLC.

If you own shares in a U.S. LLC, you will be taxed on distribution from the LLC in your Canadian tax return while you will be taxed differently on your U.S. tax return (not on distribution but on income generated in relation to the shareholdings – e.g. dividends). There can be a potential mismatch of the foreign tax credits and additional planning may need to be done. Please contact a specialized tax advisor if you are a U.S. person living in Canada holding shares of a U.S. LLC.

Federal COVID-19 benefits repayment

If you repaid federal COVID-19 benefits including CERB, CESB, CRB, CRCB or CRSB in 2023, a deduction can be claimed on your 2023 tax return.

Please contact your tax advisor for additional information how to claim this deduction.

CAUTION:
The information contained in this document comprises of tax tips only and should not be considered as tax advice. RTOERO assumes no liability for the outcomes that may result from persons using the contents of these tips in their tax planning. Persons using this information for tax planning are cautioned that the full application of these tax tips is best done with the advice of their tax advisor. Neither RTOERO nor its employees or agents are tax advisors.

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