TAX GUIDE

GREG McLEAN

MP | CALGARY CENTRE

A Message from Greg McLean

Canadians are facing generational high inflation, skyrocketing food prices, rapidly increasing housing and rental costs, and exploding utility bills.

On top of this genuine hardship, the Liberal government is imposing new taxes in 2023: your payroll deductions went up in January, the carbon tax will go up 30% on April 1st, and the “escalator tax” on beer, wine and spirits will automatically go up 6.3% on April 1st.

This government is the most expensive in history, and our trillion dollar debt—and debt interest charges—are leaving a very unpleasant legacy for our kids.

I hope this guide will help identify eligible measures for you and your family. It is not tax advice—please contact CRA for detailed information if you have questions on your situation.

Contact the Canada Revenue Agency at 1-800-267-6999 or visit www.canada.ca/en/revenue-agency for more information. All models depicted in this publication were chosen for illustrative purposes only.

NEW TAX CHANGES FOR 2022 & 2023 $

New for 2022: Labour Mobility Expense Deduction

- The labour mobility deduction would provide tax recognition of up to $4,000 per year in travel and temporary relocation expenses to eligible tradespersons and indentured apprentices. **This measure is set to apply to the 2022 tax year and any subsequent taxation years.**

New for 2023: Tax-Free First Home Savings Account

- **Starting in 2023,** the Tax-Free First Home Savings Account will allow prospective first-time home buyers the ability to save up to $40,000 tax-free for a down payment or purchase expenses. Like registered retirement savings plans (RRSP), contributions to an FHSA are tax deductible. Like tax-free savings accounts (TFSA), income and gains inside an FHSA as well as withdrawals are tax-free. You are allowed to contribute a total of $8,000 annually, up to a maximum account value of $40,000 total.

Increased First-Time Home Buyers' Tax Credit

- There is currently a non-refundable tax credit available to first-time home buyers of $5,000, which provides tax relief at 15% or $750. The changes will double this credit to $10,000, which would provide up to $1,500 in tax relief. **This will apply on the purchase of a qualifying home made on or after January 1, 2022.**

Home Accessibility Tax Credit Increase

- For the 2022 and subsequent taxation years, the Budget increases the annual expense limit of the HATC to $20,000, which would provide a tax credit of up to $3,000.

New for 2023: Multigenerational Home Renovation Tax Credit

- Many older adults would like to live as independently as possible. For some families, a home may be renovated to create a “granny suite,” or an area within the home of adult children where an elderly parent(s) can live.

- The Multigenerational Home Renovation Tax Credit (MHRTC) is a refundable credit calculated as 15% of eligible expenses for a qualifying renovation, to an upper limit of $50,000. **Eligible expenses must be paid after December 31, 2022, for services performed or goods acquired after that date.** This credit would apply for the 2023 and subsequent taxation years, for work performed and paid for and/or goods acquired on or after January 1, 2023.

New for 2023: “Flipping” Residential Property

- Today, when a home qualifies as a principal residence and you sell it for a profit, capital gains realized on its disposition can be realized tax-free by claiming the principal residence exemption (PRE).

- Under the new rules **coming into effect in January 2023,** anyone who sells a property which they owned for less than 12 months (specifically, 365 consecutive days) will be considered to have “flipped” the house and any profits from the sale will be taxed as business income.

New for 2023: Employment Insurance (EI) increase

- **As of January 1, 2023,** the maximum yearly insurable earnings amount is $61,500. This means that you are eligible to receive a maximum EI of $650 per week. Your premiums also increase.

GENERAL MEASURES FOR CANADIANS

These provisions apply to many Canadians. Check your eligibility.

Goods and Services Tax (GST) Credit

- Four times a year, this tax-free payment to families with modest incomes offsets part of the GST they pay. If you have a spouse or common-law partner, only one of you can receive this credit. When you file your tax return, CRA will determine your eligibility and will advise those who are eligible to receive the credit .

Medical Expense Deductions

- This credit applies to a number of eligible expenses not covered by AHS such as home care, laser eye surgery, orthopedics, prescription drugs, and dental. You can claim the total of your expenses, minus approximately $2,479 or 3% of the claimant's income (whichever is less). There is no upper limit on the amount of eligible expenses a taxpayer can claim for himself or herself, a spouse or common-law partner, or a child under 18. Check the CRA website for the list of eligible medical expenses.

Climate Action Incentive

- Residents of Alberta will receive four equal quarterly payments (April, July, and October 2023, and January 2024). You claim simply by filing your income tax return. The amount you receive depends upon your personal situation. It won't cover all the costs of the carbon tax for 60% of Albertans, but most people get something.

GENERAL MEASURES FOR CANADIANS

Canada Training Credit

- The Canada Training Credit (CTC) is available for eligible tuition and other fees paid for courses taken in 2020 and subsequent tax years. Beginning with the 2019 tax year, an eligible individual can accumulate $250 in each year toward their CTC limit, up to a maximum of $5,000 in a lifetime, which can be accessed the following year to help cover up to half of eligible tuition and fees associated with training.

Families with children should check eligibility for these measures.

Child Care Expense Deductions

- You can claim payments you have made to someone who has looked after your child while you either earned an income from employment, operated a business alone or as an active partner, attended school, or conducted research.

- Parents can claim up to $8,000 per child who is under the age of seven, up to $5,000 for each child aged 7 to 16 (and for infirm children over the age of 16), and $11,000 for any children who are eligible for the Disability Tax Credit.

Canada Caregiver Credit

- You can claim $2,350 on your 2022 tax return under the Canada Caregiver Credit if you support a spouse, a common-law partner or a dependent with a physical or mental impairment.

- If you are eligible for the Canada caregiver amount for your spouse or common-law partner, or an eligible dependant 18 years of age or older, and their net income is less than $25,195 , you may be able to claim an additional amount up to a maximum of $7,525.

Child Disability Benefit

- Families with a child with a severe disability can claim the Child Disability Benefit up to $2,985 per eligible child.

Adoption Expense Tax Credit

- This is a 15% non-refundable tax credit that allows adoptive parents to claim eligible adoption expenses relating to the completed adoption of a child under the age of 18. The maximum amount of eligible expenses for 2022 is $17,131.

TAX MEASURES FOR SENIORS

These measures may apply to you if you are a senior.

Home Accessibility Tax Credit

- Seniors and persons with disabilities who are eligible for the Disability Tax Credit can qualify for tax relief of 15% on up to $20,000 in eligible expenses to make their homes more accessible. To be eligible, expenses must be incurred in relation to a renovation allowing for better mobility and functionality or reducing the risk of harm.

Doubling the Pension Income Amount

- A non-refundable pension income credit previously applied to the first $1,000 of eligible pension income. The maximum amount of eligible pension income that can be claimed has been increased to $2,000 to give a greater benefit to seniors.

Increasing the Age Amount

- The Age Amount was previously raised by $2,000 to help low and middle-income seniors keep more of their hard-earned money. Based on this increase and adjustments for inflation, the Age Amount now allows seniors to claim up to $7,898 on their 2022 tax return, depending on the individual's net income.

Pension Income-Splitting

- Pension income-splitting helps ease the tax burden on Canadian pensioners.

- Generally, each individual Canadian pays taxes on their full income earned. Pension income-splitting allows any Canadian resident who receives qualifying pension income to allocate to their spouse (or common-law partner), with whom they reside,

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2023

JANUARY / JANVIER

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Have Your Say

Do you believe your level of taxation is about right for the federal services you receive?

◯ Yes ◯ No ◯ Unsure

Do you believe that the federal government is spending your tax money wisely and effectively?

◯ Yes ◯ No ◯ Unsure

Comments:

____

Name ____________________

Address ____________________

City __________ Postal Code __________

Phone __________ Email __________

Questions? Contact the Canada Revenue Agency at 1-800-267-6999 or www.canada.ca/en/revenue-agency

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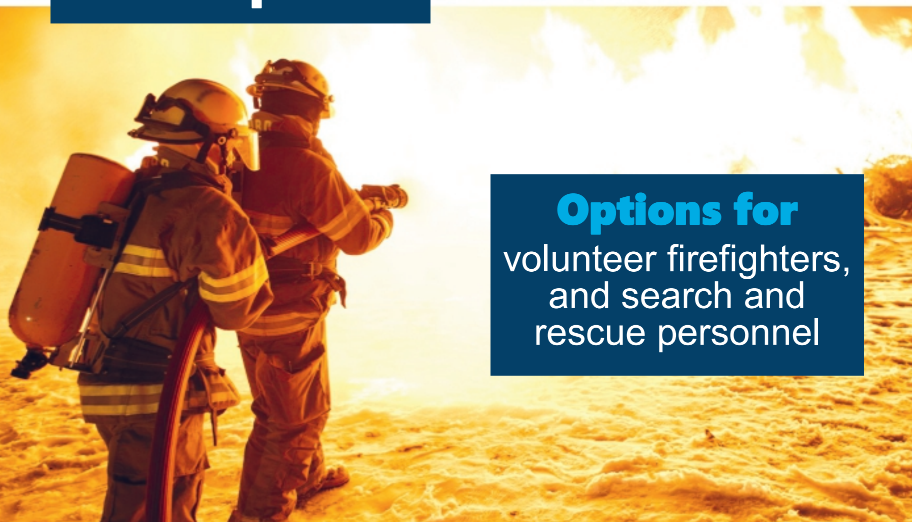
Tax Tips Mar 2023

up to one-half of that income. By doing so, a pensioner and their family can significantly reduce their tax load.

Increasing the Age Limit for Converting RRSPs to RRIFs

- Registered Retirement Savings Plans (RRSPs) provide one of the best opportunities for Canadians to save for the future.
- Since RRSP contributions are not taxable below your RRSP deduction limit, they are an ideal way to plan for retirement. However, some Canadians have been restricted by the way RRSPs are structured. Even though they chose to work past 69 years of age, it was a requirement to convert their RRSP into a Registered Retirement Income Fund (RRIF) and begin making withdrawals.
- The previous Conservative government increased the age limit for converting RRSPs to RRIFs from 69 to 71. Now, Canadians have more freedom to choose when they convert their RRSPs.


Employers can claim up to
$2,000 per eligible apprentice
Claim tools and meal expenses


Options for
volunteer firefighters, and search and rescue personnel

SAVINGS FOR WORKING CANADIANS

Employees and employers should examine the following measures:

Canada Workers Benefit

- This benefit is a refundable tax credit that supplements the earnings of low-income workers to ensure they aren't penalized for getting a job.

- For those low-income working Canadians with a disability who face even larger barriers to workforce participation, it provides an additional supplement.

Canada Employment Amount

- The Canada Employment Amount provides most employees of the public and private sector (excluding the self-employed) with help to offset the cost of work-related expenses such as home computers, uniforms and supplies. If you qualify for this amount, you can claim up to $1,287 on your 2022 tax return.

Apprenticeship Job Creation Tax Credit

- Employers who employ an eligible apprentice in a skilled trade in the first two years of an apprenticeship contract (registered with the federal, provincial, or territorial government) can be eligible to receive a non-refundable tax credit equivalent to 10% of the salaries and wages paid to the apprentice.

- This can translate into tax savings for an employer of up to $2,000 per eligible apprentice.

Lower Taxes for Local Business Owners, Farmers and Fishermen

- When an owner of a family farm, local business, or fishing enterprise passes from one generation to the next, the properties – or shares – are subject to a Capital Gains Tax. Previously, the first $500,000 of the value was tax-free.

- This exemption was increased to $800,000 by the previous government. Because it is indexed for inflation, the lifetime capital gains exemption is now $913,630 for the 2022 tax year.

- Additionally, the limit specifically for farm and fishing businesses was increased to $1 million. Bill C-208 passed in the last Parliament makes it easier for family-owned businesses and farms to be passed down to family members.

Eligible Educator School Supply Tax Credit

- Eligible educators can claim a 25% refundable tax credit on up to $1,000 of supply purchases per year. Some examples include flashcards, arts supplies, writing materials, books for the classroom and more.

Volunteer Firefighters' and Search and Rescue Tax Credit

- This is a 15% non-refundable tax credit based on an amount of $3,000 for volunteer firefighters and search and rescue volunteers who perform at least 200 hours of service per year. There is the option to claim the exempt amount of up to $1,000 for honoraria if desired.

Tradespersons’ Tools Deduction

- This tax deduction on tools helps tradespeople who often must pay for their work expenses up front out of their own pockets.

Meal Expenses for Long-Haul Truck Drivers

- The Canadian tax system generally limits the deduction of business-related meals and other expenses only up to 50%. The deductible portion of meal expenses for long-haul truck drivers is now 80%.

Lowering the Small Business Tax Rate

- In 2015, the small business tax rate was lowered from 10.5% to 9% by 2019. The reduced small business tax rate of 9% is now in effect.

HIGHER TAXES FOR ALL CANADIANS

Conservatives are concerned that, especially at a time of rapidly rising costs for everything, several tax savings measures have been scrapped by the Liberal government and new taxation introduced. Conservatives are committed to voting against all unreasonable new tax measures that increase your tax bill.

Carbon Tax

In April 2023, the consumer carbon tax will increase 30%, from $50 to $65, raising prices at every step in the supply chain. Despite this hardship on families, GHG emissions have actually increased under the Liberal government. This is not an environmental policy; it's a taxation and income redistribution policy.

Disability Tax Credit

The Liberal government has made it more difficult for Canadians to prove their eligibility for this tax credit.

Tax-Free Savings Account <u>Rolled Back</u>

The Liberal government clawed back the maximum contribution amount from $10,000 to $6,500, making it harder to save.

Public Transit Tax Credit <u>Cut</u>

The Liberal government cut this tax credit that helped commuters save 15% on the costs of public transit.

Family Tax Cut (Income-Splitting) <u>Scrapped</u>

The Liberal government scrapped this initiative which would have provided $2,000 in tax relief for couples with children under age 18.

Children's Fitness Tax Credit and Arts Tax Credit Scrapped
The Liberal government took away the tax credit you used to be able to claim for your children's sports and arts programs.

Education Tax Credit and Textbook Tax Credit Scrapped
The Liberal government axed critical support for students by scrapping these tax credits.

CPP Tax Hike
The Liberal government's plan has raised the contribution rate 0.5% every year, reaching 11.9% in 2023. As a result, 92.2% of all Canadian families, on average, will pay $2,218 more.

EI Premium Rate Hike
EI premium rates were $1.49 in 2015. In 2023, the rate rises to $1.63 meaning both workers and businesses will pay more.

Beer, Wine and Spirit Excise Tax
The Liberal government increased the excise tax, which makes beer, wine and spirits more expensive. Worse, they introduced an escalator, so the tax automatically increases on April 1st every year. It will go up 6.3% on April 1, 2023.

Employee Discounts Failed Attempt
The Liberal government tried but failed to tax employee discounts, such as servers getting meals at work, or retail clerks getting a percentage discount on purchases.

Income-Splitting for Family Businesses Rolled Back
The Liberal government has increased taxes and made the rules more complicated for business owners who employ family members.

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