"LOOPHOLES"™
2023 - 2024

"A tax planning checklist for all taxpayers"

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"Loopholes" is a tool that can be used to reduce the overall taxes that you pay. This is not an exhaustive list of tax planning ideas but is simply a summary of the more significant savings and planning opportunities available today in British Columbia. Professional advice should be sought to ensure that a particular idea is applicable to your personal situation.

Please review the checklist, and if any of the items seem to relate to your situation, please do not hesitate to call.

$14.95 + GST (complimentary for clients)

HOW TO USE THIS TAX PLANNING GUIDE:

This "Loopholes" tax planning guide has been divided into the following sections:

1. Read each section that applies to you. Check the ☐ box of each "loophole" that could be used in your circumstance.

2. **<u>BE SURE TO TAKE NOTE OF THE MANY NEW TAX RULES FOR THIS YEAR, WHICH HAVE BEEN UNDERLINED.</u>**

3. Bring this booklet with you when we are tax planning for you or preparing your income tax return and we will show you how to get the maximum benefit from those planning points. If you miss out on available deductions or planning points, it may cost you thousands of dollars.

4. These "loopholes" represent various methods to use existing tax laws to your greatest advantage. **As a taxpayer, you should always look at the tax rules from different angles and structure your tax planning in a way that will result in a benefit for you and your family.**

5. For further information regarding your tax issues, please contact our offices at:

Armstrong:	250-546-8665	Enderby:	250-838-7337
Sorrento:	250-675-3440	Out of town (toll free):	1-888-818-FARM
Email:	Chris Henderson	ch@rhllp.ca	
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QUICK REFERENCE TAX FACTS

2024 COMBINED FEDERAL & BC TAX BRACKETS:

		Regular Income (%)	Eligible Dividends (%)	Ineligible Dividends (%)	Capital Gains (%)
$ -	$ 15,705	-	-	-	-
15,705	47,937	20.06	-9.60	10.43	10.03
47,937	55,867	22.70	-5.96	13.47	11.35
55,867	95,875	28.20	1.63	19.80	14.10
95,875	110,076	31.00	5.49	23.02	15.50
110,076	111,733	32.79	7.96	25.07	16.40
111,733	133,664	38.29	15.55	31.40	19.15
133,664	173,205	40.70	18.88	34.17	20.35
173,205	181,232	44.02	23.46	37.99	22.01
181,232	246,752	46.12	26.36	40.41	23.06
246,752	252,752	49.80	31.44	44.64	24.90
Over $252,752		53.50	36.54	48.89	26.75

2024 EMPLOYEE WITHHOLDINGS:

	CPP	CPP 2	EI
Maximum annual earnings	$68,500.00	$73,200.00	$63,200.00
Employee rate	5.95%	4.00%	1.66%
Employer rate	5.95%	4.00%	2.324%
Maximum contribution (employee)	$3,867.50	$188.00	$1,049.12
Maximum contribution (employer)	$3,867.50	$188.00	$1,468.77

2024 SOCIAL BENEFIT/CLAWBACK LIMITS:

Guaranteed Income Supplement (GIS)	Annual income		
	Max. benefit		No benefit
Single	$0	to	$21,624
Family, if both spouses receive OAS	$0	to	$28,560
Family, if only one spouse receives OAS	$0	to	$51,840
Old Age Security clawback	$86,912	to	$142,609

2023 TAX CREDITS:	**Approx. tax savings**
Basic personal	$2,856
Maximum age amount – age 65	$1,531
Firefighter or search and rescue volunteer	$602
Disability	$1,869
Child disability (<18)	$1,090
First time home buyers' amount	$1,500
Canada employment amount	$205
Pension income amount	$351
Adoption expenses	$3,653
Charitable donations:	
First $200	20%
Amount greater than $200	up to 46%
Married and equivalent to spouse	20% of eligible amount
Medical expenses	20% of amount in excess of 3% of net income (max $2,635)
Tuition	20% of amount paid
Student loan interest	20% of amount paid
Canada caregiver amount	20% of eligible amount
Home renovation tax credit for seniors & persons with disabilities	10% of eligible expenses to a max. of a $1,000 credit per household
Canada Workers Benefit ("CWB")	$1,428 single credit $2,461 couple or family
CWB Disability Supplement (if both have a disability)	$2,165 single credit $3,198 couple or family

2024 MILEAGE RATES:

Non-taxable mileage allowance

First 5,000 km	$0.70 / km
Remainder	0.64 / km

IMPORTANT DEADLINES for 2024:

February 29
- last day for RRSP contributions

March 30
- due date for trust returns, including bare trusts

March 31
- due date for speculation and vacancy tax annual declarations

April 15
- due date for filing US tax returns

April 30
- due date for general income tax returns
- due date to pay taxes owing to avoid interest
- due date for Underutilized Housing Tax returns

June 15
- due date for income tax returns if self-employed

December 15
- due date for final personal tax instalment payments

December 31
- due date for one-time instalment for personal tax instalment if you are a farmer

FOR ALL TAXPAYERS

Tax Law	Planning Point
Your province of residence on December 31 will determine which provincial tax rate you will pay for the year.	Consider stepping up your move to take advantage of a lower tax rate province or deferring your move to next year if going to a higher rate province.
The late filing penalty is 5% of the balance owing, plus 1% for each full month that your return is late, to a maximum of 12 months. If you have incurred late-filing penalties in any of the three preceding taxation years, your late filing penalties are doubled.	Even if you can't afford to pay the income tax that you owe, you should file your tax return by the annual deadline to avoid any late filing penalties.
Canada Revenue Agency ("CRA") has severe penalties for income tax evasion for taxpayers and their advisors. **There are severe penalties for repeated failure to report income. If possible, you should submit a "voluntary disclosure" when filing any late tax forms.**	Be sure that your tax planning is compliant with current tax law. Claim every legally available deduction or credit and arrange your affairs to reduce your income taxes as far as legally possible. Make sure all T-slips and other income are reported each year. If you are assessed repeated non-reporting penalties and have reasons why you have missed reporting income, apply under the "Taxpayer Relief Provisions."
You have a legal right to request adjustments for the last 3 years to your tax return. The "taxpayer relief provision" allows you to go back 10 years in some circumstances.	If you have missed deductions or credits in prior years, try to re-file back as far as possible. This used to be called "fairness," but it wasn't necessarily fair.
CRA is bound by law to give your situation a fair hearing and apply the relevant tax law equitably.	If you disagree with a CRA assessment, you must file a Notice of Objection within 90 days of the assessment. If CRA is delaying assessments unduly, or you have complaints about CRA staff, you can file a service complaint. Our experience is that you get very rapid responses to these formal complaints. Also, consider an application to the "Taxpayers Ombudsman."

Tax Law	Planning Point
❑ CRA has the authority to review any claims for deductions or revenues that you have reported. Generally, CRA is restricted to the most recent 3 years of filings. However, in some cases, they can look back up to 7 years.	➢ Keep good documentation of all transactions. You might consider having us review your documentation prior to sending it to CRA to ensure you have not provided potentially incriminating information that was not requested. Only send to CRA what they ask for, nothing more. Remember you are guilty until you can prove yourself innocent!
❑ If you have not filed tax returns for an extended period of time or have missed reporting income, a "voluntary disclosure" may reduce penalties.	➢ This is only available if CRA has not requested any filings, and you have not used a voluntary disclosure in the past.
❑ CRA can apply a refund from one agency towards a debt owing in another. For example, CRA can withhold a GST refund to pay for outstanding taxes, EI, child tax, or student loan.	➢ CRA commences these collections immediately upon issuance of a Notice of Assessment. If you do not agree, you can file a Notice of Objection.
❑ If you owed more than $3,000 personally in either of the two preceding tax years, CRA may require you to make instalments next taxation year. CRA charges interest if you do not make these instalments but does not pay interest if they are unnecessary.	➢ If your taxable situation is expected to differ significantly from that estimated by CRA, your instalments can be adjusted to ensure you do not over or under install.
❑ **<u>Effective January 1, 2024, if you have to make payments to CRA over $10,000, you must make the payment electronically.</u>**	➢ You will be subject to a penalty of $100 per payment if you fail to pay electronically for payments over $10,000.
❑ Protect yourself against fraudsters claiming to be CRA. Many people have received emails or phone calls this year from someone claiming to be from CRA.	➢ CRA will never request payments by credit card and will not send an email with a link or ask you to divulge personal or financial information.

Tax Law	Planning Point
❑ **New mandatory disclosure rules have been introduced for transactions occurring after June 21, 2023.** **Reportable transactions include transactions where a main purpose is obtaining a tax benefit and there are contingent fees or confidential/ contractual protection.** **Notifiable transactions are those designated by the CRA, which they have determined are abusive or otherwise of interest.**	➢ When engaged in tax planning, you should consider if you have a reportable or notifiable transaction. Your tax advisors, lawyers, or other advisors on the transaction may also have reporting requirements. You have 90 days to report a reportable or notifiable transaction to the CRA.
❑ Many tax credits are non-refundable and do not carry forward to future periods.	➢ If possible, increase income or postpone deductions to avoid losing them.
❑ Tax rules for taxpayers leaving or coming into Canada from another country are very complex and may result in a significant tax liability.	➢ Obtain proper advice to ensure you plan your emigration or immigration from or to Canada.
❑ If you are a **US Citizen**, severe penalties exist for not filing a US tax return, regardless of whether you live there or not.	➢ Specialized advice may be necessary as the US/Canada rules are in flux.
❑ Individuals spending 183 days or more in the US may be considered a US resident and may be required to file a tax return with the IRS reporting their worldwide income.	➢ Be cautious, it may be possible to fall into this US tax trap with less than 183 days. Snowbirds should consider filing a Form 8840 – Closer Connection Exemption Statement.
❑ **Beginning in 2023, new reporting requirements require certain trusts, including "bare" trusts, to disclose trustees, beneficiaries, settlors, and protectors.**	➢ Failure to report will see penalties attached that are similar to information returns ($25 a day for late filed schedules, $100 minimum penalty, $2,500 maximum).

Tax Law	Planning Point
❑ There is a Registered Disability Savings Plan ("RDSP") for taxpayers eligible for the Disability Tax Credit ("DTC"). To assist, the government may provide a grant based on your contributions. A parent's or grandparent's RRSP can be rolled into an RDSP at their date of death.	➢ To receive the maximum government grant of $3,500 per year, you need to contribute $1,500 annually. If the disabled taxpayer has low-income, the government may deposit an additional bond of up to $1,000 to his/her RDSP. By putting $1,500 in you may end up with $6,000 in an account for the disabled person.
❑ Beneficiaries of RDSPs with shortened life expectancies of 5 years or less can withdraw up to $10,000 per year without penalty.	➢ Make sure you obtain the proper approval prior to doing this.
❑ If the RDSP is primarily government assisted, the maximum annual withdrawal limit will be increased.	➢ There is a calculation available for these types of plans. If this applies to your situation, please contact our office.
❑ The Federal Home Accessibility Tax Credit allows a senior or an individual who is eligible to claim the disability tax credit to claim a 15% credit of up to $20,000 of expenses per year for costs incurred to improve the mobility of the person in and around their principal residence.	➢ Certain "supporting individuals" may also qualify. Expenses qualify if they are of an enduring nature and integral to the dwelling of certain supporting individuals. If there are two qualifying individuals in the same principal residence, the maximum is $20,000 related to that principal residence.
❑ The First Home Savings Account (FHSA) allows certain first-time home buyers to save up to $40,000 toward a home purchase, with a maximum annual contribution of $8,000 over five years. Contributions to the FHSA are tax-deductible and withdrawals to purchase a home are tax-free.	➢ If you plan to purchase a qualifying home, consider taking advantage of this tax deduction. If amounts contributed are not used to purchase a home, they can be transferred to an RRSP/RRIF tax-free.
❑ Starting in 2023, if you rented for at least 6 months and your family income is less than $80,000 you may be eligible for a BC tax credit of up to $400, with a reduction to the credit for those with family income over $60,000.	➢ Only one partner of a cohabitating couple can claim the credit. To be eligible, you cannot be renting from a relative.

Tax Law	Planning Point
❑ If you are a volunteer firefighter, CRA offers a $1,000 tax-free allowance to offset this income, or a 15% non-refundable credit based on an amount of $3,000.	➢ Be sure that your T4 takes the tax-free allowance into account. There is no requirement to prepare a T4A for the first $1,000 of contribution.
❑ Search and Rescue Volunteers are also entitled to a 15% non-refundable credit based on an amount of $3,000.	➢ Don't miss this opportunity to save up to $450 in taxes.
❑ An adoption tax credit is available for eligible adoption expenses. For 2024, the maximum claim is $18,210, for the completed adoption of a child under 18.	➢ Allowable expenses include adoption agency fees, court and legal fees, foreign agency fees, travel, and meals.
❑ The Canada Workers Benefit ("CWB") refundable tax credit is available to low-income taxpayers that are 19 or older in the year. A British Columbian couple can receive a refund of $2,461. If both taxpayers qualify for the disability tax credit, a couple could receive a refund of up to $3,935.	➢ File a tax return even if you did not make more than the personal limit, as this tax credit can result in a tax refund. If you have control over your income, you can plan into this and receive a cheque from CRA or have CRA pay into your CPP for you.
❑ You may apply for an advance payment of one-half of the Canada Workers Benefit to which you are entitled for the year, based on the prior year tax return.	➢ If approved, the prepayments will be received in January, July and October and reduce the amount you are paid when you file your return. If you receive more than you are entitled to for the current year, the excess does not need to be repaid.
❑ **Starting in 2024, Alternative Minimum Tax (AMT) is being modified to target higher income earners. The AMT tax rate will be raised from 15% to 20.5% and the basic income exemption will increase from $40,000 to $173,000. Additionally, there are increases to the percentage of capital gains and other amounts included in taxable income for AMT purposes.**	➢ If you plan to utilize your capital gains exemption during the year, consider if you will have a significant AMT bill and set aside a portion of the proceeds to cover the AMT. AMT paid can be recovered over the next 7 years if you have sufficient taxable income.

Tax Law	Planning Point
❑ There is a credit of $2,500 or $5,000 for customers who buy or lease an eligible zero-emission vehicle. Passenger cars must have a base model MSRP less than $55,000 (trims up to $65,000). Station wagons, pickup trucks, SUVs, minivans, and special purpose vehicles, must have MSRP less than $60,000 (trims up to $70,000).	➢ This is a point-of-sale credit. Note that businesses are eligible for this incentive. However, they would not be able to take advantage of the new tax write-offs for zero-emission vehicles.
❑ Qualifying expenditures paid between February 22, 2022, and April 1, 2025, to improve the energy efficiency of eligible buildings may be eligible for the BC Clean Buildings Tax Credit of 5% of expenditures.	➢ Eligible buildings include certain commercial and multi-unit residential buildings. The retrofit must be certified by the Ministry of Finance before March 31, 2027.
❑ The BC climate action tax credit (BCCATC) are non-taxable payments which you are eligible to receive if you are 19 years of age, have a spouse or common law partner or are a parent who resides with your child. The credit is reduced based on family net income.	➢ You do not need to apply for this credit. CRA will determine your eligibility when you file your income tax return. The credit is combined with the GST/HST credits that individuals receive quarterly.
❑ Individuals automatically accumulate $250 towards their "training account limit". Each individual is able to accumulate a maximum of $5,000. In order to meet the criteria, you must be between 25 and 65 years of age, must be a resident of Canada and must report at least $10,000 of personal earnings from employment, self-employment, or certain other sources and cannot be in the top income tax bracket.	➢ The accumulated dollars can be claimed as a refundable tax credit by the individual to cover half of the eligible tuition fees.

Tax Law	Planning Point
❑ Persons with disabilities who own or lease a vehicle may be eligible for a BC fuel tax refund of up to $500 per year and a 25% discount off your ICBC basic Autoplan insurance.	➢ If you are eligible, keep your fuel receipts as they are required to apply for the refund. To receive this refund, you must first register online or using form FIN 119. You will then receive a registration confirmation letter. After this you must complete form FIN 472 and mail it to the BC government along with your original fuel receipts.
❑ **<u>The government has begun implementation of the Canadian Dental Care Plan. To be eligible, you must not have access to dental insurance, have family net income under $90,000, be a Canadian resident, and have filed your previous year tax return. Based on family income, the plan will cover either 100%, 60% or 40% of eligible oral health care service costs.</u>**	➢ You must apply to be eligible. Applications open in: - December 2023 for age 87+; - January 2024 for age 77 to 86; - February 2024 for age 72 to 76; - March 2024 for age 70 to 71; - May 2024 for age 65 to 69; - June 2024 for adults with a valid Disability Tax Credit certificate or children under 18; and - 2025 for all others.

IF YOU ARE AN EMPLOYEE

Tax Law	Planning Point
❑ It is possible to be both a shareholder and an employee, thereby entitling you to numerous non-taxable allowances and benefits permitted by CRA to employees.	➢ CRA usually considers a benefit to be in the capacity of employment if other employees or others in the industry receive similar benefits.

Tax Law	Planning Point
❑ Employers are permitted to provide non-cash gifts totaling up to $500 annually for each arms-length employee. The employees can also receive up to $500 every 5 years as a years of service award. CRA will now accept certain gift cards to be non-cash and eligible to be a non-taxable benefit provided certain criteria are met.	➢ Be sure and take advantage of these non-taxable awards and gifts. Beware that gift certificates are usually considered cash, so do not qualify, unless: - it can only be used to purchase goods or services from a single retailer or a group of retailers; - it cannot be converted into cash; and - you keep a detailed log of such gifts.
❑ An employer may pay money into a retiring allowance in recognition of long service. This also includes severance packages.	➢ There is a limit of $3,500 per year of service up to 1989, $2,000 per year from 1989 to 1996. The eligible amount of the retiring allowance can be transferred to an RRSP on a tax deferred basis and does not affect your RRSP contribution room.
❑ An employer can make loans to an employee for purchasing a house, a car, or shares in the company.	➢ Loans must be at a prescribed rate of interest as determined by CRA. For the first quarter of 2024, this rate is 6%.
❑ An employer can grant an employee a stock option plan.	➢ The tax consequences can be deferred to the date the options are exercised (as opposed to when the option is granted).
❑ There is a $200,000 limit on the fair market value of stock options that may vest to an employee in a year while qualifying for a deduction of 50% of the benefit. Canadian-Controlled Private Corporations (CCPCs) issuing stock options are not subject to the new rules.	➢ Employers subject to this rule will be able to choose whether to grant an employee options that are eligible for the deduction, up to the $200,000 limit per employee, or to grant options not eligible for the deduction. Employers must notify employees in writing if stock options will not be eligible for the deduction.

Tax Law	Planning Point
You can request a reduction of the withholdings on your payroll cheques if you are expecting to get refunds at the end of the year because of RRSPs, alimony and maintenance deductions or other items not found on your TD1 Form.	CRA does not pay interest on withholdings paid, so it is better to have use of the money over the year, as opposed to waiting for a large refund when you file your tax return.
An employee can opt to pay CPP on income that is not covered by the CPP rules.	This would include tips, casual employment, or under-remitted income from working for more than one employer.
If you have an employee between the ages of 65 and 70 who wants to stop contributing to the Canada Pension Plan (CPP), they must file an election form, even if they are collecting CPP.	The employee must be collecting CPP and needs to fill out a CPT30 form that must be forwarded to CRA (and a copy kept with the employer payroll records).
Disability insurance premiums paid by employers are taxable benefits to the employee.	Employees should pay their own disability insurance premiums, because then any benefits to the employee from the insurance in the future will be tax-free.
If you are required to use your vehicle, purchase supplies, or provide office space for your employment, the expenses are deductible against the employment income.	Have your employer sign the T2200, TL2 or other prescribed forms so you can deduct these expenses. Also, claim-back the GST on the eligible employment expenses.
Employers can pay employees a non-taxable traveling allowance (including meals and vehicle use). **For 2024, the rate in BC is $0.70/km for the first 5,000 kilometers and $0.64/km thereafter. Also, overtime meals & allowance of $23 per day are tax free to employees.**	If actual vehicle expenses (insurance, repairs, fuel, loan interest, etc.) exceed this rate, actual costs can be claimed. However, receipts must be maintained to support the claim.

Tax Law	Planning Point
❑ Moving expenses are deductible against employment income earned in the new work location. If the moving expenses exceed the income in the new location in the year of move, they can be carried forward until you have income from your new work location. Either spouse can claim moving expenses.	➢ Claim all amounts relating to moving expenses, including: - real estate commission - mortgage penalty on selling former home - costs of maintaining a vacant former residence - travel - storage costs - meals and lodging - legal services and property purchase tax on the new home - temporary quarters up to 15 days
❑ Moving expenses are deductible if you move 40 kms closer to your new work location (determined to be by the normal route as opposed to as the crow flies).	➢ A home-based business is considered a work location, so a move of more than 40 km may qualify.
❑ There are special expense deductions provided to clergy, traveling salespeople, musicians, artists, apprentice mechanics and certain transportation employees.	➢ Consult our office if you fall into any of these professions and we will discuss the specific deductions available to you.
❑ A tradesperson can deduct up to $1,000 for amounts paid in excess of $1,368 towards the purchase of "eligible" tools required for their employment. To receive the full deduction, your income from employment as a tradesperson and total cost of eligible tools you bought in 2023 must exceed $2,368.	➢ The tools must be new, and you must have receipts to document the purchase. Your employer must complete Form T2200.
❑ An individual employed as an apprentice mechanic may be able to deduct their tools purchased during the year based on their apprentice employment income.	➢ Any amounts not deductible in one year can be carried forward and used in future years. GST paid on tool expenses can be recovered.

Tax Law	Planning Point
❑ If you reside in a Northern Canadian area on a permanent basis for at least six consecutive months, you are eligible to claim the Northern Residents deduction.	➢ Be sure and claim both the residency deduction and the deduction for travel benefits if provided by an employer.
❑ Transportation employees that are required to travel away from their hometown are permitted to claim a deduction for their meals. Meals cannot be claimed unless you are required to be away for at least 12 consecutive hours from the municipality where you typically work.	➢ CRA allows 1 meal where the trip length is between 12 to 14 hours, 2 meals where the trip length is between 14 to 16 hours and 3 meals where the trip is between 16 to 24 hours.
❑ Generally, only 50% of meals are deductible. However, long haul truckers are eligible for an enhanced deduction of 80%.	➢ GST may also follow these enhanced deductible percentages. Be sure to update your bookkeeping to make sure you maximize your deductions and GST refund.
❑ Some union dues or other dues may have a GST component that can be claimed back.	➢ Be sure to identify these amounts as they can be recovered on your personal income tax return.
❑ The maximum amount under the "Canada Employment Amount" is $1,368.	➢ If possible, try to ensure all family members have at least this amount of employment income to claim this credit. If you own your own company, be sure and give all family members a T4 for this credit. It also may help with the Canada Workers Benefit.
❑ Apprentices registered in years 1 to 4 of most trades may be eligible for a cash grant from the BC or Federal Government.	➢ The grant may be taxable to the individual and may be included in income on their tax returns. There is a separate application for some grants. Don't miss the deadlines!
❑ Depending on your employment arrangement, consider operating through a company to pay lower tax rates.	➢ Care must be taken so that you are not characterized as a personal service corporation, which is taxed at a higher rate.

Tax Law	Planning Point
❑ Self-employed individuals have more deductions than employees.	➢ If possible, try and characterize your relationship as a contractor instead of employment/employee.

IF YOU ARE A BUSINESS OWNER

Tax Law	Planning Point
❑ If you or your spouse are self-employed, you have a June 15 deadline for filing tax returns, however, any taxes owed are still due on April 30. CRA may charge interest for unpaid taxes as of April 30.	➢ Consider making a lump-sum instalment before April 30 to cover the estimated taxes owing if you cannot file your return by that date.
❑ If your company has taxable income below $500,000, it may qualify to make quarterly corporate tax instalments.	➢ You might consider continuing with monthly instalments so that cash flows stay more manageable and there is less likelihood of forgetting a payment.
❑ The penalty for late filing T4 and T5 returns is approximately $10 per day. Additionally, if you file five or more of these returns in a calendar year, you will be subject to penalties if you do not file electronically.	➢ It may be beneficial to pay a small penalty to CRA to enable tax planning.
❑ There are generally three reasons to incorporate a business: - You want to limit your personal exposure to lawsuits; - You have excess cash and want to pay lower tax; or - You intend to sell the business or transition it to your children.	➢ Each of these reasons must be examined in relation to your current situation and your expectations for the future. There are additional costs to having an incorporated business, so it is important to ensure the benefits will outweigh these costs.
❑ Small business corporations' benefit from a preferential tax rate of 11% on profit under $500,000, as compared to a tax rate of up to 54% for individuals.	➢ Therefore, you can pay down debt or accumulate assets 43% faster by using a company.

Tax Law	Planning Point
❑ There are rules that may force your company to share the small business deduction with family members you conduct business with.	➢ These rules do not apply if gross income with those related persons is less than 10% of your gross income. You may want to review your business structure to make sure changes are not required.
❑ The small business deduction is reduced when investment income in a group of associated CCPCs exceeds $50,000. For every $1 of investment income that exceeds $50,000, the small business deduction is reduced by $5 in the subsequent year. Once investment income exceeds $150,000, the small business deduction is eliminated.	➢ The definition of investment income for purposes of these rules starts with the normal definition of aggregate investment income, then makes certain specific additions.
❑ The upper limit of taxable capital employed in Canada at which the small business deduction is phased out has been raised from $15 million to $50 million.	➢ CCPCs and associated corporations with less than a combined $50 million taxable capital employed in Canada will be entitled to receive a portion of the small business deduction.
❑ BC charges Goods and Services Tax (GST) on revenue earned at a rate of 5%.	➢ Consider using the "quick method" of calculating GST. It may result in paying less GST than using the regular method.
❑ BC also employs a Provincial Sales Tax ("PST") system.	➢ PST is a retail sales tax that applies when a taxable good is acquired for personal or business use, unless a specific exemption applies. If your sales are over $10,000 per year or you operate from a commercial premise, you may need to register for a PST account, if you have not already done so.
❑ PST has several different tax rates for different industries. Make sure you are registered under the right industry.	➢ Please contact our office if you have any questions or you can also visit www.gov.bc.ca/PST for more information.

Tax Law	Planning Point
A loan by a corporation to a shareholder may result in a deemed taxable benefit.	Care must be taken in the timing of salary or dividend payments to clear shareholder loans.
If your company has a significant interest in a partnership the tax deferral opportunities have been eliminated.	Ensure your corporations and partnerships have the same year end to avoid "phantom income."
For a private corporation, Refundable Dividend Tax on Hand (RDTOH) is usually only refunded in cases where a private corporation pays an ineligible dividend.	There is an exception to this rule where you build up RDTOH through eligible dividends received or earn active income in excess of the small business deduction limit. In this circumstance, an Eligible RDTOH pool will build up and eligible dividends will trigger the Eligible RDTOH pool to be refunded.
Dividends can be paid to one class of share, to the exclusion of another class.	Use different classes of shares for spouses, to allow for income splitting. Consider using a family trust to allocate income amongst family members.
When you receive dividends or certain other income from a private corporation, tax on split income ('TOSI') may apply if you are under 18 or the return is not reasonable in relation to your contributions to the corporation. TOSI increases the recipient's tax rate to 53.5% on the income.	Avoid paying dividends to someone under 18. For dividend recipients over 18, they are exempt from TOSI if they have worked for the business an average of 20 hours per week in the current year or in 5 previous years.
An individual can receive about $30,000 of ineligible dividends or $55,000 of eligible dividends without having to pay federal tax, assuming no other sources of income.	Consider both dividends and wages when structuring shareholder remuneration in any given year.

Tax Law	Planning Point
❑ Eligible dividends are taxed at a significantly lower tax rate than regular dividends.	➢ If your company has active income more than the small business limit, you should review whether paying "eligible dividends" is more tax advantageous than management bonuses. Dividends are often useful when a shareholder is getting CPP or other disability payments as wages often reduce the disability payments (dividends do not).
❑ An unpaid dividend can be reported on a separate tax return for a deceased taxpayer, effectively providing two low brackets.	➢ If you are elderly or of ill health, consider declaring a dividend in your company, but not paying it. This allows another $30,000 to the estate tax-free. Also, a $10,000 death benefit can be deducted by the business & not be taxable to the employee.
❑ Pensioners can earn up to $5,000 of employment or self-employment income before it affects their Guaranteed Income Supplement.	➢ If you are 65 or older, consider issuing yourself and your spouse a T4 of $5,000 each.
❑ Pooled Registered Pension Plans (PRPP) are a kind of deferred income plan designed to provide more options for employees or self-employed individuals who do not have workplace pensions.	➢ PRPPs can offer investment and savings opportunities with lower administration costs.
❑ The government has extended optional EI benefits for maternity, parental, sickness, and compassionate care benefits to self-employed individuals.	➢ Care must be taken when opting into this EI program since if you receive any benefits you may have to contribute if you are self-employed.
❑ The CPP base rate is now 5.95%. **In 2024, for those making in excess of $68,500, an additional 4% rate is charged on income up to $73,200.**	➢ These changes are designed to allow for higher pension payouts on retirement.
❑ Employers are required to provide eligible employees with up to 5 days of paid sick leave in addition to 3 days of unpaid leave.	➢ Employers need to pay employees their regular wages for these days. Ensure to plan for this additional cost.

Tax Law	Planning Point
❑ A company can accrue a bonus at the end of a year to reduce corporate taxes. However, it will not be taxable to the employee until received. CRA requires that the amount be paid within 179 days of being declared.	➢ If your company has a year-end of July 31 (or later), the company gets a deduction in one year and the income to you is not taxed until the next year. This helps equalize personal income across years and avoids having income in the high tax brackets. Good legal documentation is necessary, including how fees were arrived at, details of services rendered and that the fees vary from year to year.
❑ The federal personal exemption for 2024 is $15,705 (BC - $12,580), under which no income tax is paid on earnings.	➢ Pay reasonable wages to family members (especially children) to take advantage of these tax-free limits. The wages to kids decrease family income for child tax benefit purposes and other social benefits.
❑ The Employer Health Tax ("EHT") is a payroll tax that applies to all employers with payroll in BC greater than $500,000 and will apply to BC employment income and taxable benefits, as defined under the Income Tax Act (Canada). This includes: - Salaries; - Advances; - Casual labour; - Bonuses; - Vacation time; - Gratuities and tips (if paid through employer); - Taxable allowances; - Director fees; - Stock options; - Contributions paid to an employee's RRSP and/or group life insurance premiums; - RPP contributions; - PHSP contributions; - Deferred profit share plan contributions; and - Retirement compensation arrangement contributions.	➢ The EHT is not applicable on earnings for employees who go to work at a premise located outside of the BC. Only the employers with EHT owing are required to file an annual employer health tax return which will have a due date of March 31st of the following calendar year. If you are associated with other employers, you must share the $500,000 exemption. Instalment payments are required quarterly if your health tax exceeded $2,925 in the previous calendar year. Your quarterly instalments are based on 25% of the previous year's tax or 25% of the current year's estimated tax.

Tax Law	Planning Point
A business can pay individuals as subcontractors, saving you the cost of Canada Pension Plan (CPP) and Employment Insurance (EI) remittances.	There are specific criteria to consider if a worker is a subcontractor or an employee. Ultimately, the risk of any additional tax liability resulting from an incorrect assessment falls on you, so be sure before you start.
If you are in the construction business, you may be required to report all payments to subcontractors.	Keep good records and file the required T5018 summaries. The penalty is up to $2,500 for not filing.
If your business pays fees or amounts greater than $500 to subcontractors, you may be required to file T4A forms.	The required T4A's must be filed on time with CRA. Failure to comply may result in interest and penalties.
CRA allows businesses a deduction for the purchase of equipment, referred to as capital cost allowance. The amounts for different types of equipment are set by CRA and only ½ of claim is permitted in the year of acquisition.	Make capital purchases close to the end of the year. In this way, you get a half-year claim when only owned for a few days. Wait until the beginning of a new year to dispose of equipment as there is no CCA claim in the year of sale.
For assets purchased after November 20, 2018, CRA has increased the first year's depreciation from half the normal rates to 50% more than the normal rate. This accelerated rate is being phased out for assets that become available for use after 2023 and will be eliminated after 2027. This does not apply to assets purchased from a non-arm's length party or assets transferred through a rollover.	Be sure to take advantage of these accelerated rates if capital additions are required.
If an asset has had too much CCA claimed on it over the years, the tax value will be lower than the fair market value. When sold, such an asset will result in an income inclusion called "recapture."	Transfer asset classes 2-12 to class 1 to defer the recapture of capital cost allowance when you sell assets. The purchaser, including children, can put the purchase into normal classes.
Tools with a cost less than $500 are considered Class 12 additions for tax purposes and are fully deductible in the year of purchase.	It is important to ensure these are appropriately recorded, as the alternative is Class 8, which is a deduction of 20% per year.

Tax Law	Planning Point
❑ Certain manufacturing assets and technological equipment can be put into a separate class when acquired so that when disposed of a tax savings can be realized if the selling price is lower than the tax value.	➢ Consider putting these assets into these special classes if you anticipate they will depreciate faster than the CCA rate permitted.
❑ There is currently a CCA rate of 50% on a declining-balance basis for machinery & equipment acquired after 2015 and before 2026 primarily for use in Canada for the manufacturing and processing of goods for sale or lease. The rate has increased to 100% for these assets purchased after November 20, 2018. This accelerated rate will be phased out beginning in 2024. This does not apply to assets purchased from a non-arm's length party or assets transferred through a rollover.	➢ Ensure manufacturing and processing machinery and equipment is included in the appropriate CCA class to take advantage of this increased deduction. There are enhanced CCA claims for clean energy generator and electrical generator from waste heat.
❑ The portion of expenses that relate to personal use (i.e., inventory that you consume personally) is not deductible by the business.	➢ Generally, it is easier to increase the reported income in the business to include sales to yourself. Although you can decrease the expenses if identifiable.
❑ 50% of meals and entertainment expenses are deductible.	➢ Keep good records to support your claim, including who you attended with and for what purpose.
❑ Leasing equipment is an alternative to purchasing, and the lease payments are 100% deductible.	➢ Ensure it says "lease" if you want lease treatment. It can be structured just like a loan with a $1 buyout and still qualify. Be careful as to what the lease rates are. They are often much higher than financing costs.
❑ If your worksite is more than 80km from the nearest urban center of at least 1,000 people, meals are 100% deductible. GST input tax credits also follow this rule.	➢ Be sure and claim 100% of such expenses if the work site qualifies as a "remote work location".

Tax Law	Planning Point
❑ You can deduct home office expenses if you use your home office exclusively to earn business income and it is used on a regular and continuous basis for meeting clients, customers, or patients. A recent tax court case said telephone contact was sufficient for "meeting clients."	➢ Keep all home related receipts (hydro, gas, insurance, mortgage interest, property taxes, repairs, etc.). The percentage of these expenditures relating to the home office is generally based on square footage of the office as compared with the remainder of the house.
❑ Home office expenses cannot be claimed in a situation where it will increase the loss of a business. However, unclaimed amounts can be carried forward.	➢ Always calculate the home office expense and keep a running balance.
❑ Where a website will have a relatively short useful life the costs can be expensed. However, if it is expected to have a long useful life it should be capitalized.	➢ Ensure to breakout the regular maintenance fees of the website, as those items can be expensed.
❑ Membership fees and dues to any club providing dining, recreational, or sporting facilities (i.e., golf or yacht club) are non-deductible. However, expenses of entertaining at the club may be deductible if there is a business purpose.	➢ The standard rate for meals and entertainment is 50%. However, if the purpose of the expenses relates to a charity fundraiser, an office event, or a legitimate networking event, the expenses are then 100% deductible.
❑ Gym memberships paid on behalf of employees are taxable benefits. It is not sufficient that the membership increases employee morale, health, and efficiency at work.	➢ Instead, you might try showing that your business benefits by securing customers from this membership or that good physical health is necessary for the employee to carry out their duties.
❑ A business can deduct premiums to private health services plans (PHSP). The plan can be self-administered.	➢ It is often more beneficial to deduct these expenses in a business as they are 100% deductible. If claimed personally as a medical expense, they are subject to the 3% of income threshold.
❑ If you use your life insurance policy as collateral for a business loan, you can deduct a portion of the premiums paid.	➢ The allowable deduction is based on the cost of pure term life insurance with a face value equal to the loan balance.

Tax Law	Planning Point
❑ Interest on loans for capital withdrawals from partnerships or corporations is deductible.	➢ Consider obtaining financing within the business to pay off personal debt. In this way, the interest becomes deductible, where it was previously not.
❑ Interest on money borrowed to earn business income is deductible. The purpose of a loan is what determines whether a loan is deductible.	➢ Always structure loans to be for a business purpose to make them deductible. If required, personal assets can still secure the loan. If structured properly a mortgage loan for your house can be tax deductible.
❑ **For tax years starting on or after October 1, 2023, proposed legislation would subject certain businesses to the Excessive Interest and Financing Expense Limitation (EIFEL), which limits how much interest can be deducted to about 30% of adjusted taxable income.**	➢ Businesses are excluded from this limitation if: - They are a CCPC with group taxable capital employed in Canada less than $50,000,000; - They have less than $1,000,000 in group interest and financing expenses; or - Substantially all of their group's activities are in Canada.
❑ CRA has stated that payments of mixed debt must be split pro-rata based on the personal and business percentages.	➢ You might consider splitting your financing into two separate loans (business vs. personal) and pay down the personal loan first.
❑ If a debt is not repaid to creditors, there may be certain amounts included in your income.	➢ Ensure that the "forgiveness" of the debt is structured properly to avoid this income inclusion.
❑ A business is permitted to deduct education costs for its employees if they provide a benefit to the business.	➢ If you run a business and have children attending school, you may wish to have the business pay for the tuition and other costs. There is a risk that CRA would deem this to be a taxable benefit, unless it can be shown that the program provides skills that are applicable to the business.
❑ Business losses created on or after 2005 can be carried forward for 20 years, except for those resulting from an Allowable Business Investment Loss.	➢ If your business has losses that are about to expire, it may be possible to renew these, so that they are available for another 20 years.

Tax Law	Planning Point
❑ If you sell assets for a gain within a corporation, or if the company receives life insurance proceeds, and it results in a capital gain, only half of the gain is taxable. The non-taxable portion of the gain goes into a capital dividend account ("CDA").	➢ A shareholder can apply to withdraw this amount from the company on a tax-free basis. Capital dividends are tax free to the recipient and a great way to increase shareholder's loan.
❑ If you sell business property (including shares of a company) and replace it with a similar business property, it may be possible to defer the tax on the initial sale until the new property is sold.	➢ These replacement property rules are only available on business properties, not rental properties. Generally, there is a 1-year time restriction on the repurchase. Assets purchased in advance of the sale may sometimes be considered replacement assets.
❑ The lifetime capital gains exemption is available on the sale of shares of qualifying companies, and the sale of qualifying farm/fishing property.	➢ There are very specific rules for property to qualify. You should review these rules several years ahead of a potential sale to allow for any necessary changes. Ensure you don't go offside on a "go forward" basis.
❑ The lifetime capital gains exemption available on the sale of shares of qualifying companies and for the sale of qualifying farm/fishing property is $1,016,836 in 2024.	➢ Try and structure your financial affairs to be able to use this huge deduction. It has the possibility of saving an individual up to $269,461 of taxes on shares of qualifying companies or qualifying farm/fishing property. Try and multiply this deduction so all family members can benefit from it.
❑ If the value of your business exceeds your capital gains exemption, consider sharing with other family members.	➢ An "estate freeze" can multiply the capital gains exemption. A family trust has many benefits in this situation.
❑ Businesses that spend money to create childcare spaces for their employees are eligible for a 25% investment tax credit up to $10,000 per childcare space.	➢ Eligible expenditures include cost of equipment, landscaping, licensing, permits, architectural fees, and children's educational materials.

Tax Law	Planning Point
❑ CRA provides a tax credit to taxpayers who carry out qualifying scientific research and experimental development. Your business must do something that is a "technological advancement."	➢ Apply if you think you could be eligible. Almost any area of technological advancement qualifies.
❑ There is a tax credit for salaries paid by a film or video company.	➢ Try to have as much of your salary shown as "production salary" as possible.
❑ A business in BC that employs a registered apprentice in the first two years of their apprenticeship in most trades is eligible for a tax credit equal to 20% of salaries paid to a maximum of $4,000 per year per apprentice until December 31, 2024.	➢ To claim this credit, you will require the appropriate trade code and apprenticeship contract # for your employee.

IF YOU USE A VEHICLE FOR BUSINESS

Tax Law	Planning Point
❑ Expenses relating to a vehicle used for business purposes are deductible based on the percentage of kilometers driven for business purposes, which must be supported by a travel log. CRA auditors have stated that if a log is not available, they consider the vehicle to be 100% for personal use, and no deductions are available. CRA may allow a simplified logbook based on a sample period of time.	➢ Receipts must be kept supporting the expenses claimed. If you are audited and do not have a log, you may be able to prepare a log after the fact based on timesheets, appointment books, or other means, and appeal the re-assessment. Also, GPS logbooks are now available to help automate the logbook process.
❑ Employers are permitted to deduct a traveling allowance paid to employees for vehicle use, which is non-taxable to the employees. For 2024, the rate in BC is $0.70/km for the first 5,000 kilometers and $0.64/km thereafter.	➢ If actual vehicle expenses (insurance, repairs, fuel, loan interest, etc.) exceed this rate, actual costs can be claimed. However, receipts and a mileage log must be maintained to support the claim.

Tax Law	Planning Point
❑ If an employee uses a business vehicle for personal use, the employer is required to calculate an "operating benefit" and a "standby charge" based on the number of personal kilometers and include these amounts on the employee's T4. For 2024, the "operating benefit" rate is $0.33km. The "standby charge" is 2/3 of the annual lease cost or 24% of the original cost.	➢ The "standby charge" is reduced if personal use is less than 50% and less than 20,004 km/year in total. Because the standby charge is so onerous, a vehicle should generally only be owned by a business if it is used more than 90% for business use and personal use will be less than 1,000 km/month.
❑ CRA regards travel to and from work as personal use. However, recent tax court cases have determined that a home office can be considered a work location. Therefore, travel between your home office and your other office may be 100% deductible.	➢ If you do not have a home office, consider traveling from your home to a client or supplier on the way to your office. This may make the trip 100% deductible.
❑ An employer can loan money to an employee for the purchase of a car. These loans must bear interest at the prescribed rate of interest at the time the loan is made. For the first quarter of 2024, the prescribed rate is 6%.	➢ There is no requirement to increase this interest rate once the loan is made; therefore, this allows for a non-taxable benefit to the employee if the market interest rate exceeds the prescribed interest rate.

Tax Law	Planning Point
❑ A vehicle defined as a "passenger vehicle" by CRA has special rules that reduce the allowable deductions for depreciation, lease costs, recapture, and interest. For 2024, the maximum cost for depreciation is $37,000 (before GST and PST) for 2024, the maximum lease cost is $1,050/month, and the maximum interest is $350/month. If not determined to be a "passenger vehicle," the full expenses are deductible.	➢ A vehicle is not a "passenger vehicle" if one of the following applies: o It is a van, pick-up truck or similar vehicle that seats 3 or fewer people and is used more than 50% to transport goods or equipment in the course of producing income; or o It is a van, pick-up truck or similar vehicle that is used more than 90% for the transport of goods, equipment, or passengers in the course of producing income. These tests only apply in the year of acquisition. Acquire new vehicles just prior to the end of the year and ensure it meets the test for this short period. There are special rules for the disposition of a "passenger vehicle."
❑ **<u>There are accelerated tax write-offs available for purchase of zero-emission vehicles purchased on or after March 19, 2019, and made available for use before 2028. The new classes are designed to allow a 100% write-off in the year of purchase. The write-off is reduced to 75% for 2024-2025 and to 55% for 2026-2027. The write-off of zero-emission passenger vehicles is subject to a cap of $61,000 (before GST and PST).</u>**	➢ Consider taking advantage of the increased tax write-offs for zero emission vehicles.

IF YOU ARE A FARMER

Tax Law	Planning Point
❑ There are several tax rules designed solely for farmers, many of which are very complex.	➢ See our separate booklet titled "**LOOPHOLES FOR FARMERS**" for a review of these specific tax planning points.

IF YOU OWN INVESTMENTS

Tax Law	Planning Point
❑ All Canadian residents must report on Form 1135 "specified foreign assets" that have a combined cost over $100,000. CRA is enforcing this requirement by assessing penalties of up to $2,500 for absent or late-filed forms. Corporations and trusts that have investments must also report on form 1135.	➢ This includes shares in foreign companies, even if purchased through a Canadian broker. It does not include active businesses, foreign property held by a Canadian mutual fund, or property held in an RRSP or personal use property such as vacation homes used personally.
❑ If you own property in the US, you may have to include any gain on its sale on your Canadian tax return. You may also have to file a US tax return and pay taxes in the US.	➢ US taxation is very different from Canadian taxation and requires specialized advice. If you do pay US taxes, you may be eligible for a foreign tax credit on your Canadian return.
❑ In 1994, CRA permitted all taxpayers to make a special election to utilize up to $100,000 of their lifetime capital gains exemption. This may result in an increased cost base for that item, which may reduce the taxes when it is sold.	➢ If you are selling any investments (including property) that were owned prior to 1994, always refer to your 1994 tax return to determine if there is an increase to the cost base.
❑ Capital gains are taxed at 50% as compared to income, which is taxed at 100%. However, capital losses are only deductible against capital gains as compared to income losses, which are deductible against all sources of income.	➢ If you have a gain on the disposition of property, try and have it classified as a capital property. However, if you have a loss, try, and have it classified as a business loss. The main factors that CRA looks at include: - period of ownership - frequency of transactions - amount of improvements - reason for the sale - intention at time of purchase.
❑ If you sell a capital asset for a gain but don't get all the proceeds immediately, a reserve can be claimed to spread the gain over a maximum of 5 years.	➢ For sale of property and small business corporation shares this reserve can be extended to 10 years in some circumstances.

Tax Law	Planning Point
If you sell an investment for a loss, you must wait 30 days before reacquiring the investment otherwise the loss is classified as a "superficial loss" and may be denied by CRA.	In some cases, the superficial loss rules can be used to shift capital losses to a spouse where they can be used.
Reinvested distributions from mutual funds are added to the cost base of the mutual fund.	Be sure to add the distributions to the adjusted cost base to reduce the resulting gain.
Return of capital distributions from mutual funds are reductions to the cost base of the mutual fund.	The cost base of a mutual fund can become negative, which is taxed as a capital gain in that year.
If you are investing in marketable securities, you can claim them as capital gains or business income. Capital gains are ½ the tax rate as business income. However, capital losses give you only ½ the benefit of a business loss.	CRA permits a taxpayer to file an election treating all future dispositions of marketable securities as capital in nature. This is irrevocable and applies to all future years. The election is not available if you are a registered stockbroker.
If you sell investments within a corporation and it results in a capital gain, only half of the gain is taxable. The non-taxable portion of the gain goes into a capital dividend account (CDA).	A shareholder can apply to withdraw this amount from the company on a tax-free basis. Capital dividends are tax free to the recipient and a great way to increase shareholder's loan.
Capital losses can be carried forward indefinitely.	To take advantage of capital losses carrying forward, you should consider selling some of your well performing securities to trigger a gain. You can then repurchase those assets after 30 days if they continue to meet your investment objectives.
Investment losses (both capital and non-capital) can be carried-back 3 years.	If your investments are suffering a decline in value, consider selling to recover taxes paid on gains in the previous 3 years.

Tax Law	Planning Point
❑ If you have invested money into a business and don't have any chance of getting it back, you can claim an "allowable business investment loss" (ABIL). An ABIL can be used to reduce income from other sources and is not restricted to capital gains.	➢ If you have previously claimed a capital gains exemption, the ABIL may be reduced by that amount.
❑ Rental income from property held within a corporation is taxed at a higher rate than business property. However, CRA regards any property that employs more than 5 full time employees to be an active business, thereby eligible for the low-rate tax.	➢ If possible, try and structure your rental as a business. Don't forget to pay your spouse and children reasonable wages for work performed.
❑ Although investment income is initially taxed at a very high rate, it is possible to recover a portion of that tax by paying out dividends.	➢ For every $3 of dividends paid, you can recover 38 1/3% of the dividend pool. However, be cautious of the effect it will have on your personal tax return.
❑ Eligible dividends are taxed at a significantly lower tax rate than regular dividends.	➢ Most dividends from Canadian public companies may be eligible dividends. These may be reported separately on your T5 that is received from these companies.
❑ Mutual fund distributions are taxable when received.	➢ Most funds distribute in late December. If you purchase a fund in early December, you may pay tax on those distributed earnings even though they were earned by someone else.
❑ Venture capital corporations' investments allow a 30% tax credit as well as a full RRSP deduction.	➢ If you invest $5,000 you can get a $4,000 tax refund after the first year (depending on your income) but beware of the risk!
❑ Interest on loans for investment purposes is tax deductible. Interest on loans for RRSPs and other registered plans is not deductible because the investment income is not taxed.	➢ If possible, borrow for new investments and use old investments for personal acquisitions such as vehicles. It may also be possible to restructure existing debts to make it deductible.

Tax Law	Planning Point
❑ Fees for investment counseling and portfolio management are deductible against investment income.	➢ If your accountant is giving you investment advice, it may also qualify as a write-off.
❑ Transfers and gifts of property to children, parents and siblings must be at fair market value. If a transaction is not at fair market value, CRA can adjust the transaction.	➢ Double taxation can occur because CRA may only adjust one side of the sale. To avoid this, property can be gifted so CRA is forced to adjust both sides.
❑ If money is gifted to other family members to invest, the income generated may be attributed back to the gifter. However, if it is loaned at a prescribed rate, no attribution occurs.	➢ It is very important that the interest is paid by January 31 of each year and T5s must be issued. If one year is missed, the entire plan is offside. There is no attribution of active business earnings.
❑ There are many tax shelters that are designed to give immediate tax relief, including mineral and oil and gas flow through shares, Canadian films, and venture capital plans.	➢ You should only make an investment in a tax shelter if there is a reasonable expectation of profit. There is no point in losing $100 to save $50 of tax. Also, make sure the tax shelter has the appropriate designation from CRA.
❑ Taxpayers can register for a Tax-Free Savings Account (TFSA). This is not a tax deduction like an RRSP. However, both the investment growth and the withdrawal are tax-free. Shares of privately held companies in which you own less than 10% can be put into a TFSA. The yearly contribution limit has changed since its inception. For 2024 it is $7,000, however, you can "catch up" on any missed prior years' amounts. If you were 18 or older in 2009 and have made no TFSA contributions to date, you can contribute up to $95,000 to a TFSA.	➢ You might consider using this account for high-risk investments to increase the amount of tax saving if the investment does well. If you withdraw from the TFSA that amount can be replaced BUT you can't put the money back until the following calendar year. Beware of TFSA investments doing poorly as they may limit future contributions.
❑ Life insurance policies accumulate free of tax and are not subject to tax on death.	➢ You can borrow against this policy to create cash flow during your lifetime.

IF YOU OWN RRSPs/RESPs/RDSPs

Tax Law	Planning Point
RRSPs, RESPs, RDSPs and RPPs allow investments to grow on a tax-free basis until withdrawn from the plan. In BC, it appears registered plans are creditor proof.	Maximize contributions to registered plans before investing in non-registered investments. Individual pension plans offer high income taxpayers' additional shelters of taxable income.
RRSP contributions made in the first 60 days of the year are deductible in that year or the preceding year. Unused deduction room can be carried forward for use in subsequent years.	If you are at low rates of tax one year and high rates the next year, it is better to deduct the RRSP in the high-income year. It can still be purchased in the low-income year, just don't deduct it.
An RRSP purchase results in a tax reduction, giving a guaranteed rate of return between 20% and 50% in the first year, based on your tax bracket.	When the RRSP is withdrawn, you may pay tax, however, you may likely be in a lower tax bracket so may have saved tax. Be cautious of making RRSP contributions when you expect to retire at a higher tax bracket as you may end up paying more tax in the long run.
RRSP contribution room is calculated as 18% of your earned income in the previous year. This is aggregated over your lifetime.	If a child has any earned income, a tax return should be filed even if non-taxable, if only to increase future RRSP contribution room.
Effective 2024, the maximum RRSP contribution limit has been increased to $32,490. To reach the maximum contribution limit in 2024 you will need earned income of approximately $180,500.	Your ability to contribute to an RRSP is based on earned income. Interest, investment, and property income do not qualify as earned income. To increase these earnings, you might consider moving your investments to a corporation and paying yourself a wage.
You can withdraw RRSPs, however, the issuer is required to withhold tax at the following rates: $5,000 or less — 10% $5,001 - $15,000 — 20% over $15,000 — 30%	Make several smaller withdrawals to lessen the withholding rate. Don't draw out RRSP in a high-income year as it is taxed at the high tax rate in that year. When you file your return, the actual tax payable from the RRSP cash out will be determined.

Tax Law	**Planning Point**
❑ The maximum age at which you can contribute to an RRSP is 71.	➢ If you are 71 or older you can still contribute to a spousal RRSP if your spouse is under 71.
❑ The Home Buyers' Plan (HBP) withdrawal limit is $35,000. If you have not owned a residence in the last 4 years, you can use the Home Buyers Plan to withdraw from your RRSPs to buy the home without paying the tax on the RRSP withdrawal.	➢ You must repay the RRSP (or include the withdrawal in income) over a 15-year period. If you are disabled or are the supporting person of a disabled person you can use the HBP even if you have previously used it or you currently own a home.
❑ The First-Time Home Buyer Incentive (FTHBI) is a program that offers eligible buyers up to 10% of a home's purchase price towards their down payment. The program offers a shared equity mortgage with the Government of Canada. To be eligible for this program, you must: - have never purchased a home; - in the past 4 years, have not occupied a home you, your current spouse or common-law partner owned. - have gone through a breakdown of marriage or common-law partnership (even if you don't meet the other requirements). You also must have annual household income of less than $120,000 ($150,000 in certain large cities), have at least the minimum down payment, and you must be borrowing less than 4 times your qualifying income (4.5 times in certain large cities).	➢ You do not have to make payments and are not charged interest however you do need to repay the incentive when you sell the home or after 25 years – whichever occurs first. The repayment is based on the percentage received through the FTHBI rather than the dollar amount received. Therefore, the government benefits from any increases in the equity of the home and loses funds if the equity decreases.
❑ A taxpayer can contribute to a spousal RRSP. Provided the spouse waits for 3 years from the date of the last contribution to withdraw from the spousal RRSP, the resulting income is taxed in the spouse's hands.	➢ If a spousal RRSP is purchased on December 31 and is withdrawn on January 1st of the second following year, the spouse can, in effect, withdraw the spousal RRSP in a 2-year period.

Tax Law	Planning Point
If you don't have sufficient cash for your RRSP purchase, you can borrow from the bank to make your RRSP contribution. Interest on the loan is not deductible.	Such a transaction is usually only beneficial if the loan can be repaid within a year or if you are expecting lower taxable income in a future year.
In the year you turn 71, you must "mature" your RRSP into a RRIF. The minimum amount that annuitants are required to withdraw from a RRIF increases based on your age, starting at 4% for those 65 at the start of the year to 20% at age 95 or older.	Be sure not to miss the deadline otherwise all accumulated funds in your RRSP may be added to your taxable income. You can base the withdrawals out of the RRIF on the younger spouse's age.
You may be eligible to receive a tax credit up to $2,000 on your pension income (OAS and CPP not eligible).	For individuals that do not have a pension and are 65, you should consider transferring funds from your RRSPs to a RRIF to benefit from this credit.
A retiring allowance can be rolled directly into an RRSP on a tax-free basis.	You don't need any RRSP contribution room to do this.
You can contribute certain qualifying investments, such as shares and mortgages, into your RRSP. Shares of private companies may be qualified investments for RRSP contributions when: - You own less than 10% in combination with other non-arm's length parties; and - You deal at arm's length with the company.	You may have a capital gain if the investment has gone up in value. However, a capital loss is denied if the investment has gone down, so you are better off selling the investment at a loss and putting cash into your plans. Severe penalties exist for putting ineligible investments in RRSPs.
You can convert some of your RRSPs into a non-RRSP investment by using the RRSP meltdown strategy.	In this strategy, you borrow funds to invest in a non-registered investment. RRSPs are then cashed in, and the interest expense may help offset the RRSP income.

Tax Law	Planning Point
❑ The loss in value of RRSPs or RRIFs after the death of a taxpayer can be applied against the deemed income inclusion reported on final tax return.	➢ The RRSP or RRIF must be wound up by December 31st of the year following the year of death.
❑ The lifetime limit for contributions into a RESP is $50,000. Generally, RESPs can now be transferred between siblings without penalties.	➢ To maximize the government top-up, you must contribute $2,500/year. Spreading out a lump-sum payment is therefore beneficial. There are supplementary government grant programs which match some RESP contributions. These are the Canada Learning Bond, the Canada Education Savings Grant and the BC Training and Education Savings Grant.

IF YOU MAKE DONATIONS

Tax Law	Planning Point
❑ Publicly listed securities and ecologically sensitive land can be donated to a registered charity or private foundation without having to report a capital gain on the appreciation of these assets.	➢ Instead of selling these assets and donating the cash to a charity, donate the assets directly. This translates into a larger donation receipt for you and more money to the charity or foundation.
❑ **<u>However, starting in 2024, 30% of the capital gain on donations of publicly listed securities will be included in taxable income for Alternative Minimum Tax ('AMT') purposes. Additionally, only 50% of charitable donation tax credits are deductible for AMT purposes.</u>**	When making donations of publicly listed securities, consider if the capital gain on the securities will create AMT in excess of your regular income taxes payable.
❑ Charitable donations are eligible for a 20% credit on the first $200 donated and up to a 46% credit on the remainder.	➢ Combine your charitable donations with your spouse to have a larger balance over the low-rate threshold. If your net income is greater than $252,752, you may be eligible for a 53.5% credit on the remainder.

Tax Law	Planning Point
❑ Charitable donations are limited to 75% of taxable income.	➢ Claim donations on the higher income spouse's return to increase the maximum allowable contribution limit. Split the contributions between spouses only if over this limit.
❑ A donation made but not claimed can be carried forward for 5 years.	➢ Consider accumulating the donations for two or more years to have a larger balance over the low-rate threshold.
❑ In the case of a deceased person, the limit on charitable donations is increased from 75% to 100% of net income. Any unused donations can be carried back to the prior year or used by a spouse.	➢ You can now name a charity as a beneficiary of a life insurance policy or RRSP as part of your estate planning to reduce taxes on death.
❑ It is generally more advantageous to make donations personally rather than through a corporation due to higher personal charitable tax credit rates.	➢ Ensure that donations are paid by personal funds and that the donation receipt is in your personal name.
❑ Contributions to a registered political party or an officially nominated candidate result in a tax credit of 75% for the first $400; 50% for the next $350; and 33 1/3% for the next $750. There is no credit for contributions beyond $1,500.	➢ The tax savings from political contributions exceed that of charitable donations but are more limited in the amount you can claim. Consider a mixture of both to maximize your tax return and your personal objectives.

IF YOU OWN A HOME

Tax Law	Planning Point
❑ CRA allows a taxpayer to sell their home on a tax-free basis using the "principal residence exemption." The principal residence exemption is generally limited to the home and the ½ hectare (1.24 acres) that it is situated on.	➢ Tax court decisions have allowed significantly more than the standard ½ hectare of land for the principal residence. If you have more than ½ hectare, talk to our office to see what needs to be done to qualify. As a senior you can opt to postpone property tax payments to when you sell your house.

Tax Law	Planning Point
CRA requires you to report the sale of your principal residence on your tax return.	You may not have to pay tax on any gain from the sale. You will need to report basic information such as date of acquisition, proceeds of disposition and description of property.
You can only claim the principal residence exemption on 1 house per family per year. If you have more than one residence (i.e., a home and a cottage), you can designate different homes as your principal residence for different periods. You do not need to live in a residence on a continuous basis over the year. CRA only requires that it is "ordinarily inhabited" for a period each year.	Prior to January 1, 1982, you and your spouse could each own a principal residence ("PR"). Designate the residence with the greatest increase in value as the PR to minimize the taxes. When acquiring a second property, obtain a current valuation of the first property as well to aid in the above determination. Keep a record of the adjusted cost base of each property to be able to calculate the gain.
If you leave your house on a temporary basis, you can maintain its principal residence status for a period of 4 years after you have left it.	During the years that you rent your principal residence, you may deduct various costs and expenses but not capital cost allowance.
If you own a rental property and subsequently move into this property, you can elect to have it treated as your principal residence.	If you make this election, you can designate the property as your principal residence for up to 4 years before you occupy the residence however you cannot have claimed CCA during this period.
If you rent part of your house out or use it for business purposes, you can still claim principal residence on the whole house.	Be sure and claim less than 40% of common expenses, don't make structural changes and don't claim CCA.
Beginning on January 1, 2023, the government imposed new anti-flipping rules that apply to the disposition of residential property held for less than a year.	If you meet the criteria, the taxpayer is deemed to carry on a business in respect to the sale and the sale is reported as business income rather than capital. There are minimal exceptions to these new rules.

Tax Law	Planning Point
❑ A First-Time Home Buyer's Tax Credit of $10,000 is available for first time home buyers who acquire an eligible home. This saves $1,500 on your tax return.	➢ This credit is available to anyone who has not owned a home in the last 4 years. If you qualify for the disability tax credit, you do not have to meet the 4-year test.
❑ The BC Home Owner Grant is phased-out where the assessed property value exceeds $2,150,000.	➢ For properties assessed above the threshold, the grant is reduced by $5 for every $1,000 of assessed value in excess of the threshold.
❑ Property transfer tax may be reduced or eliminated for eligible residential property under the First-Time Home Buyers' Program. The property must be valued at most $500,000 for a full exemption or between $500,000 and $525,000 for a partial exemption.	➢ This allows eligible first-time home buyers to save up to $8,000 in property transfer tax on the purchase of their home. To qualify, you must have never owned an interest in a principal residence anywhere in the world at any time.
❑ For residential property sold, the property transfer tax is 5% on the value in excess of $3,000,000.	➢ The property transfer tax amount for properties over $3,000,000 does exempt commercial land but does not exempt properties classified as residential and farm, or that is residential mixed class (i.e.: residential and commercial).
❑ There is a speculation and vacancy tax on residential properties in BC. This tax targets both foreign and domestic homeowners who do not pay income taxes in BC. Households with high worldwide income but who pay a small amount of tax in BC may also be liable to pay the tax.	➢ This tax is administered by the Province of British Columbia but falls outside of the normal property tax system and property tax cycle. Designated taxable areas of BC include Kelowna and West Kelowna, among others. All residential property owners in a designated taxable area must complete an annual declaration to claim any relevant exemptions – either by phone or online. The information you will need to register your property declaration will be mailed by mid-February to all owners of residential property within the taxable areas. The declaration must be completed by March 31.

Tax Law	Planning Point
❑ The Underused Housing Tax is an annual 1% tax on the ownership of vacant or underused housing in Canada that took effect on January 1, 2022. The tax usually applies to non-resident, non-Canadian owners. In some situations, however, it also applies to Canadian owners.	➢ There are significant penalties if you fail to file an Underused Housing Tax return when it is due. Consult a tax professional if you believe you may need to file this return. There is pending legislation being considered which would eliminate filing requirements for most Canadian owners.

IF YOU HAVE (HAD) A SPOUSE

Tax Law	Planning Point
❑ If you are legally married (or living common law) you can claim a tax credit for a low-income spouse.	➢ Common-law partners cohabitating for a 12-month period, or longer, are subject to the same rules as legally married spouses. However, if you are separated for more than a 90-day period during the year then you may not be considered common-law for tax purposes or can be separated (for legally married couples).
❑ Several credits can be transferred to a spouse if certain conditions are met.	➢ These credits include: the pension amount, age amount, disability amount, amount for children or tuition.
❑ Dividends can be reported on a spouse's tax return in certain circumstances.	➢ Calculate whether it's best for you or your spouse to report the dividends.
❑ Previously, CPP survivor's pensions were paid at a reduced rate for someone who is under age 45 unless they were disabled or had dependent children. CPP survivor's pensions were not payable at all if someone is under age 35 and didn't meet either of those same two conditions. These restrictions have been eliminated.	➢ Anyone who was receiving a reduced, under-age-45 survivor's pension automatically had their survivor's pension increased in 2019, and anyone who was denied a survivor's pension because they were under age 35 when their spouse died can reapply for a survivor's pension.

Tax Law	Planning Point
❑ A CPP retirement benefit can be split with your spouse.	➢ If your tax rate is higher than your spouse's, contact CRA to have the CPP benefit split to reduce overall family taxes.
❑ A taxpayer can transfer up to 50% of their pension income to their spouse.	➢ At the very least, $2,000 of pension income should be reported by both spouses to avoid wasting the pension income tax credit.
❑ Each spouse is taxed on his/her own income in Canada. Less tax is paid if both spouse's income is equal as opposed to one spouse having the bulk of the income.	➢ Have the higher income spouse pay for all living expenses and have the lower income spouse put their earnings into investments.
❑ Transferring property to a trust in favor of lower income spouses can provide good income splitting opportunities.	➢ A spousal trust established on death allows for utilization of an additional low tax bracket.
❑ A testamentary trust is a trust that arises as a consequence of an individual's death and initially use preferential graduated tax rates. Testamentary trusts lose their ability to use graduated tax rates after 36 months.	➢ To avoid high-rate tax, try to have graduated rate estate trusts wound up in 36 months.
❑ Each family is allowed one principal residence exemption, but each separated person is allowed his or her own principal residence exemption.	➢ When the family owns more than one property at time of separation, ordinarily it makes sense to give each spouse one property.
❑ After a marriage breakdown, some attribution rules no longer apply. All RRSPs and RRIFs can usually be transferred to your ex-spouse without any immediate tax. Spousal RRSPs can be cashed in without adverse tax consequences to the contributing spouse.	➢ In a marriage breakdown situation, try and work with your ex-spouse to reduce the overall tax bite of RRSPs and RRIFs. Ensure that CRA does not determine that part of the RRSP/RRIF split is in lieu of child support. If they do, that amount may be taxable.
❑ Child support payments based on post May 1, 1997 settlement agreements are not deductible to the payor and are not included in the recipient's income.	➢ Where the payor and recipient jointly elect with CRA they can use the new rules even if their agreement was effective before May 1, 1997.

Tax Law	Planning Point
❑ Alimony and spousal maintenance payments are deductible to the payor and taxable to the recipient.	➢ Alimony agreements can result in the shifting of income from a higher income to a lower income spouse resulting in an overall tax saving.
❑ Legal fees to collect spousal support have been allowed as a tax deduction by recent tax courts. Legal costs of child support issues have also been deductible.	➢ Make sure that your lawyer clearly breaks out these costs in their invoices so they can be deducted.

IF YOU HAVE CHILDREN

Tax Law	Planning Point
❑ The Canada Child Benefit is available for eligible families to help with the cost of raising children under 18.	➢ The basic tax-free benefit for July 2024 to June 2025 is \$7,437 per year for each eligible child under the age of six and \$6,275 per year for each eligible child aged 6 to 17 years of age. This amount is reduced when your family net income is over \$34,863.
❑ CRA permits the Canada Child Benefit payments to be held in a child's name without attribution of the income back to the parents.	➢ If you have control over your family income, pay close attention to these new thresholds!
❑ If you have children under 12 years old as of July 1, 2023, and are currently receiving the Canada Child Benefit for that child, you may be eligible for a tax-free payment of \$260, \$390, or \$650 to cover the cost of dental care. To qualify for this benefit, you must have adjusted family net income of under \$90,000. This program is set to end on June 30, 2024 and applications must be in by that date.	➢ Ensure you apply for this benefit if you qualify. Additional information and details on application can be found on the CRA website: https://www.canada.ca/en/revenue-agency/services/child-family-benefits/dental-benefit/how-apply.html

Tax Law	Planning Point
❑ Parents with children in participating licensed care are eligible for fee reductions of up to $900 per child per month under the BC Child Care Fee Reduction Initiative. The benefits will be paid directly to eligible licensed service providers and will replace the existing childcare subsidy.	➢ Providers who have been approved for the childcare fee reduction initiative are required to inform families with children in their care that their facility has been approved. Parents who are unsure about their provider's opt-in status are encouraged to look up their provider's opt-in status at: https://www2.gov.bc.ca/gov/content/family-social-supports/caring-for-young-children/running-daycare-preschool/child-care-operating-funding/child-care-fee-reduction-initiative-provider-opt-in-status#find-provider.
❑ The BC Family Benefit provides tax free monthly payments of up to $146 for the first child, $92 for the second child, and $75 for each subsequent child under the age of 18.	➢ Family net income exceeding $27,354 will grind the benefit paid, and the benefit will be eliminated when family net income reaches $87,533. Ensure that you have applied for this benefit if you meet the criteria.
❑ If you are single but support a family member (such as a child) in your home, you are eligible to claim the eligible dependent tax credit.	➢ This credit gives you the same benefit as having a low-income spouse. This can also benefit spouses that have separated during the year and have had no support from their spouse during the separation.
❑ The BC Training and Education Savings Grant provides a grant of $1,200 per child born on or after January 1, 2007.	➢ No matching or additional contributions are required. However, you need to open an RESP account at your bank and apply.
❑ The Child Disability Benefit is $3,173 per child for each child eligible for the Disability Tax Credit ("DTC") that is under 18 years of age. This is in addition to the regular DTC.	➢ You will need to have a doctor complete the necessary forms and file these with CRA if you have not already done so.

Tax Law	Planning Point
❑ The maximum amount of the child care expense deduction is $8,000 for each child under 7 and $5,000 for each child between 7 and 17. In cases where a child of any age claims the disability tax credit, the maximum is $11,000.	➢ Be sure to claim all childcare expenses including babysitters, boarding schools, summer camps, sports camps and wages paid to other children 18 or older for looking after your children who are 16 or younger.
❑ If your children are grown and have their own minor children, consider bequeathing funds in your will to your grandchildren in a trust.	➢ On your death, the funds will go in trusts with your children as trustees and the grandchildren as beneficiaries. The grandchildren's income will be taxed in the child's name.
❑ RRSPs and RRIFs can be left to financially dependent children and grandchildren or to their RDSP.	➢ Doing so may eliminate any taxes that would otherwise be payable when cashing-in the RRSPs or RRIFs.
❑ The government provides the Canadian Education Savings Grant of up to $600 per year based on contributions into a Registered Education Savings Plan (RESP). If the child does not go to post-secondary school, up to $50,000 (lifetime limit) of the RESP can be transferred to your RRSP.	➢ If possible, ensure you contribute at least $2,500 to each child's RESP to capitalize on the government grant. The effective return on this investment is 20%. If a beneficiary didn't receive the maximum grant in a previous year and there are unused amounts, the maximum grant payment is $1,100.
❑ You can sell shares of a small business corporation to your children. Future growth in the company may then be taxed in the hands of the children but you can still control the company until your death.	➢ This "estate freeze" is a very effective way of transferring future income and capital gains to children.

IF YOU ARE A SENIOR

Tax Law	Planning Point
❑ You may have the option to defer receiving your OAS pension for up to 5 years. In exchange, you may receive a higher monthly amount (0.6% every month delayed to a maximum of 36% at age 70).	➢ Based on your family history, if you think you may live longer than the average you might want to consider deferring your OAS to benefit from higher monthly payments. Also, if you are in a high tax bracket and your OAS may be clawed back then you should consider deferring your OAS.

Tax Law	Planning Point
❑ OAS is "clawed back" by 15 % of an individual's net income over $86,912 for the period of July 2024 to July 2025 ($81,761 for the period of July 2023 to June 2024). The "age amount" is also reduced if your income exceeds $42,335. These claw backs result in a large hidden tax.	➢ Try to restructure your holdings to split income with your spouse and/or limit remuneration from your company. Also, consider delaying deducting your RRSP contribution in the last 2 years before retirement, which can be carried forward to reduce your future taxable income in those years.
❑ If you are receiving Old Age Security, you may be eligible for Guaranteed Income Supplement (GIS), depending on your income.	➢ An application must be filed to receive this GIS - it is not done automatically when you file a tax return.
❑ If you are employed or self-employed and between the ages of 65 and 70, and you want to stop contributing to the Canada Pension Plan (CPP), you must file an election form, if you are collecting CPP.	➢ The election form required is called a CPT30 form. It must be forwarded to CRA, and a copy should be kept with your records. You must be a recipient of CPP to make this election.
❑ CPP does not qualify for pension splitting like other pensions on an annual basis for tax purposes.	➢ If you are over 60, you can apply to have your CPP benefits split between you and your spouse to reduce taxable income. You can call HRDC and request the actual payment be equalized among spouses.
❑ If you stayed home to care for children born after 1958, you may be eligible to have a credit applied to your CPP contributions in lieu of this time spent away from the work force.	➢ You may need to complete the CPP Child Rearing Drop-out Provision at the same time as you apply for your CPP benefits. If you are already collecting CPP and did not know about this opportunity, we may be able to get this increase to your CPP amounts paid retroactively.

Tax Law	Planning Point
❑ A disability tax credit is available if you have a prolonged mental or physical impairment that is certified by a medical professional. Unused disability credit can be transferred to related persons. The criteria to qualify for the disability tax credit has been expanded in the areas of mental functions and life-sustaining therapy.	➢ If this condition existed over the last 10 years, you should re-file back until that time. In some cases, this can result in refund of almost $20,000 in income taxes.
❑ If you incurred any renovation costs that were necessary to help you stay in your home, you may be eligible for the Seniors Home Renovation Tax Credit. The tax credit would be 10% of the eligible renovation expenses to a maximum of $1,000 per year.	➢ This includes the addition of such items as handrails, walk-in bathtubs, ramps, etc. This is available for either rental units or houses that are owned. This credit is available to either the senior or a family member sharing their home to a senior.
❑ Attendant care expenses are a deductible medical expense.	➢ Be sure to keep receipts as they may be required by CRA.
❑ A $2,000 pension tax credit is available for retirees who have qualifying pension income.	➢ If you are over 65, consider converting RRSP funds into a RRIF or term deposits into qualifying annuities. This may permit you to receive $2,000 of income from these investments on a tax-free basis.
❑ "Eligible" dividends are taxed at a significantly lower tax rate than regular dividends.	➢ Although taxed at a lower rate, eligible dividends have a higher gross-up resulting in higher taxable income. This may result in a reduction in your GIS or OAS payments. This should be considered if you have the choice between eligible and ineligible dividends.
❑ If you receive a German pension, you may have to file a German tax return.	➢ If this applies to your situation and you require further assistance, please contact our office.

Tax Law	Planning Point
❑ Probate fees may be eliminated using gifting, setting up trusts, named beneficiaries, joint tenancy, etc.	➢ Be careful not to generate immediate income taxes when doing probate planning. Also, consider creditor and family law issues. Serious consideration should be given before putting assets in joint tenancy with intended beneficiaries. Legal advice should be sought in this regard.

IF YOU CARE FOR YOUR PARENTS

Tax Law	Planning Point
❑ If you are single but support a family member (such as a parent) in your home, you are eligible to claim the equivalent to spouse tax credit. Also, if the parents are disabled, you can transfer the disability tax certificate to yourself.	➢ You may also be eligible to claim the caregiver tax credit if you are residing with a parent over 65 or a dependent relative who has a mental or physical infirmity.
❑ If you have a dependent with an impairment in physical and or mental functions, you may be eligible to claim an additional tax credit for the family caregiver amount.	➢ An additional credit of $2,499 may be claimed for the Family Caregiver Amount for an infirm dependent (including a spouse or an eligible dependent). CRA may ask for a statement from the doctor to verify when the impairment began and the expected duration.
❑ Effective January 1, 2023, the government introduced the Multigenerational Home Renovation Tax Credit. If you renovate your home to create a secondary dwelling to permit eligible person to move in with you.	➢ A 15% credit can be claimed on eligible expenses up to $50,000. Ensure you keep receipts regarding any potential renovations made.

IF YOU ARE PAYING FOR MEDICAL EXPENSES

Tax Law	Planning Point
❑ Medical expenses paid over 3% of your net income or above the annual threshold entitle you to a tax credit. Some allowable expenditures include: - payments to doctors, dentists, chiropractor, etc., - glasses, hearing aids, dentures, - prescription drugs, - premiums paid for extended medical or dental plans, - equipment purchases and renovations for handicapped access of residence, - institutional care or home care - travel expenses to obtain medical care not available in your area, - medical services, - cosmetic surgery is **NOT** a medical expense in most cases.	➢ Claim medical expenses on the lower income spouse's return to decrease the level of the 3% threshold. Travel expenses can be calculated using the simplified method, meaning CRA permits a standard mileage and meal allowance for medical trips. However, claims for lodging, parking, etc., must be supported by receipts. You may deduct amounts paid for you, your spouse, dependent children, and any other family member that you support (i.e., parent or grandparent). Choose your own 12-month period to include the highest total medical expenditures (for example March to February).
❑ Medical expenses are eligible if paid in a 12-month period ending in the taxation year (on a date of death return, this can go back 24 months).	➢ You may need receipts to document this claim. The refundable medical expense supplement can get you up to $1,399 back from CRA. Consider splitting medical expenses with a spouse, as each of them are eligible for the refundable credit.
❑ If you are a low-income individual with high medical costs, you may be able to recover some of these costs even if you would not otherwise pay tax.	➢ Keep good records of all your medical expenses and be sure they get deducted.
❑ Be sure and claim all medical expenses relating to your well-being, including travel expenses and construction expenses on your home for enabling better access. This includes moving expenses of up to $2,000 and the purchase of a vehicle modified for a disabled person of up to $5,000.	➢ The tax savings that result from claiming the disability tax credit are substantial. If there is any possibility that you may qualify, you should consider the process of making this claim.

Tax Law	Planning Point
❑ A disability tax credit is available if you have a prolonged mental or physical impairment that has been certified by a medical professional. Unused disability credit can be transferred to related persons.	➢ If you have a relative with little income the disability tax credit could be transferred to you, saving approximately $1,800 in taxes per year.

IF YOU ARE GOING TO SCHOOL

Tax Law	Planning Point
❑ All scholarships and bursaries (elementary, secondary, and post-secondary) are non-taxable if you have a T2202 in the current or prior year.	➢ If you run a business and have children attending school, you may wish to offer a scholarship to your child. This would be deductible to the business and non-taxable to your child. There is a risk that CRA would deem this to be a taxable benefit to yourself, but this is reduced if the scholarship is available to all employees and selection is based on a defined set of criteria.
❑ Using the Lifelong Learning Plan ("LLP"), an individual can withdraw up to $10,000 per year over 4 years, to a maximum of $20,000, from an RRSP on a tax-free basis to fund their education.	➢ The amount withdrawn must be repaid (or reported as income) over a 10-year period.
❑ If a student has borrowed money on the Canada Student Loan program, the student can get a tax credit for the interest paid on the loan. There are many provincial government grants for students. Most provinces have a grant portion of the loan that does not have to be repaid.	➢ The student should always pay off non-deductible loans first, to maximize tax interest tax credit. If the loan is refinanced outside the Canada Student Loan program, interest may no longer be deductible. If parents are employing their children who are students, they might want to consider the income tested grants and bursaries before paying taxable wages to the children.
❑ If you have moved to study full time at a university or college, you may be eligible to claim moving expenses.	➢ Your new home must be at least 40km closer to the educational institution.

Tax Law	Planning Point
❑ Individuals automatically accumulate $250 per year towards their "training account limit" to a lifetime maximum of $5,000. In order to meet the criteria, you must be between 25 and 65 years of age, must be a resident of Canada and must report at least $10,000 of personal earnings from employment, self-employment, or certain other sources and cannot be in the top income tax bracket.	➢ The accumulated dollars can be claimed as a refundable tax credit by the individual to cover half of the eligible tuition fees.

GST & PST

Tax Law	Planning Point
PERSONAL	
❑ The GST/HST credit is determined based on your family income and your family structure, including number of children and whether you are single or a married/common-law couple.	➢ For example, you are eligible for the GST/HST credit if you are single with no children and have income less than $52,255, or you are married with 2 children and have family income less than $62,175. Be sure and apply for the GST credit on your personal income tax return.
❑ Personal GST credits are changed every quarter if your family circumstances change.	➢ If you turn 19, have a birth in your family or have a change in your marital status, supply the information to CRA as the GST is adjusted quarterly.
BUSINESS	
❑ If you are registered for GST, input tax credits (ITCs) can be claimed for GST paid out to earn taxable revenue. Businesses with taxable sales over $30,000 are required to register for GST.	➢ A "notional" ITC can be claimed in many cases if you bring personal equipment or automotive equipment into a registered business.
❑ You are required to file GST at regular intervals.	➢ Be sure and file on time. Most CRA income tax audits occur because of poor compliance with GST.

Tax Law	Planning Point
❑ **<u>Beginning in 2024, businesses must file their GST returns electronically.</u>**	➢ If you fail to file your GST return electronically, you will be subject to a penalty of $100 for the first failure and $250 per following failure.
❑ When you cancel your GST registration for a business, you must pay GST on any assets kept by you personally.	➢ Careful consideration should be given to closing your GST account and the valuation of assets that you hold. This is an "audit point" for CRA.
❑ CRA permits small businesses with less than $400,000 of revenue to report GST using the "quick method". This gives the business the benefit of claiming ITCs at a specific percentage of taxable sales regardless of the type of expense incurred to earn those sales.	➢ In cases where the primary expense to the business is wages or some other non-taxable supply, the "quick method" may likely result in smaller GST remittances. Please note that ITCs on capital purchases can be recovered under the quick method.
❑ When you trade-in a vehicle and purchase a new vehicle, you should only pay GST on the difference.	➢ Be sure that your final purchase agreement reflects this.
❑ The GST on real estate transactions is quite complicated.	➢ If you are planning to purchase property, determine the GST obligation in advance and take steps to mitigate this liability. It may be too late to take advantage of certain tax strategies after the fact. If an error is made, the amount of the error is usually quite significant.
❑ Tangible goods brought, sent, or delivered to BC may be subject to PST.	➢ You may be required to self-assess on your PST return for that period.
❑ PST has several different tax rates for different industries. Make sure you are registered under the right industry.	➢ Please contact our office if you have any questions or you can also visit www.gov.bc.ca/PST for more information.

PRIVACY POLICY

- Federal and Provincial Privacy Legislation require that a firm or financial institution maintain the privacy of personal information in its possession or control. A Privacy Policy sets out the principles and procedures that the firm follows in meeting its privacy commitments to its clients and to comply with privacy legislation.

- You should ensure that your financial institution has advised you of its Privacy Policy. If you are in doubt, contact the Privacy Officer at the institution for more information. Our privacy officer can be reached at ch@rhllp.ca.

NOTES:

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NOTICE TO USERS: This information is of a general nature. We try to ensure its accuracy and timeliness. No one should act on it without appropriate professional advice after a thorough examination of the facts of a particular situation. Information in this booklet is current to January 31, 2024. Changes after that date are NOT INCLUDED.