# 2023 Tax Planning Guide

## INTRODUCTION

When it comes to tax planning, most people don't think about it until tax time, when it may be too late to put some beneficial tax-planning strategies in place. Rather than wait until the last minute, start early and look for strategies you can act on throughout the year.

Each year brings changes to the tax code. Here's a summary of the most significant tax changes that may affect your 2023 Personal Tax filing.

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# 2023 Tax Changes

## 2023 Federal Tax Bracket Rates

All five federal income tax brackets for 2023 have been indexed to inflation using the 2.4-per-cent rate. The federal brackets for 2023 are:

| Net Taxable Income | Tax Rate |
|---|---|
| ▪ On the first $53,359 of | 15.0% |
| ▪ Above $53,359 to $106,717 | 20.5% |
| ▪ Above $106,717 to $165,430 | 26.0% |
| ▪ Above $165,430 to $235,675 | 29.0% |
| ▪ Anything above $235,675 is taxed at | 33.0% |

Additionally, each province also has its own set of provincial tax brackets, most of which have also been indexed to inflation using their respective provincial indexation factors.

## 2023 Ontario Tax Bracket Rates

Under the current tax-on-income method, provincial tax for all provinces and territories (except Quebec) is calculated the same way as federal tax. The rates below apply to Ontario only.

| Net Taxable Income | Tax Rate |
|---|---|
| ▪ On the first $49,231 of income | 5.05% |
| ▪ Above $49,231 to $98,463 | 9.15% |
| ▪ Above $98,463 to $150,000 | 11.16% |
| ▪ Above $150,000 to $220,000 | 12.16% |
| ▪ Anything above $220,000 is taxed at | 13.16% |

# 2023 Top Federal and Provincial Marginal Tax Rates*

Your marginal tax rate is the combined income taxes you pay to both the federal and provincial governments on all sources of income at tax time.

The rates below apply to Ontario only. The rates provided include all surtaxes. Also, it is assumed that the only credits claimed are the basic personal amount and the low-income tax reduction (where applicable).

| Province | Salary and Interest | Canadian Dividends Eligible | Canadian Dividends Non - Eligible | Capital Gains |
|---|---|---|---|---|
| Ontario > $235,676 | 53.53 % | 39.34 % | 47.74 % | 26.77 % |

*These rates are correct as of July 1, 2023, and do not reflect changes resulting from federal or provincial announcements after that date.

## Marginal versus Effective Tax Rates – What's the Difference?

**Marginal Tax Rate:** Tax rate applicable to last dollar of income earned. Does not consider deductions and credits available to taxpayer

**Effective Tax Rate:** Actual rate of tax paid by taxpayer. Considers deductions, credits and graduated tax brackets.

### Basic Personal Tax Credit Amount

For 2023, the amount will increase to $15,000, up from $14,398 in 2022.

### 2023 RRSP Contribution Limits

| | |
|---|---|
| 18% of previous year's earned income to a maximum of: | $30,780 |

### 2023 TFSA Limits

| | |
|---|---|
| TFSA Contribution Limit | $6,500 |

Accumulated TFSA Contribution Limit $88,000

### 2023 Withholding Tax Rates for RRSP/RRIF Withdrawals

| Annual Withdrawal | Ontario |
|---|---|
| Up to $5,000 | 10% |
| $5,001 - $15,000 | 20% |
| Over $15,001 | 30% |

# Tax Attribution Rules

| Recipient | Gift | No or Low Interest Loan | Loan at Prescribed or Commercial Rate |
|---|---|---|---|
| Spouse or Partner | | | |
| Income | Attributed to "gift or" | Attributed to lender | No attribution |
| Capital Gains | Attributed to "gift or" | Attributed to lender | No attribution |
| 2nd Generation Income | No attribution | No attribution | No attribution |
| Child under 18 | | | |
| Income | Attributed to "gift or" | Attributed to lender | No attribution |
| Capital Gains | No attribution | No attribution | No attribution |
| 2nd Generation Income | No attribution | No attribution | No attribution |
| Child over 18 | | | |
| Income | No attribution | No attribution | No attribution |
| Capital Gains | No attribution | No attribution | No attribution |
| Corporation (e xcluding small business corporation) | | | |
| | Attribution may result if reason for transfer is to confer a benefit on a family member and reduce family tax payable | Attribution may result if reason for transfer is to confer a benefit on a family member and reduce family tax payable | No attribution |

# Individuals and Families

### Alternative minimum tax (AMT) for high-income earners

The AMT rules have been broadened to apply to more high-income earners.

### Registered Disability Savings Plans (RDSPs)

The measure for qualifying family members for RDSPs will be extended for three years until 2026, and will be expanded to cover siblings aged 18 and above.

### Educational Assistance Payments (EAPs)

The maximum withdrawal limit for educational assistance payment (EAP) during the first 13 weeks of enrollment has been raised to $8,000 for full-time students and $4,000 for part-time students.

### New Grocery Rebate

The Grocery Rebate will be double the amount of your GST/HST credit payment from January 2023. The amount is calculated based on your family situation in January 2023 and your 2021 adjusted family net income.

### Employee ownership trusts (EOT)

Starting January 2024, employee ownership trusts (EOT) will be accessible to support business succession between business owners and employees.

### Retirement compensation arrangements (RCAs)

The 50% refundable tax on fees or premiums paid for securing or renewing a letter of credit will no longer apply to retirement compensation arrangements.

### Deduction for tradespeople’s tool expenses

The deduction for tradespeople's tools has been doubled from $500 to $1,000, effective 2023.

### Low-interest Loans

The family loan rate rose to 5% in the second quarter of 2023.

### Lifetime Capital Gains Exemption

The lifetime capital gains exemption is $971,190 in 2023.

### Age amount

Clients can claim this amount if they were aged 65 or older on Dec. 31st of the taxation year. The maximum amount they can claim in 2023 is $8,396.

### 2023 Old Age Security (OAS) Retirement Benefits

| Maximum Monthly Benefits | $707.68* |
|---|---|
| Maximum Annual Income | For the 2023 tax year, pensioners with net income of $86,912 or more are subject to OAS Clawback. The Clawback rate is 15% for each dollar beyond $86,912. OAS payments are fully eliminated once net income reaches $134,626. |

* This amount is revised every quarter in January, April, July, and October to account for increases in the cost of living.

### Lifetime Advanced Life Deferred Annuity (ALDA) Dollar Limit

The limit is $160,000 for 2023.

| To purchase an ALDA, you must directly transfer a lump sum amount from one of the following registered plans: | ▪ registered retirement savings plan (RRSP)<br>▪ registered retirement income fund (RRIF)<br>▪ deferred profit sharing plan (DPSP)<br>▪ pooled registered pension plan (PRPP)<br>▪ money purchase registered pension plan (MP RPP) |
|---|---|

### 2023 Canada Pension Plan Retirement Benefits

Maximum monthly benefit (assuming payments begin at age 65): $1,306.57

| Premiums | All provinces/territories except Quebec |
|---|---|
| Maximum Pensionable Earnings | $66,600 |
| Basic Exemption | $3,500 |
| Maximum Contributory Earnings | $63,100 |
| Employee and Employer Rate | 5.95% |
| Maximum Employee/Employer Contribution | $3,754.45 |
| Maximum Self-Employed Contribution | $7,508.90 |

### 2023 Maximum EI Insurable Earnings

The maximum annual insurable earnings (federal) for 2023 is $61,500.

| Premiums | All provinces/territories except Quebec |
|---|---|
| Maximum Yearly Insurable Earnings | $61,500 |
| Employee’s Premium Rate | 1.63% |
| Employer’s Premium Rate | 2.28% |
| Maximum Yearly Employee Premium | $1,002.45 |
| Maximum Yearly Employer Premium | $1,403.43 |

### Medical Expenses Threshold

For 2023, the max is 3% of net income or $2,635.

### Canada Caregiver Credit

Higher amount – A maximum of $7,999 in 2023 for care of dependent relatives.

Lower amount – A maximum of $2,499 in 2023 for care of dependent spouse/common-law partner or minor child.

### Disability Amount

This non-refundable credit is $9,428 in 2023, with a supplement of up to $5,500 for those under 18 that is reduced if childcare expenses are claimed.

### Disability Tax Credit

For 2021 and later tax years, an individual diagnosed with type 1 diabetes is deemed to have met the two times and 14 hours per week requirements for life-sustaining therapy.

### Child Disability Benefit

The child disability benefit is a tax-free benefit of up to $3,173 in 2023 for families who care for a child under 18 with a severe and prolonged impairment in physical or mental functions.

### Canada Child Benefit

In 2023, the maximum CCB benefit is $7,437 per child under six and up to $6,275 per child aged six through 17.

## Measures for Corporations

- Through refinements to Bill C-208, the government has introduced additional safe guards for genuine intergenerational business transfer from parents to children.

- Several new tax credits and other incentives add support for businesses producing and manufacturing clean energy.

- Public corporations will be subject to a new 2% tax on equity issuance and repurchases.

- Proposal of several amendments to GAAR (General Anti-avoidance Rule)

## Other Notable Changes

- The inflation adjustment on the excise tax for beer, spirits, and wine will be limited to 2% for 2023.

- Canada Student Grants (CSG) will increase by 40%.

- The government is lowering credit card fees for small businesses.

# 2023 Tax Deadlines

| | Date |
|---|---|
| **Filing Income Tax Returns & Instalments:** | |
| Individual | April 30, 2024 |
| Sel-employed Individual | June 15, 2023 |
| Deceased – Final Tax Return | |
| Death occurred between January 1 and October 31 | April 30th of the following year |
| Death occurred between November 1 and December 31 | Six months after the date of death |
| Quarterly Installments | 15th of March, June, September and December |
| **Registered Retirement Savings Plan (RRSP):** | |
| Contributions for the year | February 29, 2024 |
| Contributions for the year an individual turns 71 years of age | December 31, 2024 |
| **Home Buyers' Plan (HBP):** | |
| Withdrawal — Buy or build a home before October 1st of the following year | October 1, 2024 |
| Repayment — Starts in the second calendar year after the withdrawal | March 1, 2024 |
| **Registered Education Savings Plan (RESP):** | |
| Contributions to receive Canada Education Savings Grants (CESGs) for the year | December 31, 2023 |
| **Registered Disability Savings Plan (RDSP):** | |
| Contributions to receive Canada disability savings grants and bonds for the year | December 31, 2023 |
| **Capital Loss Selling:** | |
| Disposition of investments to realize accrued capital gains or losses for the year | December 27, 2023 |
| **Family Loans:** | |
| Interest on family loans to avoid attribution rules | January 30th of the following year |
| **Charitable Donations** | December 31, 2023 |

# Getting Advice

Reviewing your Tax Plans? We encourage you to talk to us. Speak to your Financial Advisor or contact investor services at 1-800-608-7707.