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THE BAKER GAZETTE YEAR 2023 TAXING TIMES2022 Personal combined **B.C. FEDERAL/PROVINCIAL** Personal Tax Calculations.**MARGINAL RATE %**

<u>Taxable Income To</u> \$	<u>Salary/ Interest</u> \$	<u>Capital Gains</u> \$	<u>Eligible Dividends</u> \$	<u>Ineligible Dividends</u> \$
43,070	20.1	10.0	0.0	10.4
50,197	22.7	11.4	0.0	13.5
86,141	28.2	14.1	1.6	19.8
98,901	31.0	15.5	5.5	23.0
100,392	32.8	16.4	8.0	25.1
120,094	38.3	19.2	15.6	31.4
155,625	40.7	20.4	18.9	34.2
162,832	44.1	22.0	23.5	38.0
221,708	46.2	23.1	26.4	40.5
227,091	49.8	24.9	31.4	44.5
227,091 and up	53.5	26.8	36.5	48.9

IMPORTANT DATES AND INFORMATION

February 1, 2023 - Interest payments on inter-family and employee loans.

February 28, 2023 - T-4's, T-5's.

March 1, 2023 - RRSP deadline! Max \$27,830 based on 2020 income.

March 31, 2023 - T-3 Returns, T5013 and NR4.

May 1, 2023 - Personal T-1 returns due and taxes thereon.

June 15, 2023 - Self-employed T-1's including spouse's return.

- Date of Death Returns 70(1) - later of six months after death or April 30th year following death
- T-3 Trust Returns due 90 days from year end. Worksafe: virtually all employers must register, contact 604 - 244 - 6181 to register and check for eligibility. (worksafebc.com)
- Business Registration on the WEB (businessregistration.gc.ca)
- Foreign Reporting (Form T-1135) is mandatory for residents to report assets of almost any sort that cost \$100,000 and are of a country other than Canada (Severe penalties)
- 2022 Prescribed interest rates. 1% for Q1 and Q2, 2% for Q3 and 3% for Q4.
- B.C. Excise Taxes: 5% GST 7% PST (PST info: 1-877-388-4440 Pensioners collecting CPP between 65-70 who are employed or self-employed can opt out of CPP exemption)
- CPP/OAS information 1-800-277-9914

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- CPP withholdings by filing Form CPT 30 or if self-employed by electing so on their 2022 T-1 Return. All recipients must pay CPP if collecting same between ages 60 - 65.
- CRA contact:

Personal	1-800-959-8281
Corporate	1-800-959-5525
- Services Canada (CPP, OAS and GIS) (1-800-277-9914)

SPECIFIC ITEMS

1. Check 2021 (certain 2022/23 tax changes have not been included herein as not law) Personal T-1 Notice of Assessment for 2021 RRSP eligible amount - Buy RRSP prior to March 1, 2023 for 2022 deductibility. Self-employed individuals should pay particular attention to this calculation. You must report RRSP's purchased in the first sixty days of 2023 on your 2022 return.
2. Accumulate tax information now and keep in a safe place.
3. Donation and alimony are deductible on a calendar year basis only so these amounts should be paid in the calendar year wished to be claimed. Donations of listed stocks allows for the elimination of capital gains altogether and a 50% tax credit. Medical expenses can be deducted for any 12 month period ending in 2022.
4. RRSP's must be converted to RRIF in the year a person reaches age 71. Withdrawal amounts can be based on the lower spouses' age. RRSP overcontributions are allowed to a maximum of \$2,000 for excess contributions. TFSA penalties similar.
5. Principal Residence - Individuals must report the sale of real property whether principal residence for all years or partial. Both spouses or individuals must report their share. (Form T2091). Failure to file form penalties are severe. Must file 70(1) final return at death.
6. Capital gains/losses on dispositions must be reported in year earned otherwise tax deduction thereon maybe denied. Please retain all monthly statements regarding mutual funds or securities cost. You should call your financial planner or the actual mutual fund and obtain the actual gain or loss.
7. RRSP home buying plan remains available for up to \$35,000 for individuals purchasing their first principal residence or over five years since last ownership. Home Buyers Tax credit for 1st time owners or no ownership for five years can obtain a federal tax amount of \$750. 2023 sees the addition of the tax-free First Home Savings Account (FHSA). Annual contributions of \$8,000 to a maximum of \$40,000 are allowed but only one of the RRSP HPF or FHSA are allowed so consideration of which most beneficial should be made.
8. Instalments - if taxes owing exceed prior years liability then instalments are required. Instalments apply to personal, corporate and GST returns.
9.
 - a) Reporting a nil payroll remittance monthly by phone: Call 1-800-959-2256 and follow prompts
 - b) Taxpayer Relief. If penalty or interest assessed to which fairness is sought: Complete Form RC4288E and send to the Manager, Taxpayer Relief, 9755 King George Blvd., Surrey, B.C. V3T 5E1.
 - c) COVID-19 loans received in 2020 must report the tax free portion in the year received.
 - d) Ensure you report all taxable COVID-19 Benefits that are taxable.
10. File returns on time including making required instalments to avoid Non-Deductible penalties and interest. Canada Revenue Agency's (CRA) interest is not competitive and compounds daily.

11. **MAKE SURE YOU HAVE A WILL AND THAT IT IS UP TO DATE.** Ensure you obtain an enduring Power of Attorney. Designate insurance, RRSP and TFSA funds to spouse/beneficiary if appropriate. B.C. Probate fees are \$6 per \$1,000 to \$50,000 (\$25,000 exemption) \$14 per \$1,000 for excess.
12. The OAS Pension is "claimed back" at the rate of 15% of your income in excess of approximately \$81,764 and is completely lost as your income increases to approximately \$134,626.
13. Work Space in Home. (COVID Exemption)
In order to deduct such expenses, the work space must either be:
 - a) location where individual performs (>50%) duties
 - b) used to earn income regularly to meet customers or other persons to perform duties
14. Offshore Assets Reporting (T1135, T1134)
You or your company will be required to file one or more of Canada Revenue Agency's information returns if you are an individual, corporation, trust or partnership and:

You have an interest in foreign property of more than \$100,000 (including items such as shares, bank accounts, real property, but excluding interests in foreign affiliates, property used in an active business and property in RPP's, RRSP's and RRIF's).
15. T-3 Trust Returns: New rules for filing T-3 return in 2022 effective for all Trusts. Disclosure requirements for all persons in the Trust are onerous and penalties are harsh. Professional advice recommend.
16. Child Support Payments

Child support payments made assuming original agreement pre - May, 1997 remain deductible from income and are included in the recipient spouse's income. The rules will disallow the deduction of child support payments, for new or amended agreements as of May 1, 1997.
17. Construction companies must file information returns (Contract Payment Reporting System) detailing payments to subcontractors supplying materials and labour in excess of \$500.
18. We recommend all corporations and their shareholders perform proper payroll procedures for all shareholders and employees. Payroll is reported on a calendar year basis and not fiscal.

Bonuses declared must be paid within 180 days of declaration. Please ensure that all employee benefits are included in the employee's T-4. This would include medical services plan payments, automobile standby charges, parking and interest on any shareholder loans.
19. Automobile logs should be maintained to support mileage claimed. Expense receipts should be detailed why it was expended and on whom. CRA has established rules whereby you can set a standard based on previous years percentage. A positive step. Credit card statements are not sufficient support in case of audit for any expense.
Ensure any benefit to an employee is taxed appropriately. **CRA AUDITS FOCUS ON ORIGINAL RECEIPTS.**

20. Employer Health Tax for all remuneration paid in excess of \$500,000 for profit entities are 2.925% to \$1.5 million and 1.95% thereafter.
21. Tax and Split Income (TOSI)
Severe restrictions to income splitting strategies. Small business deduction in Corporation reduced by passive assets in excess of one million dollars and/or \$50,000 passive income. Professional advice advisable.
22. The tax liability of any unfiled return always remains liable. File regardless. The Crown will allow voluntary disclosures for unfiled returns. Effective 2016, CRA has made the process more difficult and penalties/interest not necessarily waived.

Comments

Income tax preparation is difficult and under more scrutiny by the Crown. Financial planning must consider tax planning and therefore is tax driven.

In closing, any transaction is viewed by Canada Revenue Agency as being at fair market value with few exceptions. In addition, any expense is deductible assuming it is reasonable and you are allowed to deduct them.

The 1917 Tax Act was a temporary measure!

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