

ARE YOU READY FOR TAX TIME?

The April 30, 2024 deadline to file your 2023 personal income tax return is quickly approaching. As a result of changes in tax laws and the ever-increasing complexity in preparing personal tax returns, please gather your required tax information (as outlined in the attached 2023 Personal Tax Checklist) and submit them to us no later than **Monday April 1, 2024**.

How to get your tax documents to Lipton

You can deliver your documents to your Lipton LLP advisor in various ways. You may use our convenient, contactless, and secure electronic client portal to submit your documents, or you can scan and email your documents directly to your Lipton representative.

Our online portal will allow you to deliver your 2023 personal tax documents to your trusted Lipton LLP adviser safely and conveniently. Simply navigate to our website at <https://www.liptonllp.com> using your preferred web browser and click on the [Client File Upload](#) to access our secure client portal. Our client portal is secure, convenient, and easy to use. Your documents are uploaded and delivered to your Lipton LLP advisor quickly and safely. We encourage you to use either email or our client portal for safe, contactless delivery of your personal tax documents.

[Step-by-step instructions can be viewed here.](#)

Our offices are open if you prefer to drop off your documents. If you choose to drop your information off in person all slips pertaining to the tax return will be retained by Lipton LLP.

Electronic Filing

Tax preparers must electronically file tax returns (with limited exceptions). As a result, this year we will be electronically filing (efiling) tax returns utilizing our state-of-the-art computer equipment. In addition to the mandatory requirement to efile, this process will help to ensure that your tax return is assessed as quickly and as accurately as possible. It eliminates the need to file a paper version of your return, as all necessary information is transmitted electronically. You only need to sign an authorization notice and engagement letter which we will provide to you (via private fax, email or in person). If you have any questions, please speak to your Lipton LLP advisor and they will discuss this further with you.

The CRA is now accepting electronic signatures. To facilitate the signing of your documents Lipton LLP is now offering electronic document signing to those clients who wish to take advantage of this new technology.

New for 2023 personal tax returns

1) Covid-19 Benefits have expired

For the 2023 tax year, you will not be able to claim the COVID work from home expense and the Ontario Staycation tax credit has not been extended to 2023.

2) Residential Property Flipping Rule

For residential properties sold after January 1, 2023, any gain from the disposal of a residential property owned by a taxpayer for less than 12 months before the sale will be deemed to be business income, and no principal residence exemption will apply. Any loss from the sale of the residential property will be deemed to be nil. There are exceptions to this rule including a disposition due to or in anticipation of, the death of the taxpayer or related person, a related person joining the taxpayer's household (i.e. the birth of a child or an elderly parent), the breakdown of a marriage or common-law partnership, where the taxpayer has been living separate and apart from their spouse or common-law partner for at least 90 days, a threat to the personal safety of the taxpayer or a related person (i.e. domestic violence) death or insolvency of the taxpayer, an employment change, insolvency or involuntary disposition.

3) Multigenerational Home Renovation Tax Credit

A new refundable tax credit was introduced for the 2023 tax year to an eligible individual, of an amount not exceeding \$7,500 (15% of \$50,000, maximum eligible expenditure) for creating a secondary dwelling unit to allow an eligible person to live with a qualifying relation within twelve months after the end of the renovation period who is:

- Qualified individual who is
 - A qualifying individual that is 65 years of age or older before the end of the tax year in which renovation took place, or
 - 18 years of age or older before the end of the tax year in which renovation took place and is eligible to claim disability tax credit.
- Qualifying relation of qualifying individual means an individual who is
 - 18 years of age before the end of the tax year and
 - A parent, grandparent, child, grandchild, brother, sister, aunt, uncle, niece or nephew of the qualifying individual or the qualifying individual's spouse or common law partner living with the qualifying individual.
- Eligible dwelling unit is defined as a housing unit that is:
 - owned by qualifying individual or qualifying relation of the qualifying individual at any time in the renovation period tax year.
 - Ordinarily inhabited within 12 months after the end of the renovation period by a qualifying individual or qualifying relation of the qualifying individual.

- The qualifying renovation period begins at the time that a building permit for a qualifying renovation is submitted and ends when the unit either passes final inspection or proof of completion is obtained.
- Secondary dwelling unit is a self-contained housing unit with a private entrance, kitchen, bathroom facilities and sleeping area.

4) Tax-Free First Home Savings Account (FHSA)

As a first-time home buyer, you can open a FHSA and contribute a sum of \$8,000 annually up to a maximum of \$40,000 over your lifetime. A contribution to FHSA is tax deductible. The deduction of the contribution made in one year can be deferred to a later year. Withdrawals for buying a qualifying home purchase are not taxable. The conditions applicable to a qualifying withdrawal include that you must be a first-time home buyer; the home should be a housing unit located in Canada; you should have written agreement to buy or build a qualifying home before October 1 of the year following the year of withdrawal; you must intend to occupy the home as a principal residence within one year after buying or building it.

Any unused funds left after making the qualifying withdrawal can be transferred to your RRSP or Registered Retirement Investment Fund ("RRIF") on tax free basis without impacting your available RRSP room.

5) Deduction for Tradesperson's Tools expenses

For the tax year 2023, the maximum employment deduction available for Tradesperson's Tools expenses is proposed to be increased to a maximum of \$1000 from \$500 in previous year. The eligible tool costs would be the costs that exceed the greater of:

- The combined amount of increased deduction for tradesperson's tool expenses of \$1,000 and the amount of Canada Employment Credit (\$1,368 in the tax year 2023) or
- 5% of the taxpayer's income earned as apprentice mechanic

2023 Personal Tax Returns

1) Enhanced Canada Pension Plan/Quebec Pension Plan

The Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP) are being gradually enhanced. This means that if you contribute to either the CPP or the QPP, you will receive improved benefits in exchange for making higher contributions. You can claim a deduction for your enhanced contributions to the CPP or QPP.

2) Canada Workers Benefit

The Canada workers benefit (CWB) strengthens the working income tax benefit (WITB). The CWB is an enhanced, more accessible, refundable tax credit.

3) Home Buyers' Plan

The maximum amount you can withdraw from your registered retirement savings plan (RRSP) under the Home Buyers' Plan (HBP) is \$35,000 for withdrawals. If you are not considered a first-time home buyer for the purposes of the HBP, and you experience a breakdown in your marriage or common-law partnership, you may be able to participate in the HBP under certain conditions.

4) CCA for Class 10.1 passenger vehicles

The ceiling for capital cost allowance for Class 10.1 passenger vehicles increased from \$34,000 to \$36,000 for vehicles acquired on or after January 1, 2023.

5) Zero-emission vehicles

If you are self-employed or claiming employment expenses, you may be able to claim capital cost allowance on zero-emission vehicles. Starting in 2019, there is a temporary enhanced first-year capital cost allowance of 100% for eligible zero-emission vehicles to a maximum of \$61,000 for the tax year 2023. Eligible vehicles must be acquired after March 18, 2019 and become available for use before 2024. The enhanced allowance decreases if the vehicle becomes available for use after 2023 and before 2028.

6) Immediate expensing of capital assets

Immediate expensing is available for eligible capital assets acquired after January 1, 2022 that became available for use before January 1, 2025 by a self-employed Individual. The eligible assets/property can be immediately expensed up to limit of \$1.5 million per taxation year with the limit of \$1.5 million being shared by associated corporations, partnerships, and individuals.

7) Investment tax credit

Eligibility for the mineral exploration tax credit for an individual (other than a trust) has been extended to flow-through share agreements entered before April 2024.

8) Canada Caregiver Credit:

The CCC is available in respect of an individual's spouse or common-law partner, minor child or eligible relative who is dependent on the individual because of a mental or physical infirmity at any time in the year.

The CCC will be based on two amounts:

CCC Higher Amount:

A higher maximum amount of \$7,999 (in 2023) can be claimed by a caregiver in respect of each infirm dependant who is an eligible relative. This amount will be reduced dollar-for-dollar by the amount of the dependant's net income above \$18,783 (in 2023).

The dependant will not be required to live with the caregiver in order for the caregiver to claim the credit. However, a credit is not available in respect of a non-infirm individual over 65 years of age who resides with their adult child (caregiver).

CCC Lower Amount Plus Top-Up:

A lower maximum amount of \$2,499 for infirm dependants will remain as part of the following amounts:

- The maximum spouse or common-law partner amount;
- The maximum amount for an eligible dependant;
- The amount for infirm children under age 18 at the end of the tax year.

In cases where an individual claims an amount for an infirm spouse or common-law partner or an amount for an eligible dependant who is infirm, the individual must claim the CCC at the lower amount (maximum \$2,499 for 2023). Where this results in less tax relief than would be available if the CCC higher amount (maximum \$7,999 for 2023) were claimed instead, a top-up will be provided to offset this difference.

Note: the top-up does not apply with respect to an amount claimed for an eligible dependant who is age 18 or under at the end of the year.

The amounts and the net income threshold will be indexed to inflation after 2017.

6) Digital Subscription expenses

You can claim up to \$500 for amounts you paid in 2023 for qualifying subscription expenses. You must have paid the amounts to a qualified Canadian journalism organization (QCJO) that does not hold a licence to broadcast, for a digital news subscription to content that is primarily original news. Only the individual(s) who entered into the agreement for the subscription can claim the expenses. If you and another person can claim the same qualifying subscription expenses, you can split the claim for that digital news subscription expenses. However, the total amount of your claim and the other person's claim cannot exceed the maximum amount allowed for this credit.

7) Canada training credit (CTC)

You can claim the CTC for eligible tuition and other fees paid to an eligible educational institution in Canada for courses you took in 2023, or fees paid to certain bodies, in respect of an occupational, trade or professional examination taken in 2023, if all of the following apply:

- You were resident in Canada for all of 2023
- You were at least 26 years old and less than 66 years old at the end of the year
- You have a Canada training credit limit (CTCL) for 2023 on your latest notice of assessment or reassessment for 2022

You can claim up to whichever of the following is less:

- half of the fees claimed on your federal tuition or
- your CTCL for 2023

8) Disability tax credit (DTC) certification:

Nurse practitioners across Canada can certify the application form for the DTC.

9) Other employment expenses

You can claim certain expenses (including any GST/HST) you paid to earn employment income if the following two conditions apply:

- Your employment contract required you to pay them;
- You did not receive an allowance for the expenses or the allowance you received is reported as income.

You should use the detailed method to claim the home office expenses you paid for the period that you worked from home provided from T2200 has been issued to you.

Claiming home office expenses is complex. Please contact your Lipton LLP advisor to discuss more details.

Foreign Reporting Requirements

The government requires individuals to report their holdings of certain offshore (including U.S.) assets. Generally, this will apply to individuals who own offshore assets (other than personal use property) with a tax cost of more than \$100,000 Cdn at any time in the year. This information must be reported on your 2023 income tax return. There are substantial penalties for failing to disclose this information.

CRA allows a simplified reporting method for individuals who own foreign investments with a tax cost between \$100,000 and \$250,000 Cdn. The CRA requires taxpayers to indicate the type of foreign property held, the country to which the property relates and the income/loss and capital gain/loss from dispositions in the year.

Foreign investments having a tax cost of more than \$250,000 will require more detailed information. The CRA requires taxpayers to include the name of the bank/entity holding the foreign funds, identify the foreign country to which the property relates, the income/loss and capital gain/loss from the particular property and maximum cost or fair market value (depending on the location of the investments) during the year and the cost or market value amount at year end.

Furthermore, if you and anyone related to you own 10% or more of a foreign corporation, you must report ownership as well as any transfers made to, or distributions received from certain foreign trusts in 2023 regardless of the amount.

Please inform us if these rules may apply to you.

How should you prepare?

1. Check that you have received all the information slips (T3, T4, T4A, T5, T4A(P), T4A(OAS), T4RRSP, T4RIF etc.) that you are expecting. It is important to note that the failure (even if accidental) to report an amount required to be included in income will result in an automatic penalty where there has been a previous failure to report an amount in a return of any of the three preceding taxation years. In some cases, a more severe penalty can be imposed. The CRA uses a computerized matching program to ensure that all tax slips issued are reported. Comparison of the 2023 slips to 2022 slips is an effective way to minimize the chance of any missing slips.
2. For stock market and cryptocurrency transactions during the year, including purchases and sales of bonds, income trusts and similar investment sand cryptocurrency, make sure that you have the broker's slips available. Note that for sales of investments which were purchased in prior years, original cost and return of capital information is required. For all other capital transactions, please provide us with similar information.
3. Where you are required under your employment contract to pay travel expenses in the performance of your duties away from the employer's place of business, you may be able to deduct expenses against employment income (e.g., commission salesmen) or claim a HST rebate (discussed further below), please summarize the relevant expenses by category. If you can deduct any employment-related expenses or claim the HST rebate, ensure that you obtain a completed Form T2200 from your employer. Please retain all supporting receipts and your automobile mileage log book for future reference. The Canada Revenue Agency has recently been actively reviewing these deductions where there is a shareholder/employee relationship with a corporation. Please contact your Lipton advisor to discuss any planning related to this deduction.
4. You must have appropriate receipts or other documentation to support various deductions and credits.

Deductions/credits for which receipts must be forwarded to us are:

- RRSP contributions
- medical expenses
- charitable donations or gifts (including donations of publicly traded securities)
- political contributions
- interest paid on student loans
- disability tax credit (Form T2201)
- child care expenses (see below)
- tuition fees (see below)
- union or professional dues
- moving costs (including mortgage interest for up to three months for a vacant former home)
- investment counsel fees (excluding RRSP or RRIF)
- alimony or separation payments (see below)
- interest expense (see below)

5. If you, or any of your dependants, are taking post-secondary school courses on occupational skills courses, be sure to obtain a completed Form T2202 (tuition fees) and/or Form TL11A if the student is attending a foreign university.

Eligible tuition fees include:

Amounts paid to an educational institution, professional association, provincial ministry, or similar association to take an occupational, trade or professional examination:

- that must be taken to obtain professional status or to be licensed or certified to practice a profession or trade in Canada.
 - that include ancillary fees such as exam materials but not other costs such as travel, calculators, or computers.
 - that do not include admission tests to enter a program of study.
 - that are exam fees in excess of \$100 (similar to other tuition claims).
6. For child care expenses, please provide us with information regarding amounts paid, the payee, the address, and if applicable, the payee's social insurance number. The maximum amounts that can be claimed are \$8,000 for children under age of seven, to \$5,000 for children aged seven through 16 and \$11,000 for children who are eligible for the Disability Tax credit.
7. For alimony or separation payments, please provide us with a copy of the divorce or separation agreement or court order, and your spouse's/former spouse's name and social insurance number.
8. If you have incurred interest expense to earn income of any nature, please provide details. If possible, obtain from the lender(s) a letter setting out the date(s) and amount(s) of the original loan(s), the interest paid during 2023, the purpose of the loan(s) and the balance(s) outstanding at December 31, 2023.
9. If you had any investments in tax shelters, etc., please provide us with the relevant financial statements, income tax schedules and information slips (e.g., T5013, T101, T102).
10. If you lived in or maintained a residence for someone who was dependent on you by reason of mental or physical infirmity (except for a parent or grandparent whose age exceeds 65) or if you have a dependant with an impairment in physical or mental functions, the CCC may be available.
11. If you have disposed of any real property in 2023 (including your principal residence, cottage or a U.S. or other foreign property), please let us know and we can discuss the tax consequences
12. Tax instalments:
- a) Total tax instalments paid on account of 2023.
 - b) The amount paid for your March 2024 instalment.

13. Quebec:

Please forward correspondence received from Revenue Quebec (if any) to us including the "Authorization for an Accredited Tax Preparer to Download Your Fiscal Data" form.

Pension Splitting:

These rules allow for a Pensioner to transfer up to 50% of “eligible pension income” to his/her spouse or common-law partner. This rule can result in a reduction of overall taxes payable for the married/common-law couple. Our tax return software will automatically do this calculation and ensure that the lowest possible taxes are paid. A joint election will need to be signed by both parties.

CRA Online Mail:

The CRA is now providing an online mail service. You will receive an email notification when you have CRA correspondence in your online account. If you wish to register for this service, please provide us with your email address.

If you have registered for on-line mail, you may be able to receive an express Notice of Assessment which will be delivered directly into our certified tax software shortly after your return is electronically filed.

2024 Instalments:

The Federal government mails notices in February 2024 informing individuals of the exact amount of their instalment payments for March 15, 2023, and June 15, 2023. Notices will also be sent in August 2024 for the instalments due on September 15, 2024, and December 15, 2024.

Any remaining 2024 tax liability will be due on April 30, 2025.

There are other methods to consider in determining the amount of instalment payments. We suggest that you contact us in order to determine which method is best for you.

HST Rebates:

You may qualify for a rebate of the HST you paid on certain business-related expenses if:

- You are an employee (e.g., earning commission income, salary, employed in forestry, the transportation industry or as a musician) whose employer is a HST registrant (i.e., the employer has a HST registration number and filed HST returns), or
- You are a member of a partnership that is a HST registrant, and you have filed an income tax return reporting your share of income from the partnership.

You will not qualify for a HST rebate if:

- Your employer was not a HST registrant.
- Your employer is a listed financial institution (e.g., a firm that was at any time during the year a bank, an investment dealer, a trust company, an insurance company, a credit union, or a corporation whose principal business is the lending of money).

If the HST rebate applies to you, please speak to us so that we can arrange to prepare and include the rebate form with your T1 return.

Documents Checklist

In order to further assist you, please find our [documents checklist](#) here for you to complete and return to us with your tax information.

U.S. Tax and Information Filing Requirements

U.S. persons (including citizens and green card holders), regardless of where they live, as well as certain Canadian residents who dispose of real property in the U.S. and who have U.S. based investments must file U.S. tax returns and possibly other tax information forms. The penalties for non-filing can be punitive. The IRS has implemented a voluntary disclosure program with respect to non-filing U.S. citizens residing in Canada. If you think this situation may apply to you, please call us to discuss.

New Trust Return Filing Requirements

The CRA has introduced new Trust return (T3) filing requirements for tax years ending after December 30, 2023. All trusts will now be required to file an annual return and will need to report beneficial and controlling persons as well as settlor information in the Trust return. These new rules may apply to in-trust-for bank accounts, bank or investment accounts in joint names, bare trust arrangements, a property where a child is named on “title only” for his/her parents’ home for the ease of transfer on death or when a parent is on “title only” on their adult children’s home for because a mortgage is co-signed and more. If you think you may have a new Trust filing requirement, please contact your Lipton LLP trusted advisor.

Yours very truly,

Lipton LLP

Chartered Professional Accountants
Licensed Public Accountants