TAX GUIDE

SAVING YOU MORE

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A MESSAGE FROM YOUR MP

Dear Simcoe North Residents,

I am pleased to provide this brief tax guide to assist you in the preparation of your 2022 return.

With inflation driving up the cost of living, it's more important than ever that Canadians and families receive the benefits to which they are entitled. As you prepare to file your 2022 taxes, take some time to review this Tax Guide that outlines programs that may offer some relief to you and your family.

Should you have any questions, please reach out to my office, we would be pleased to speak with you.

Best wishes,

$ NEW TAX CHANGES FOR 2022 TAX YEAR

Below are new changes you can expect to see on your taxes this year.

Labour Mobility Expense Deduction

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

New Tax-Free First Home Savings Account

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

Increase to the First-Time Home Buyers' Tax Credit

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

Home Accessibility Tax Credit (HATC) Increase

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

New Multigenerational Home Renovation Tax Credit

- Many older adults would like to stay in their own home and live as independently as possible. For some families, a home may be renovated to create a "granny suite," or an area within the home of adult children where an elderly parent can live. This is one type of situation where the Multigenerational Home Renovation Tax Credit (MHRTC) could help.
- The MHRTC will be a refundable credit calculated as 15% of eligible expenses for a qualifying renovation to an upper limit of $50,000. Eligible expenses must be paid after December 31, 2022, for services performed or goods acquired after that date. This credit would apply for the 2023 and subsequent taxation years, for work performed and paid for and/or goods acquired on or after January 1, 2023.

New Rule to Tax the "Flipping" of Residential Property

- Today, when a home qualifies as a principal residence and you sell it for a profit, capital gains realized on its disposition can be realized tax-free by claiming the principal residence exemption (PRE).
- Under the new rules coming into effect in January 2023, anyone who sells a property which they owned for less than 12 months (specifically, 365 consecutive days) will be considered to have "flipped" the house and any profits from the sale will be taxed as business income.

Employment Insurance (EI) program

- As of January 1, 2023, the maximum yearly insurable earnings amount is $61,500. This means that you can receive a maximum amount of $650 per week.

Tax-Free Savings Account (TFSA)

- The annual TFSA dollar limit for 2022 is $6,000 per person. The annual limit is increasing to $6,500 per person for 2023.

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Pour consulter les bulletins d'information actuels et antérieurs, en français et en anglais, vous pouvez visiter le **www.adamchambersmp.ca/newsletter.**

SAVINGS FOR ALL CANADIANS

Here is a list of some tax benefits you can claim:

Goods and Services Tax (GST) Credit
Four times a year, this tax-free payment helps individuals and families with modest incomes offset all or part of the GST they pay.

If you have a spouse or common-law partner, only one of you can receive this credit. When you file your tax return, CRA will determine your eligibility and will advise those who are eligible to receive the credit .

Conservatives also supported the temporary doubling of the GST credit for six months. The one-time payment was issued starting November 2022. Individuals and families must meet the eligibility criteria for the 2021 base year to qualify for the one -time payment.

Medical Expense Deductions
This credit applies to a number of eligible expenses – from home care services, to laser eye surgery, to orthopedics. The list of allowable expenses has expanded to include costs associated with certain types of service animals (e.g. diabetes alert dogs). The amount you can claim is the total of your expenses, minus approximately $2,479 or 3% of the claimant's income (whichever is less). There is no limit on the amount of eligible expenses a taxpayer can claim for himself or herself, a spouse or common-law partner, or a child under 18.

Climate Action Incentive
Canadians who live in a province where the Carbon Tax applies – Alberta, Saskatchewan, Manitoba and Ontario – can claim the climate action incentive with their income tax return. The amount you receive depends on your province of residence and your personal living situation. Residents of Alberta, Manitoba, Ontario, and Saskatchewan will receive four equal quarterly payments (April 2023, July 2023, October 2023, and January 2024). Individuals and families may also qualify for a 10% supplement if you are a resident of a small or rural community.

Canada Training Credit
The Canada Training Credit (CTC) is available for eligible tuition and other fees paid for courses taken in 2020 and subsequent tax years. Beginning with the 2019 tax year, an eligible individual can accumulate $250 in each year toward their CTC limit, up to a maximum of $5,000 in a lifetime, which can be accessed the following year to help cover up to half of eligible tuition and fees associated with training. Note that it is only available for individuals between the ages of 26 and 65 who are resident in Canada, with income between $10,000 and the top of the third tax bracket, and for eligible courses. Contact CRA to check eligibility.

SAVINGS FOR FAMILIES

Here is a list of some tax benefits you can claim:

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

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

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

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

Child Disability Benefit
To recognize the additional costs that can add up when caring for a child with a severe disability, families can continue to claim the Child Disability Benefit. It is an amount of up to $2,985 per eligible child.

Registered Disability Savings Plan
The previous Conservative government introduced the Registered Disability Savings Plan (RDSP). It ensures long-term financial security for Canadians and families who are dealing with severe disability. Over the years, enhancements ensure that long-term financial security is provided to children whose parents are no longer able to provide support .

Adoption Expense Tax Credit
This credit is a 15% non-refundable tax credit that allows adoptive parents to claim eligible adoption expenses relating to the completed adoption of a child under the age of 18.

The maximum amount of eligible expenses is up to $15,000 per child, indexed to inflation. For the 2022 tax year, the maximum is $17,131.

SAVINGS FOR SENIORS

Home Accessibility Tax Credit

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

The Pension Income Amount

Years ago, a non-refundable pension income credit was introduced to apply to the first $1,000 of eligible pension income. That was doubled, which increased the maximum amount of eligible pension income that can be claimed to $2,000. This results in even more savings that will make a real difference for pensioners.

Increasing the Age Amount

Based on previous increases and adjustments for inflation, the Age Amount allows seniors to claim up to $7,898 on their 2022 tax return, depending on the individual's net income.

Pension Income-Splitting

Generally, each individual Canadian pays taxes on their full income earned. Pension income-splitting allows any Canadian resident who receives qualifying pension income to allocate to their spouse (or common-law partner), with whom they reside, up to one-half of that income. By doing so, a pensioner and their family can dramatically reduce their tax load.

Increasing the Age Limit for Converting RRSPs to RRIFs

Registered Retirement Savings Plans (RRSPs) provide one of the best opportunities for Canadians to save for the future. Since RRSP contributions are not taxable below your RRSP deduction limit, they are an ideal way to plan for retirement. However, some Canadians have been restricted by the way RRSPs are structured. The age limit for converting RRSPs to Registered Retirement Income Fund (RRIF) is 71.

SAVINGS FOR WORKING CANADIANS

Supporting

volunteer firefighters, and search and rescue personnel

Local business owners are the backbone of Canada's economy. Here is a list of some tax benefits that you can claim:

Canada Workers Benefit

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

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

Canada Employment Amount

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

Apprenticeship Job Creation Tax Credit

Employers who employ an eligible apprentice in a skilled trade in the first two years of an apprenticeship contract (registered with the federal, provincial, or territorial government) can be eligible to receive a non-refundable tax credit equivalent to 10% of the salaries and wages paid to the apprentice. This can translate into tax savings for an employer of up to $2,000 per eligible apprentice.

Lower Taxes for Local Business Owners, Farmers and Fishermen

When an owner of a family farm, local business, or fishing enterprise passes from one generation to the next, the properties – or shares – are subject to a Capital Gains Tax. Previously, the first $500,000 of the value was tax-free. The lifetime capital gains exemption is $913,630 for the 2022 tax year.

Conservative Bill C-208, passed in the last Parliament, has made it easier for family-owned businesses and farms to be passed down to children or grandchildren.

Eligible Educator School Supply Tax Credit

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

Volunteer Firefighters' Tax Credit

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

SAVINGS FOR WORKING CANADIANS (cont'd)

Search and Rescue Volunteer Tax Credit
This is a 15% non-refundable tax credit based on an amount of $3,000 to acknowledge the valuable contributions of ground, air and marine search and rescue volunteers, who perform at least 200 hours of service per year. The option to claim the exempt amount of up to $1,000 for honoraria will remain in lieu of the credit, if desired.

Tradespersons' Tools Deduction
This tax deduction on tools helps those tradespeople who often must pay for their work expenses up front out of their own pockets.

Meal Expenses of Long-Haul Truck Drivers
The Canadian tax system generally limits business-related meal, entertainment, and other expenses to be deductible only up to 50%. However, meal expenses for long-haul truck drivers is 80%.

Lower Small Business Tax Rate
A reduced small business tax rate of 9% is now in effect .

UNDERUSED HOUSING TAX (UHT) - NEW

The UHT is a tax on **non-resident, non-Canadian owners**. However, it might apply to Canadian owners if certain conditions are met. The UHT is an annual 1% tax on the ownership of vacant or underused housing in Canada **owned by non-resident, non-Canadian owners** (or those that meet specific criteria). **<u>Many Canadians and permanent residents who own property will qualify for an exemption that does not require them to file a return</u>,** referred to as excluded owners.

Excluded owners of a residential property in Canada have **no obligations or liabilities** under this act.

Excluded owners include (any of the below):

- **an individual who is a Canadian citizen or permanent resident** - unless included in the list of affected owners below
- any person - including an individual who is a Canadian citizen or permanent resident - that owns a residential property as a trustee of a mutual fund trust, real estate investment trust, or specified investment flow-through trust (SIFT) for Canadian income tax purposes
- a Canadian corporation whose shares are listed on a Canadian stock exchange designated for Canadian income tax purposes
- a registered charity for Canadian income tax purposes
- a cooperative housing corporation for Canadian GST/HST purposes
- an Indigenous governing body or a corporation wholly owned by an Indigenous governing body

If you are not an **Excluded Owner**, you would be considered an **Affected Owner** and have obligations under the Act.
An **Affected Owner** includes, but is not limited to:

- an individual who is not a Canadian citizen or permanent resident
- an individual who is a Canadian citizen or permanent resident and who owns a residential property as a trustee of a trust (other than as a personal representative of a deceased individual)
- any person - including an individual who is a Canadian citizen or permanent resident - that owns a residential property as a partner of a partnership
- a corporation that is incorporated outside Canada
- a Canadian corporation whose shares are not listed on a Canadian stock exchange designated for Canadian income tax purposes
- a Canadian corporation without share capital

Affected owners <u>must</u> file an Underused Housing Tax Return for each residential property owned in Canada by **April 30**. You <u>must</u> also pay the UHT unless your ownership qualifies for an exemption for the calendar year. Even if your ownership qualifies for an **exemption**, you <u>must</u> file an Underused Housing Tax return for the calendar year.

Additional Exemptions for Affected Owners

- primary place of residence of spouse, common-law partner, or child who occupies residential property for studying qualifying occupants in relation to the owner
- arms-length tenant, owners authorized to work in Canada, spouse, parent, or child of owner who is a Canadian citizen/permanent resident
- limited availability due to seasonal access, hazardous condition, renovations or construction, year of acquisition
- deceased owner and surviving joint owners
- partners of a specified Canadian partnership
- trustee of a specified Canadian trust
- located in prescribed area of Canada
- used personally by owner for a minimum of 28 days in calendar year

Farm Properties

Farm property owners with multiple houses on their property must file a UHT return by April 30. Even if this tax does not apply to your farm operation, you must file a UHT return.

There are fines and penalties for failing to file a UHT return.

For more information on the Underused Housing Tax, visit **www.canada.ca/en/services/taxes/excise-taxes-duties-and-levies/underused-housing-tax.html**

Questions? Contact the Canada Revenue Agency for more information at **1-800-267-6999** or **www.canada.ca/en/revenue-agency** or your tax preparer.