

# InFocus Accountants LLP Annual Newsletter

## New Partner

We are delighted to welcome our newest partner, Bob Erickson, CPA, CA, who joined our firm in January 2023. Bob has nearly two decades of public practice experience and deals primarily with private owner managed businesses across numerous industries. Born and raised on a small farm in Alberta, Bob also has experience in farming and a number of farm clients. Bob has a passion for guiding clients through complex accounting and tax issues and providing meaningful results.

## We are MOVING

Our firm is moving later this year to a new office condo building located in south Calgary. Our new address will be Suite 5220, 7005 Fairmount Dr. SE. The official move date and more details to follow via email.

## CRA Scams!!

Be aware of CRA scams by email or phone calls. If in doubt, contact our office immediately, and we can confirm that it is a CRA representative.



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## 2023 Federal Budget Highlights

### Corporate Tax

- There are no changes to the general small-business corporate income tax rates or to the \$500,000 small - business limit of a Canadian-controlled private corporation (CCPC).
- Changes to rules for intergenerational share transfers. Rules permit tax-advantageous share transfers only where a genuine intergenerational business transfer takes place. The transfer must be either an “immediate intergenerational business transfer” or a “gradual intergenerational business transfer”.
- In an effort to support Canada’s transition to a clean economy, the budget proposes making significant investments through various new tax credits for corporations such as investment in clean technology manufacturing, clean hydrogen, zero - emission technology manufacturing, clean electricity and geothermal energy.

### Personal Tax

- There are no changes to the personal income tax rates in this budget. However, the tax brackets will continue to be indexed for inflation.
- Significant changes to the Alternative Minimum Tax (AMT) regime. New changes to the AMT to impose a minimum tax being paid for top income earners in Canada. This will affect individuals who earn high income and have large offsetting deductions such as donations of public securities, childcare credits, interest and carrying charges, capital and non-capital loss carryforwards, etc.
- Changes to the General Anti-avoidance Rules (GAAR) and lowering the bar of the avoidance transaction standard, introducing a “lack of economic substance” test, extending the reassessment period by an



## 2023 Federal Budget Highlights

additional three years, and introducing a new 25% penalty.

- Withdrawal limit increase on the Registered education savings plan (RESP) from \$5,000 to \$8,000.
- Increase of deduction for tradespeople's tool expenses from \$500 to \$1,000 each year.

### Budget Spending

- The finance minister anticipates a deficit of \$43 billion for fiscal 2022-23.
- \$13 billion will be spent over five years for the new Canada Dental Care Plan that provides dental care coverage for families with annual income less than \$90,000, with no co-pays

- for those with family incomes under \$70,000.
- \$198 billion to improve healthcare by reducing backlogs and expanding access to family health services. Included is \$46 billion in new funding to provinces and territories through new Canada Health Transfer measures.

## Canada Revenue Agency (CRA)

### Tax Payments over \$10,000

Effective January 1, 2024, the CRA will charge a \$100 penalty for each tax remittance over \$10,000 paid by cheque or mail. Your alternatives to this would be paying at the bank in person with a personalized remittance voucher, online banking, or pay an amount by mail under \$10,000. Keep in mind, personalized remittance vouchers can be ordered online but take approximately 5 – 10 business days to receive.

### Trust Reporting Rules

New enhanced trust (T3) reporting rules will be in effect for years ending December 31, 2023. The new rules require new tax filings and information reporting. New information such as the identity of all trustees, beneficiaries, settlors of the trust, etc. If you have a trust filing with us, we will be in contact with you to ensure that we have all required information under the new rules.

### Client Retention of Files for CRA

Generally, you must keep all required records and supporting documents for a period of six years from the end of the last tax year they relate to. However, in some situations, you must retain records for a different period of time (shorter or longer). Please contact our office for further clarification on these rules.

## Don't Forget!!

If you have instalment requirements for 2023, ensure to make these on time to avoid substantial interest charges and possible penalties. CRA is currently charging 9.0% interest and Alberta's interest rate is 8.5%.

\*\*\* NEW \*\*\*

## Underused Housing Tax (UHT)

There is a new Underused Housing Tax (UHT) of 1% on ownership of vacant or underused housing in Canada that took effect on January 1, 2022. You must first determine if you are considered to be an excluded owner of a residential property. If you are not an excluded owner, you may be exempt from paying the tax but still required to file the prescribed UHT form. Failure to do so can result in significant penalties and possibly result in certain exemptions no longer being available, resulting in taxes payable. If you own residential property through a corporation, partnership or trust, you would fall under these filing requirements. For further clarification on these rules, please contact us directly.

## Accounting Humor

What is the definition of a good accountant?

Someone who solves a problem you did not know you had in a way you don't understand.



## Did you know.....

### Tax Free Savings Accounts (TFSA's)

Do you know what type of beneficiaries are designated for your TFSA? The main difference between naming a successor holder vs. beneficiary is the tax treatment after receiving the TFSA amounts from the estate. For example, a successor holder will receive the TFSA in addition to their TFSA and it can continue to grow tax free. However, a designated beneficiary of a TFSA will also initially get the amounts tax free from the estate, but will have to pay taxes on any subsequent growth.

### Estate Planning

It is never too early to start thinking of estate planning. Did you know when an individual passes away and there is no surviving spouse or common-law, there are deemed dispositions on all assets. This can result in a significant amount of taxes as a result of being in higher tax brackets with the cumulative income to report on the final return. There are options to mitigate this tax exposure and we would be glad to discuss your various options with you.

## Key Rates and Interesting Facts:

- The 2023 combined personal tax rates in Alberta remain unchanged – See table below. Contact us directly for combined rates of other provinces.
- Did you know the lowest mortgage rate in Canadian history was a 1.44% in 2021 for a 5 - year term. Conversely, the highest mortgage rate in history was nearly 20% back in 1981!
- Peak inflation rate in 2022 was 8.13% in June. In comparison, inflation rate in May 2023 was down to 3.4%. This is still above the desired 2% inflation rate by the Bank of Canada.
- Approximately 20% of the world's Bitcoin has not moved from their original addresses in more than six years (3.7 million of the 18.5 million Bitcoin outstanding). That equates to roughly \$130+ billion of Bitcoin being "lost".
- Have you noticed the recent shrinkflation? Shrinkflation occurs when producers will reduce the weight or size of the product sold while keeping the price the same to maintain profit margins. Experts say that once shrinkflation is implemented, it rarely reverses course. Sounds similar to tax rate increases!!

### Alberta (AB) Personal Income Tax Brackets and Tax Rates

2023 Taxable Income	2023 Tax Rates	2022 Taxable Income	2022 Tax Rates
first \$142,292	10%	first \$134,238	10%
over \$142,292 up to \$170,751	12%	over \$134,238 up to \$161,086	12%
over \$170,751 up to \$227,668	13%	over \$161,086 up to \$214,781	13%
over \$227,668 up to \$341,502	14%	over \$214,781 up to \$322,171	14%
over \$341,502	15%	over \$322,171	15%

### Combined Federal & Alberta Tax Brackets and Tax Rates

2023 Taxable Income	AB 2023 Marginal Tax Rates				2022 Taxable Income	AB 2022 Marginal Tax Rates			
	Other Income	Capital Gains	Canadian Dividends			Other Income	Capital Gains	Canadian Dividends	
			Eligible	Non-Eligible				Eligible	Non-Eligible
first \$53,359	25.00%	12.50%	2.57%	15.86%	first \$50,197	25.00%	12.50%	2.57%	15.86%
over \$53,359 up to \$106,717	30.50%	15.25%	10.16%	22.18%	over \$50,197 up to \$100,392	30.50%	15.25%	10.16%	22.18%
over \$106,717 up to \$142,292	36.00%	18.00%	17.75%	28.51%	over \$100,392 up to \$134,238	36.00%	18.00%	17.75%	28.51%
over \$142,292 up to \$165,430	38.00%	19.00%	20.51%	30.81%	over \$134,238 up to \$155,625	38.00%	19.00%	20.51%	30.81%
over \$165,430 up to \$170,751	41.32%	20.66%	25.09%	34.63%	over \$155,625 up to \$161,086	41.38%	20.69%	25.17%	34.70%
over \$170,751 up to \$227,668	42.32%	21.16%	26.47%	35.78%	over \$161,086 up to \$214,781	42.38%	21.19%	26.55%	35.85%
over \$227,668 up to \$235,675	43.32%	21.66%	27.85%	36.93%	over \$214,781 up to \$221,708	43.38%	21.69%	27.93%	37.00%
over \$235,675 up to \$341,502	47.00%	23.50%	32.93%	41.16%	over \$221,708 up to \$322,171	47.00%	23.50%	32.93%	41.16%
over \$341,502	48.00%	24.00%	34.31%	42.31%	over \$322,171	48.00%	24.00%	34.31%	42.31%

Marginal tax rate for dividends is a % of actual dividends received (not grossed-up taxable amount).

Marginal tax rate for capital gains is a % of total capital gains (not taxable capital gains).

Gross-up rate for eligible dividends is 38%, and for non-eligible dividends is 15%.

**THANK YOU AND HAVE A GREAT SUMMER!**