

Wealth Management Planning



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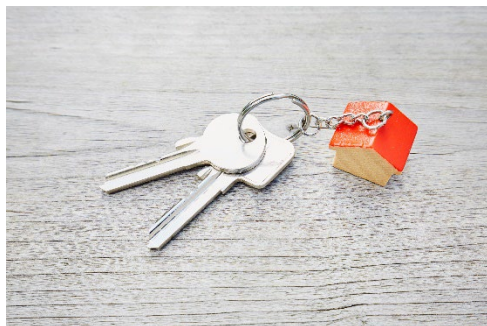
Tax Updates and Savings Opportunities for 2023

The beginning of each year is an ideal time to reflect on the past year and prepare for the year ahead. It is a good chance to reset from the year gone by - a welcome proposition given a tough 2022. We wanted to begin the year by providing key highlights of what is new and what has changed in the regulatory and tax landscape. These updates may be applicable when assessing your personal financial situation for the year ahead. We are available to explain or discuss in more detail any of the opportunities or guidelines.

What's New

FHSA – First-time Homebuyers Savings Account

Proposed to be available in the latter half of 2023, it is a registered account intended to help first-time homebuyers save for a down payment on their first home. **Contributions will be tax-deductible** (reducing income tax payable), like RRSP contributions. Investment income earned within the account will accumulate tax-free, and withdrawals for the purpose of purchasing a property will be tax-free, like a TFSA. It combines both key features of the RRSP and TFSA. There is a **lifetime contribution limit of \$40,000**, subject to an **\$8,000 annual limit**.



Residential Property Flipping Rule

New rules have been introduced to deny the use of the Principal Residence Exemption for capital gains when a home is **purchased and resold within a 12-month period**. Under the new rules, a residential property (including rental properties) owned for less than 12 months would be **subject to taxation as full**

business income on any gains for the property. There are certain exemptions to the rule under one-time life events that may trigger an unforeseen sale.

Home Accessibility Tax Credit

A new non-refundable tax credit allows for qualifying expenses for **home upgrades to be claimed up to \$20,000**. To be eligible for the home accessibility tax credit, an individual must be **over 65 or receiving the disability tax credit**.

What's Changed

Tax Brackets Indexed Higher

Higher federal tax bracket thresholds, as well as increased tax credit and benefit amounts, may allow for **significant tax savings in 2023**. It's an opportunity to pay attention and maximize available tax credits but also look at sources of income and take advantage of a higher tax tier. For example, retirees might consider making a larger RRIF withdrawal if they need extra money to cover the higher cost of living while not necessarily paying a higher marginal tax rate. Updated marginal tax rates for each income bracket can be found in our [2023 Facts & Figures](#) resource guide.

Government Pensions

CPP is based on automatic payroll contributions throughout an individual's working lifetime, while OAS is based on years of Canadian residency. For 2023, the maximum amount an individual could receive in **CPP has risen to \$1,306 monthly**, and the maximum **OAS eligibility is \$687 per month**. The threshold for old age security (OAS) repayment rises to a total income of \$86,912 in 2023, up from \$81,761 in 2022, a difference of \$5,151. Once taxable income rises above the threshold amount, a "recovery tax" is charged at a rate of 15% and reduces OAS payments.

Tax-Advantaged Limits

The **TFSA limit increased to \$6,500 annually** as of January 1, 2023, and a new total contribution limit of \$88,000. Canadian

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residents over 18 are eligible to contribute to a TFSA. Those over 18 in 2009, when the TFSA was first introduced, would be eligible to take advantage of the full cumulative limit of \$88,000. Any unused TFSA contribution room can be found on the CRA MyAccount. A table of eligible contributions per year can be found [here](#) for your reference.

RRSPs allow for **contributions to be made until March 1, 2023**, and be applied to the 2022 tax year. Contributions will lower taxable income and reduce the amount of tax an individual will have to pay. The limit for **2022 is 18% of income up to a maximum of \$29,210**. For 2023, the limit will increase to \$30,780.

The **lifetime capital gains exemption (LCGE)** amount on the sale of qualifying small business shares is **rising to \$971,190** in 2023, up from \$913,630 in 2022, an increase of \$57,560, providing a great opportunity for tax savings for clients considering selling a business.

While this is certainly not an exhaustive list of all benefits and updates that are accessible, we believe these are important key opportunities to take advantage of within your personal tax situation. Thornmark is open to help ensure your goals and strategies are aligned with the benefits available to you.

We look forward to helping you achieve more with your planning and investments. Please reach out to Thornmark at:

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