

Planning Matters



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Getting a Head Start on Your 2022 Personal Tax Roundup

FALL 2022 EDITION

It's time again to consider tax planning opportunities for 2022. There are of course, the annual reminders but there are also some exciting new and "coming soon" tax changes that everyone should be aware of. Both are detailed below.

The Annual Reminders

RRSP contributions

The deadline for RRSP contributions for 2022 is March 1, 2023. We recommend that you check your 2021 personal tax notice of assessment for the maximum contribution amount available to you.

If you turned 71 in 2022, however, then you only have until December 31, 2022, to make any final contributions to your RRSP before converting it into a RRIF. If your spouse is younger than you and you have RRSP contribution room, you can continue to make spousal contributions until they reach the age of 71.

TFSA contributions

TSFAs are a great way to save money, earn investment income, and not pay tax on the annual income. The maximum contribution amount for 2022 is \$6,000; however, you may have more room if you have not maximized your contributions in the past. There is no deadline for the contributions. We also recommend that you confirm your limit before making any contributions, which you can do through CRA's online portal.

RESP contributions

The federal government offers generous matching programs for your child's RESP. You can collect a grant equal to 20% of the first \$2,500 you contribute to an RESP. The grant carries forward if the maximum amount is not paid in a year, until the beneficiary turns 17 and there is the opportunity to contribute \$2,500 for one prior year, if you miss a year. The contributions must be made before December 31, to receive the grant money. Depending on the amount and frequency of your contributions, you can collect up to a maximum lifetime amount of \$7,200 in grants. For more detail, you can check out Leith Wheeler's Explainer Series, "[How to Maximize Your RESP.](#)"

RESP withdrawals

If your child is a beneficiary of a RESP and is attending a post-secondary institution in 2022, consider having an Education Assistance Payment made from the RESP. While this income may be taxable to them, they may have personal tax credits that would reduce any tax to zero. The payment must be made before December 31, 2022.

Tax-loss selling

Capital losses can be applied against capital gains to reduce

tax owing on the gain. These capital losses can also be carried back three years and carried forward indefinitely to offset capital gains. The final trade date for 2022 is December 28, 2022, in order for the transaction to complete by December 31, 2022. We recommend that you not wait until December 28 to ensure the trade completes before the end of the year. Contact your investment advisor and tax professional for assistance in assessing this tax planning.

Donations

CRA provides tax credits for donations to various registered charities. There is a federal 15% donation credit on the first \$200 in donations and 29% (33% if your income is above \$220,000) credit on any amount more than \$200. These donations must be made before December 31, 2022, and the maximum amount that can be claimed in a year is 75% of your net income.

In addition, you may want to consider a donation of publicly traded securities. The taxpayer will receive a donation credit based on the full market value of the stock at the date of the donation and any capital gain earned on the stock is then not taxable in the hands of the charitable recipient. The net result is a higher deduction for you and more money in the hands of the charity.

Consider this example: Let's say you have shares in a company with a current market value of \$5,000 and a cost of \$1,000. If you sold the shares, you would pay tax on 50% of the \$4,000 gain, or \$2,000, and assuming a marginal tax rate of 45%, would owe \$900 in tax – meaning only \$4,100 cash would be available to donate to the charity. Conversely, if you donate the shares, you will receive a donation receipt for \$5,000, you will owe no capital gains tax for the increase in value, and the charity gets \$5,000 in value.

This approach should be done carefully with your tax professional, investment advisor, and the charity working together.

Pension income

There is a Federal Pension Income Tax Credit of \$2,000 available for any pension income earned in the year. If you are over 65 years old, consider converting some of your RRSP into a RRIF (Registered Retirement Income Fund), to receive up to \$2,000 in pension income, to qualify for this benefit.

Medical expenses

A tax credit is available for medical expenses that exceed the lower of 3% of your net income and approximately \$2,500 in 2022. Medical expenses must be incurred within any 12-month period ending in 2022 and must not have been previously claimed. In addition, any expenses already reimbursed by a health plan cannot be claimed.

Home accessibility

A tax credit of 15% up to a maximum of \$10,000 (with a proposed increase to \$20,000 in the 2022 budget) in expenses is available for seniors and those eligible for the disability tax credit for certain home renovations. The renovations must be to make the home more accessible, functional, or reduce the risk of harm for the taxpayer. If you are considering any renovations, expenditures need to be paid out before December 31, 2022, in order to qualify for the current tax year.

File a tax return for children

RRSP contribution room is created based on earned income, and there is no minimum age to create contribution room. Why not start them off early and get them in a good habit of filing an annual return?

In addition, if your child is 19 years or older, they may qualify for the GST rebate (credit) or the BC climate action tax credit.

Tuition credits

An individual attending post-secondary school may be eligible to claim tuition tax credits. The tax receipt will be issued by the educational institution detailing the amounts that can be claimed and is for tuition paid in the calendar year. You cannot claim any tuition that is reimbursed by an employer or paid by a job training program.

Another reason to have your child file their personal tax return is for the transfer of any tuition tax credits. The student must first claim on their personal tax return, but any unused amounts up to \$5,000 per year can be transferred to a parent, grandparent, or spouse. If there are tuition credits still not claimed, the student can carry them forward to claim in a future year.

New and coming soon

First Time Home Buyers Tax Credit (HBTC)

For first-time home buyers who purchase a home on or after January 1, 2022, the HBTC has been increased from \$5,000 to \$10,000. For eligible buyers this will provide \$1,500 in tax relief in the year they purchase a home.

First Time Home Savings Account (FHSA)

This new registered plan will give first-time home buyers the ability to save up to \$40,000 on a tax-free basis. Contributions will be tax-deductible, and withdrawals would be non-taxable. The annual contribution limit is \$8,000 to a lifetime maximum of \$40,000 per person. Any unused portion of the contribution limit can be carried forward to a subsequent year. It is expected that the FHSA will be available starting in 2023.

Principal residence and residential property flipping

This new rule is intended to apply for property dispositions after January 1, 2023. In the case where a taxpayer owns a property for less than 12 months, it is deemed to have been bought and sold for profit from a business, thus the principal residence exemption and capital gains tax rate will not be available. As a result, any gain will be considered business income and taxed at the marginal rates. There are certain life events that are exempted from this rule including death, a new job, divorce, and a natural disaster.

Multigenerational Home Renovation Tax Credit

This new tax credit will be available in 2023 for families to claim a 15% tax credit for up to \$50,000 in qualifying renovation or construction costs to create a secondary suite for seniors or adults with disabilities in their home.

Medical Expense Tax Credit for Surrogacy and Other Expenses

For 2022 and subsequent years, expenses related to surrogacy have been expanded to include amounts paid to fertility clinics and donor banks to obtain sperm or ova to enable conception of a child by the individual, their spouse or a surrogate mother on behalf of the individual.

Please consult with your tax advisor to confirm suitability of any of these strategies.

About the Contributor



Heather Loblaw joined Baker Tilly WM LLP in 2017 as a Partner with a focus on financial advisory, audit, review, tax, and accounting services for a diversified clientele, including small to medium-sized private businesses. Prior to joining the firm, she worked for another mid-size Vancouver accounting firm and KPMG. She can be reached at Heather.Loblaw@bakertillywm.com.

NOTE: The information contained herein should not be treated by readers as investment, tax, or legal advice and should not be relied on as such.

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