

# 2022 BUDGET HIGHLIGHTS

**Tax-free first home savings account (FHSA) COMING April 1, 2023!!!!** This new registered plan would give prospective first-time home buyers the ability to save \$40,000 on a tax-free basis. Like an RRSP, contributions would be tax-deductible, and withdrawals to purchase a first home- including from investment income- would be non- taxable, like a TFSA.

The lifetime limit on contributions would be \$40,000, with an annual contribution limit of \$8,000. Individuals can carry forward any unused portions of their annual contribution limit.

**Basic Personal Amount** – The basic personal amount is a non-refundable tax credit that all taxpayers are eligible to claim. The amount has increased to \$14,398 for 2022, previously at \$13,808 for 2021.

**Home Buyers Plan (HBP)** – The HBP helps first time home buyers save for a down payment by allowing them to withdraw up to \$35,000 from a registered retirement savings plan to purchase or build a home without having to pay tax on the withdrawal. Beginning in 2020, individuals who experience a breakdown of a marriage or common law partnership-in the year of making a withdrawal or in any of the four preceding calendar years – will be able to access the Home Buyers’ Plan, even if they do not meet the first-time home buyer requirement.

**Ontario extends seniors’ renovation tax credit** The seniors Home Safety Tax Credit is a temporary fully refundable tax credit for the **2021 & 2022** year worth 25% of up to \$10,000 per year on eligible expenses to make homes “safer and more accessible.” Expenses would be eligible if they are paid or become payable in 2021 & 2022. Eligible claimants must retain receipts and claim the SHSTC in their 2021/2022 personal tax returns.

**Ontario seniors’ care at home tax credit** Introduction of a new **refundable** tax credit intended to assist low-to moderate-income seniors (and their spouse or common-law partner) with the cost of eligible medical expenses.

**2023 Automobile Deduction Limits & Expense Benefit Rates for Businesses** The following changes to limits and rates will take effect as January 1, 2023:

- The ceiling for capital cost allowances for (CCA) for class 10.1 passenger vehicles increased from \$34,000 to \$36,000
- The ceiling for CCA for class 54 zero- emission passenger vehicle increased from \$59,000 to \$61,000
- Deductible leasing costs increased from \$900 to \$950 per month for new leases
- The general prescribed rate used to determine the taxable benefit of employees relating to the personal portion of automobile expenses paid by their employers will increase to 33 cents/km. For individuals employed principally in selling or leasing automobiles, the rate to determine the employee’s taxable benefit will be increased to 30 cents/km

**Ontario staycation tax credit MUST HAVE RECEIPTS** Ontario residents can claim 20% of their eligible Ontario tourism expenses up to \$1,000 as an individual or \$2,000 as a family, and will receive up to \$200 as an individual or \$400 as a family.

- For a stay of less than a month at an eligible accommodation such as a hotel, motel, resort, lodge, bed-and-breakfast establishment, cottage, campground in Ontario between January 1 and December 31, 2022
- Incurred for leisure (e.g., a non-business purpose);
- Paid by the Ontario tax filer, their spouse or common-law partner, or their eligible child, as set out on a detailed receipt;

**Protect yourself from Scams and Fraud** To avoid scams and fraud, be aware of when and how the CRA might contact you. The Scams and fraud page provides information on the ways that the CRA may contact you, including by phone, email, mail and text message. See the link below for lots of helpful advice <https://www.canada.ca/en/revenue-agency/campaigns/fraud-scams.html>

[New OAS Limit amounts](#) For the 2022 tax year, if your taxable income was *over \$81,761*, you would need to repay some of your OAS. Similarly, if your taxable income was *over \$134,626*, you would not have received any OAS payments. Seniors aged 75 and over received an automatic 10% increase of their Old Age Security pension as of July 2022. OAS pension amounts for January – March 2023 are \$687.56/mth for ages 65 to 74, and \$756.32 for ages 75 and over.

[The low-income individuals and families \(LIFT\) tax credit \(enhanced 2022\)](#) The LIFT credit is designed so that someone working full-time making minimum wage pays no provincial tax. It works out to tax relief of up to \$875 or 5.05% of your employment income, whichever is lower. This maximum amount is then reduced by 10% of the greater of your:

- Adjusted individual net income over \$30,000
- Adjusted family net income over \$60,000

[Childcare access and relief from expenses \(CARE\)](#). This refundable tax credit aims to help families with children up to age 16 and income of up to \$150,000. The credit is in addition to the provincial and federal childcare expense deductions and includes a broad range of child-care options, such as day camps and boarding schools. Eligible families stand to receive up to \$6,000 per child under the age of seven, up to \$3,750 per child between the ages of seven and 16, and up to \$8,250 per child with a severe disability.

[Enhanced Support for Teachers](#) The Government proposes to increase the rate of refundable tax credit available to teachers and childhood educators on the purchase of eligible supplies up to \$1,000, to 25 percent (from 15 percent). Additionally, there will no longer be a requirement teaching supplies be used in a school or regulated childcare facility to be considered eligible. The list of eligible supplies will also be expanded to include certain electronic devices. This measure will apply to the 2021 and subsequent taxation years.

[Ontario Jobs Training Tax Credit](#) The Ontario Jobs Training Tax Credit is a temporary, refundable personal income tax credit that helps workers get training that may be needed: for a career shift, for re-training, to sharpen their skills. The credit provides up to \$2,000 per year in relief for 50% of a person's 2021 or 2022 eligible expenses. Requirements are the same as the Canada Training Benefit. Eligible expenses include: occupational skills courses, occupational trade or professional exams, postsecondary education courses.

[For Businesses - Ontario Business Registry](#) As of May 15, 2021, Ontario corporations will no longer file Canadian Information Act Annual Returns through the Canada Revenue Agency and are now required to file directly with the Ontario Ministry, through the new Ontario Business Registry, or through an authorized third-party service provider.

[Immediate expensing of capital property for self-employed individuals](#) While immediate expensing was available to Canadian-controlled private corporations since 2021, 2022 will be the first year in which eligible individuals and partnerships can take advantage of the deduction.

If you carry on an unincorporated business and acquired a capital property in 2022, you may be eligible to claim a 100% deduction of the expenditure. The immediate expensing rules allow eligible individuals and partnerships to take a full deduction of up to \$1.5 million of capital property acquired on or after January 1, 2022. The property must come available for use before 2025.

[Tax-Free Savings Accounts – Contribution limit](#) – The annual contribution for TFSA has been increased to \$6,500 for 2023. The annual contribution limit has changed several times since it was introduced in 2009 *see table below*

Years	TFSA Contribution limit	Total
2009-2012	\$5,000 per year	\$20,000
2013-2014	\$5,500 per year	\$11,000
2015	\$10,000 for year	\$10,000
2016 -2018	\$5,500 per year	\$16,500
2019-2022	\$6,000 per year	\$24,000
2023	\$6,500 per year	\$6,500
	<b>Total</b>	<b>\$88,000</b>

## **COVID RELATED INFORMATION AND CHANGES**

[Working from Home \(extended.....again\)](#) To simplify the process for both taxpayers and businesses, the CRA will allow employees working from home in 2022 due to COVID-19 with modest expenses to claim up to \$500, based on the amount of time working from home, without the need to track detailed expenses, and will generally not request that people provide a signed form from their employers. This measure will help taxpayers access deductions they are entitled to receive and simplify the tax filing process. Here are the highlights;

- Employees will generally be able to claim a home office expenses deduction if they worked from home in 2022 due to COVID-19 and in particular, more than 50% of the time from home for a period of at least four consecutive weeks.
- Where the employee qualifies, they can use a temporary flat rate method or they can do a detailed calculation. A T2200 or T2200S is required to claim the detailed method.
- Under the flat rate method, the individual can claim \$2 per day for each day worked at home up to a maximum of \$500.
- The CRA has also announced that internet access costs are eligible, but only if the detailed method is used. It appears that CRA expects this cost to be prorated on the same basis as utilities such as electricity and heat.
- The T2200S is much shorter and an employer will only have to confirm whether the individual worked at home due to the pandemic, whether they were reimbursed for home office costs and whether those costs are reported on the employee's T4.

[Repayment of federal COVID-19 benefits](#) If you repaid an amount in 2022 related to the federal COVID-19 benefits that you previously received, the CRA has indicated that the amount repaid will be included in your T4A slip. You can choose to claim a deduction for the repaid amount in the year that the benefit was received or in the year that the benefit was repaid. You also have the option of splitting the deduction between these two years.

This choice in timing of your deduction can affect your taxes depending on your income, deductions, and credits available in each of these two years. Where it is beneficial for you to deduct the repayment in your 2020 or 2021 return but if it has already been assessed, the CRA announced that a new Form T1B, Request to Deduct Federal COVID-19 Benefit repayment in a Prior Year, can be filed with your 2022 tax return to simplify the process. This means that you will not need to request a T1 adjustment for a prior year's tax return. Note – If you repay a benefit amount after 2022, you can only claim a deduction in the year of repayment.

## **Yes, even more exciting tax updates and tips that you should know:**

- **How long should I keep my tax/business records/receipts?** 7 years is the magical number to be safe.
- **Receipts for my business expenses** Be sure to keep ALL of your receipts! CRA will not accept bank statements or credit card statements as proof of payment to claim the expense. You must have the original receipts.
- Going forward, there is a **\$50,000 threshold on passive income** held in corporations. When passive income reaches \$150,000, a business owner will lose the Small Business Tax Rate. They'll be taxed as a large corporation at that time. The government numbers show that it's only the top one percent of income tax filers whose corporations will be affected by the changes.
- **Converting RRSP's to RRIF's early** – If you turned 65 this year, you may want to convert some of your RRSP's to a RRIF before December 31<sup>st</sup> to take advantage of the pension income tax credit, and perhaps also take advantage of pension splitting with your spouse.
- **Employer Health tax exemption will be maintained at \$1 million after 2020** -(usually revisited every 5 years)
- **Guaranteed Income Supplement** – If you are receiving the Old Age Security income and your other incomes total less than \$19,464 (single) and \$25,728 (couple both receiving OAS) you may be eligible to apply for the supplement. Feel free to inquire for more information.
- **Mileage rate will increase** for 2023 at 68¢ for the first 5,000km driven and 62¢ per km after that

## **Corporate tax & HST Instalments**

The Canada Revenue Agency requires corporations to make instalment payments for HST and corporate taxes payable when their prior year taxes payable were greater than \$3,000.00. If instalments are not remitted, you may be liable for interest on the instalments not paid or late payments.