



Tax Talk Tribune 2024 – Edition No 1.

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Tax Tidbits

- The **2024 RRSP contribution limit** is **\$31,560**, requiring earned income in 2023 of at least \$175,333. The 2025 limit will be \$32,490 (requiring earned income in 2024 of at least \$180,500).
- The annual **TFSA contribution** limit for 2024 is **\$7,000**.
- The annual **interest rate** charged by CRA on **late tax and installment payments** has **increased to 10%** for the first quarter of 2024. Additional penalties may apply on underpaid installment payments.

Please see Appendix for more information.

Working From Home Expenses: Employment Expenses

The **\$2/day flat rate method** available to claim expenses for employees working from home was a temporary administrative measure only available from 2020 to 2022; it is **no longer available in 2023**. As such, **employees working from home** can only use the **detailed calculation** when claiming expenses.

For **2023 and subsequent years**, a deduction can only be claimed where one of the following criteria is met:

- i. the work space was the **place** where the individual **principally (more than 50% of the time) performed their duties of employment**; or
- ii. the individual used the space **exclusively** during the period to earn **employment income** and used it on a **regular and continuous basis** for **meeting clients, customers or other people** with respect to employment.

CRA indicated that they would consider i) to be **met** by employees who were required to work from home **more than 50% of the time** for a **period of at least four consecutive weeks** in the year.

Action: The \$2/day temporary flat rate method cannot be used by employees to claim home office expenses in 2023. Instead, receipts and records must be kept to make claims under the detailed method.

New Trust Reporting

Changes requiring **more trusts** (and estates) to **file tax returns** and **more information** to be **disclosed**, first proposed in the 2018 Federal Budget, were delayed several times in the legislative process. The final rules (that are now law) first apply for 2023, with a filing deadline of **April 2, 2024**. As such, many trusts and estates (including many arrangements not commonly considered “trusts”) will be required to file for the first time in early 2024.

Required reporting has been **expanded to include** situations where a **trust acts as an agent** for its beneficiaries (often referred to as a **bare trust**). This occurs when the **person on title** or holding the asset is **not the true beneficial owner** but rather holds the asset for the benefit of another party. There are many **common situations** that may constitute reportable bare trusts in which **no lawyer** or **written agreement** may have ever been involved or drafted. Many parties involved in a bare trust arrangement may **not realize** that they are, much less that there may be a filing requirement with CRA.

The following lists some **examples of potential bare trust arrangements**; CRA has not commented on several of the examples below. It is uncertain how they will interpret and enforce the law.

- a child on **title of a parent's home** (without the child having beneficial ownership) for probate or estate planning purposes only;
- a parent on **title of a child's property** (without the parent having beneficial ownership) to assist the child in obtaining a mortgage;
- **one spouse** being on **title of a house** or asset although the other spouse is at least a partial beneficial owner;
- a parent or grandparent holding an **investment or bank account in trust** for a child or grandchild, **that exceeds \$50,000**;
- a **corporate bank account opened by the shareholders** with the corporation being the beneficial owner of the funds;
- a **corporation being on title** of an **individual's real estate, vehicle** or other asset, and vice-versa;
- assets **registered to one corporation** but beneficially **owned by a related corporation**
- use of a **nominee corporation** for real estate development purposes;
- a **property management company** holding operational bank accounts in trust for their clients, or individuals managing properties for other corporations holding bank accounts for those other corporations;
- a **lawyer's specific trust account** (while a lawyer's general trust account would largely be carved out of the filing requirements, a specific trust account would not); and
- a **partner of a partnership** holding a **bank account or asset** for the benefit of all the other partners of a partnership.

In addition to bare trust arrangements, other trusts that have not had to file in the past may have a filing obligation under these expanded rules.

Exceptions from filing a return for trusts and bare trust arrangements are available in limited cases. If filing is required, the **identity and residency** of all the **trustees, beneficiaries, settlors** and anyone with the **ability** (through the terms of the trust or a related agreement) to exert **influence** over trustee decisions regarding the income or capital of the trust must be disclosed.

Failure to make the required **filings and disclosures on time** attracts penalties of \$25 per day, to a maximum of \$2,500, as well as further penalties on any unpaid taxes. New **gross negligence** penalties may also apply, being the greater of \$2,500 and **5% of the highest total fair market value** of the **trust's property** at any time in the year. These will apply to **any person or partnership** subject to the new regime.

CRA has recently indicated that, for **bare trusts only**, the **late filing penalty** would be **waived for the 2023 tax year** in situations where the **filing is made after** the due date of **April 2, 2024**. However, CRA noted that this **does not extend** to the penalty applicable where the **failure to file** is made **knowingly** or due to **gross negligence**. As there is limited guidance as to who would qualify, it is recommended that disclosures should be made in a timely manner.

ACTION: Consider whether you may have a bare trust arrangement. If so, or if you are unsure, contact us to discuss.

Automobile Deduction and Benefit Rates: 2024 Limits Released

Various **automobile deductions** and **taxable benefit rates** are **limited** to amounts **prescribed** by the Department of Finance **annually**.

On December 18, 2023, the **2024 limits** were announced as follows:

- The **limit** on the **deduction** for **non-taxable allowances** paid by an employer to an employee using a personal vehicle for business purposes will **increase** in 2024 by 2 cents to **70 cents/km** for the first 5,000 km driven and to **64 cents** for each additional km. For Yukon, the Northwest Territories and Nunavut, the tax-exempt allowance will continue to be 4 cents/km higher, which is 74 cents for the first 5,000 km driven and 68 cents for each additional km.
- The ceiling on the **capital cost** for **CCA** of most passenger vehicles will **increase to \$37,000** from \$36,000, and the limit for **zero-emission passenger** vehicles will **remain** at \$61,000.

- The limit on **leasing costs** will **increase to \$1,050/month** (from \$950/month) for new leases entered into on or after January 1, 2024.
- The **maximum allowable interest** will **increase to \$350/month** (from \$300/month) for new loans entered into on or after January 1, 2024.
- The **general prescribed rate** used to determine the **taxable benefit** relating to the personal portion of automobile **operating expenses** paid by employers will **remain at 33 cents/km**. For taxpayers employed **principally in selling** or leasing automobiles, the rate will **remain at 30 cents/km**.

Action: Compare automobile allowances and other payments made against the limits to determine whether expenditures that do not reduce tax are being made.

Canada Dental Care Plan (CDCP): New Income-Tested Benefit

On December 11, 2023, Health Canada issued details on the **Canada dental care plan** that would **cover a wide variety of dental services** for certain Canadian residents. The plan will be rolled out from late 2023 to 2025.

To be **eligible**, the **individual** and their spouse or common-law partner (if applicable) must meet all of the following conditions:

- have an **adjusted family net income (AFNI)** of **less than \$90,000**;
- be a **Canadian resident** for tax purposes;
- have **filed their tax return** in the previous year; and
- **not have access to dental insurance**, meaning that it is not available through the taxpayer's or a family member's employer or pension, or not purchased through a group plan.

Eligibility for **children under 18** will be determined by their **parents'/guardians' eligibility**.

Individuals will need to meet the **eligibility requirements annually**. More information on the annual reassessment process will be provided by the government at a later date.

The CDCP will **pay** for eligible services provided by an oral health **provider** (such as dentists, denturists, dental hygienists and dental specialists), less a **portion** that is to be **paid directly by the patient** (the "co-payment"). No co-payment is required if AFNI is **under \$70,000**. The co-payment starts at **40%** for AFNI **between \$70,000 and \$79,999** and **increases to 60%** for AFNI **between \$80,000 and \$89,999**.

Oral health providers are encouraged to **follow the CDCP fees**, which are not the same as the provincial and territorial fee guides, so their patients do not face additional charges at the point of care. **Oral health providers** who have **enrolled** with CDCP will **bill the plan directly**. Health Canada noted that patients should **ask** if the **provider has enrolled** in the CDCP when **booking their appointment** to limit unexpected out-of-pocket payments.

The program will be first rolled out to seniors with application invitation letters **starting in December 2023**. Eligible seniors will be **able to engage** in covered services as early as **May 2024**. Those with a **disability tax credit** certificate (T2201) or **under 18 years** of age can begin to apply as of **June 2024**. The remaining eligible residents will be able to apply in **2025**.

CRA noted that only those who are **70 years old** or older by March 31, 2024, have AFNI of less than \$90,000 for 2022, and were Canadian tax residents for 2022 will receive the initial application **instruction letters**.

Once an individual has applied and is determined to be eligible, Service Canada will share the individual's information with Sun Life, the contracted service provider, for enrolment into the CDCP. Eligible **individuals** will receive a **member card**, and be notified of the start date of their coverage. The **start date** will **vary** based on when each group can apply, when the application is received and when enrollment is completed.

Oral health providers will be able to **enroll** voluntarily as a participating CDCP **provider** directly with Sun Life in early 2024. **Details** on this process will be available on Health Canada's webpage when enrollment opens. Oral health providers **enrolled** in the CDCP will be required to **submit the claims directly to Sun Life** for payment rather than having patients seek reimbursement from Sun Life for services covered under the plan.

Action: If you are an eligible individual, apply for this new benefit when invited. If you are an oral health care provider, consider enrolling as a provider in the plan.

T-Slips Filing

Various changes and issues have arisen in respect of **T-slips** to be filed and processed for the **2023 year**.

Dental benefits

Beginning with the **2023 year**, issuers of the **T4** Statement of Remuneration Paid and **T4A**, Statement of Pension, Retirement, Annuity, and Other Income must report whether the recipient or any of their family members were **eligible** to access **dental insurance** or dental **coverage** of any kind (including health spending and wellness accounts) from their current or former **employment**.

The T4 will include **new box 45, employer-offered dental benefits**.

The T4A will include a **new box 015, payer-offered dental benefits**. This box must be completed if an amount is reported in box 016, pension or superannuation.

CRA indicated that it is **mandatory** to indicate whether the **employee/former employee** or any of their **family members** were eligible, on **December 31** of that year, to access any **dental care insurance**, or coverage of dental services of any kind, that the employer offered.

The employer/issuer must select which of the following scenarios apply.

- 1 Not eligible to access any dental care insurance, or coverage of dental services of any kind
- 2 Payee only
- 3 Payee, spouse and dependent children
- 4 Payee and their spouse
- 5 Payee and their dependent children

Electronic filing thresholds

Effective January 1, 2024, certain **information returns** must be filed **electronically** with **CRA** where **more than 5** information **returns** (reduced from 50) of a **particular type** are required for a calendar **year**. The impacted information slips include forms NR4, T5007, T5018, T4A-NR, **T5**, T5013, **T4A**, **T4** and **T3**. A penalty of \$125 will apply where between 6 and 50 slips are filed on paper.

We are excited to share valuable insights to make the tax season smoother for everyone. To enhance your experience, we've included a concise and user-friendly personal tax return checklist form. We kindly request you to complete the attached personal tax return checklist form and include with your relevant information when ready for our office to prepare your 2023 personal tax return(s).

The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances, and exceptions in a newsletter such as this, a further review should be done by a qualified professional.

No individual or organization involved in either the preparation or distribution of this letter accepts any contractual, tortious, or any other form of liability for its contents.

If you have any questions, give us a call!

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2023 Client Checklist for Personal Income Tax Return(s)

Please complete the checklist below regarding your personal tax return(s). Indicate any changes that may have occurred in the current filling tax year:

You have forwarded all your reporting information for the current tax year? YES _____ NO _____

Legal Name(s): _____ Date: _____

1. Did your address, phone number or email address change in the past year? _____

If so: _____

2. Did your marital status change in the past year? _____ Change that occurred: _____

If so, date: _____ (mm/dd)

3. Did the number of dependents change in the past year? _____ Change that occurred: _____

Name: _____ Birthdate: _____

S.I.N.: _____ Relationship: _____

4. Did you own foreign assets costing over \$100,000 (CAD) in the year? _____
(If so, we will complete a T1135 form (Foreign Verification Income Statement) along with your personal tax return to CRA.)

5. Did you sell your principal residence in the past year? Y or N

If so: sale price _____ year purchased _____

6. Are you a first-time homebuyer? _____

7. Did you have any rent or property taxes paid in 2023? Please provide amounts if so.

Rent _____ Property Taxes _____

8. Are you a sole proprietor and registered for HST? _____ CRA B/N provided: _____
(If so, we will complete your required HST filing and file it along with your personal tax return to CRA.)

- 9. Do you have any foreign pension(s)? _____
- 10. Were you required to make any re-payment of covid benefit(s)? _____
- 11. Do you have tuition transfers - Form T2202 signed? _____
- 12. Are you or any of your dependants approved to claim DTC (Disability Tax Credit)? _____
- 13. Do you require a phone call pertaining to your personal tax return before preparation? _____
(Additional fees will apply.)
- 14. If direct deposit is desired, ensure you have included a VOID cheque along with your tax information.
- 15. What is your preferred method of contact for signature(s) and delivery regarding your personal tax return?

- DocuSign CRA authorization form(s) and copy of personal tax return(s), if so, please provide all individual email addresses:

(Note: Be sure to save your copy of your tax return(s) to your personal device once delivered to you, as DocuSign is not a storage location.)

- Deliver the CRA authorization form(s) and personal tax return(s) via the portal. _____
- Pick up personal tax return(s) and signing of CRA authorization form(s). _____

(Kindly note that if more than one method of contact required additional processing fees will apply.)

Appendix

RRSP vs. TFSA vs. Tax-Free First Home Savings Account (FHSA)

With the introduction of the **tax-free FHSA**, individuals may wonder **which** investment vehicles (e.g. RRSP, TFSA or FHSA) are the **best choice** for their particular situation. Some of the key considerations are noted in the chart below.

	TFSA	RRSP	FHSA
What is it?	A registered plan where contributions are not deductible and investment earnings are not taxable in the plan or on withdrawal.	A registered plan where contributions are deductible and investment earnings are taxed on withdrawal, providing for a tax deferral.	A registered plan where contributions are deductible and earnings and contributions can be withdrawn tax-free, provided that the proceeds are used to acquire a qualifying home.
Who can open one?	Individuals with a SIN who are at least the age of majority (18 or 19) in their province.	Individuals with a SIN who are under 71, have earned income and filed an income tax return in Canada.	Canadian residents who are at least age 18 and under 71. Also, the individual or their spouse or common-law partner cannot have owned a home where they lived in the current year or at any time in the prior four years.
What is the contribution limit?	The sum of the annual contribution limits available to the individual (in 2023, the annual limit is \$6,500), plus withdrawals in earlier years, less previous contributions.	The sum of the annual contribution limits less previous contributions. The annual limit is based on 18% of the prior year's earned income in Canada, up to a maximum amount (indexed annually).	\$8,000 annually, plus up to \$8,000 of the unused contribution from prior years (determined by a formula) to a lifetime limit of \$40,000. Neither of these limits increases annually.
Can a non-resident contribute?	Yes. However, contributions by a non-resident are subject to a 1% tax for each month that the contribution remains in the account while the individual is a non-resident.	Yes.	Yes. However, individuals cannot make a tax-free qualifying withdrawal as a non-resident.
Does the individual have to earn income to accumulate contribution room?	No.	Yes.	No.

	TFSA	RRSP	FHSA
Are contributions tax-deductible?	No.	Yes. Contributions can be deducted in the year they are made, or any subsequent year. In addition, contributions made within the first 60 days of a calendar year can be deducted in the previous year.	Yes. Contributions can be deducted in the year they are made, or any subsequent year. Contributions made within the first 60 days of a calendar year cannot be deducted in the previous year.
Spousal contributions	Individuals can gift funds to their spouse, who can contribute to their TFSA without income attributing back to the individual.	Individuals can contribute to their spouse's RRSP based on the individual's (not the spouse's) contribution limit. The individual gets the deduction without income attributing back to them provided the spouse does not withdraw the contribution before the end of the third calendar year-end following the contribution.	Individuals can gift funds to their spouse, and the spouse can make the contribution and get the deduction without income attributing back to the individual.
Is there an overcontribution penalty tax?	Yes. 1%/month on excess contributions.		
Can I withdraw funds for any purpose?	Yes. Withdrawals are not taxable.	Yes. Withdrawals are taxable (except when withdrawing funds as part of the home buyers plan and lifelong learning plan).	Yes. Withdrawals made to acquire a qualifying home are tax-free. Where the withdrawal is for any other purpose, the withdrawal is taxable.
Do withdrawals increase future contribution room?	Yes. The amount of withdrawals will be added to the contribution room the following January 1.	No.	No.