



CESTNICK

TAX MATTERS

Tax changes that affect Santa, and which could apply to you

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Okay, as much as Denmark, Finland, Iceland, Norway, Russia, Sweden and the United States would like to suggest that Santa Claus is a resident of their countries, we all know that he and Mrs. Claus are Canadian citizens and residents. (Santa Claus, North Pole, HoHo oHo, Canada) So, like all Canadian residents, Santa has to file tax returns in Canada. What's changed in 2022 that might affect his taxes? Let me share a few things.

Trust reporting rules. A few years ago, Santa completed an estate freeze. A freeze is the concept of taking certain assets that you own, and "freezing" the value today so that any future growth will accrue to someone else (most commonly a family trust). That will reduce your estate's taxes owing on death - without you having to give up control or use of the assets in the meantime - among other benefits. Santa set up a trust with his elves as beneficiaries when he did the freeze, and 2022 is the first year that he'll have to file a trust tax return. It used to be that trusts didn't have to file returns if there was no tax payable and the trust didn't

make a distribution of any capital (assets). Starting with the 2022 tax year, every trust must file a return, every year. Trust returns are due 90 days after the trust year-end, which is Dec. 31 for inter-vivos trusts (a trust created during your lifetime - which is the case with Santa), meaning that Santa's trust return for 2022 is due on Mar. 31, 2023.

First Home Savings Account. Okay, this change doesn't affect Santa personally, but his elves have been living in his home for years and are looking to buy homes of their own. The 2022 federal budget introduced the new First Home Savings Account (FHSA) which can be set up in 2023 and will allow tax-deductible contributions of \$8,000 per year to a maximum of \$40,000 in your lifetime, to help save for a home. (Check out my article from Aug. 26 for details on these plans). The FHSA can also apply to first-time homebuyers who build a home.

Multigenerational home renovations. Santa and Mrs. Claus aren't getting any younger. While Santa is still relatively spry for someone who is

1,751 years old, they've been thinking that it would be helpful if their nephew came to live with them to help around the property. So, Santa plans to build an addition to their home to accommodate their nephew. Santa can take advantage of the new Multigenerational Home Renovation Tax Credit which will apply from 2023. He will be able to claim up to \$7,500 (15 per cent of up to \$50,000 in costs) to support the construction of a secondary suite that will include a private entrance, kitchen, bedroom and bathroom.

Home accessibility tax credit. Santa is a senior, so he's able to claim a tax credit for expenses of up to \$20,000 (up from \$10,000 in 2021) for renovations to his home that will allow him and Mrs. Claus to be more functional around the house. They're going to do these renos at the same time they build the suite for their nephew.

Luxury vehicle tax. On Sep. 1, 2022, a new luxury tax came into effect in Canada whereby certain vehicles and aircraft priced above \$100,000, or boats over \$250,000, will face a tax of 10 per cent of the value of the item, or 20 per cent of the value above those dollar thresholds if this amount is less. Santa recently purchased a new sleigh – a BMW Cloud Rider – which cost him \$300,000. Thankfully, he purchased it before the rules came into effect, otherwise it would have been on the hook for an extra \$30,000. Next time, he's going to buy a used sleigh if he can find one, which will generally allow him to avoid the luxury tax, even if the cost of the used sleigh is over \$100,000.

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