



CESTNICK

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TAX MATTERS

## Be aware of the key changes that could affect your 2023 tax filings

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You know, people that cheat on their taxes should be ashamed. There's no excuse for lying on a tax return – but it's common today. This is not the kind of world I want raise my 23 tax-deductible dependents in. Granted, some of the inaccuracies on a tax return can be the result of not knowing the rules or understanding what's changed. Since tax season is drawing near, let's look at what's new for taxpayers as we all prepare to file our 2023 tax returns.

**First-home savings account.** FHSAs were introduced in 2023 to help first-time homebuyers save for a home purchase. If you made an eligible contribution in 2023, you can deduct it on your 2023 tax return or claim it in a future year instead. Deferring the deduction could make sense if, for example, your income will be much higher in the next couple of years.

**Canada Workers Benefit.** The CWB is a refundable tax credit to help low-income workers. You no longer have to apply for this benefit on your tax return. If you qualify, you'll automatically receive the payments.

**Residential property flipping.** A new rule came into effect on Jan. 1, 2023, to ensure that profits from flipping a residential property will be taxed as business income – not a capital gain – if you owned the property for less than 365 days (with some exceptions). If you sold a property in 2023, determine whether this new rule will apply to you.

**Multigenerational home renovations.** You can claim this credit on up to \$50,000 of costs for a qualifying renovation to allow a senior family member to live with another family member. The credit will save you up to \$7,500 in tax and applies for expenditures starting in 2023. Claim it on Schedule 12 of your tax return.

**Working from home.** You might recall the flat-rate method for calculating your home office deduction. This simplified method applied for 2020, 2021 and 2022. For 2023 and future years this method is no longer available, so you'll have to use the usual detailed method for making a claim.

**Trust tax reporting.** Any trust with a tax year ending after Dec. 30, 2023, must file an annual T3 Income Tax and Information Return. This can include bare trusts, in-trust-for accounts, and jointly owned assets – which didn't require filing in the past. There can be penalties for failing to file, and trust returns are due 90 days after the trust's year-end (Mar. 30, 2024, for most trusts).

**Electronic payments.** New rules now require taxpayers to make any tax payments over \$10,000 electronically or face a penalty of \$100 per payment. CRA has said it expects to allow a grace period before applying the rules.

**Underused housing tax.** The UHT is an annual tax on the ownership of vacant or underused residential real estate owned by non-residents or non-citizens, but the rules can catch certain Canadian corporations, partnerships and trusts. On Nov. 21, 2023, the Fall Economic Statement proposed to revise the rules to exclude specified corporations, partners, and trustees from a requirement to file. The first deadline for those who must file is Apr. 30, 2024. See my [article from Feb. 8, 2023](#), and speak to a tax pro for more information.

**Prescribed interest rate.** The prescribed rate is used to calculate interest on overdue taxes and penalties, among other things. On Jan. 1, 2024, the prescribed rate on overdue taxes increased to a harrowing 10 per cent per annum. So, if you're going to owe taxes when filing your return this year, be sure to pay by the Apr. 30, 2024, deadline.

**Changes for 2024.** There are a few noteworthy changes that won't affect your 2023 tax return but could affect your planning now. The first change is to the alternative minimum tax (AMT). Draft changes to the AMT rules were

proposed on Aug. 4, 2023, and were to become effective Jan. 1, 2024. Given significant concerns around how these changes would, in particular, affect tax relief from donating to charity, the rules have not become law yet.

In addition, Canada has a new set of mandatory disclosure rules, which became law on June 22, 2023, aiming to give the Canada Revenue Agency information to respond to certain tax risks. The rules deal with certain reportable and notifiable transactions.

[Use our calculator to determine how much tax savings your annual RRSP contribution will generate](#)

Also, changes to the general anti-avoidance rule (GAAR) are in the works will become effective when Bill C-59 receives royal assent soon. The changes strengthen the CRA's ability to apply GAAR and notably extends the normal reassessment period for GAAR transactions and implements a penalty for planning where GAAR applies.

Finally, short-term rentals are in for a change. Starting Jan. 1, 2024, tax deductions will be denied for short-term rental taxpayers where they fail to comply with provincial or municipal laws.

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