ADVANCED WEALTH PLANNING GROUP

Year-End Personal Tax Tips for 2023

WELLINGTON-ALTUS

Tax planning is a year-round activity, however as 2023 comes to an end, there are several key opportunities to take advantage of available credits, deductions, and savings. Here are a few eleventh-hour strategies to consider for 2023:

Tax-Loss Selling

Securities which are in a loss position in non-registered accounts can be sold by December 27th. The resulting capital loss can be applied against realized capital gains this year, in any of the previous three years, or in future years. Be aware that if you, or a taxpayer affiliated[1] with you, purchase the security sold at a loss in the 30 days prior to or following the sale, the loss may be suspended or denied.

Tap Into Your Tax-Free Savings Account (TFSA)

Withdraw any capital needed from your TFSA before December 29th. The amount removed from the TFSA will be added back to 2024 contribution room. Reminder: the contribution limit for 2024 has increased to $7,000 from $6,500 in 2023.

Open a First Home Savings Account (FHSA)

New for 2023, the FHSA allows prospective first-time home buyers to save tax-free, up to certain limits. If you are a first-time home buyer who is at least 18 years of age and a resident of Canada, you can qualify to open an FHSA. Contributions up to $8,000 in 2023 are deductible.

Year-End Donations and Expenses

Charitable donations or in-kind donations of securities made by December 31st will generate tax credits for 2023. December 18th is the cut-off for in-kind donations of Wellington-Altus non-registered account securities.

Other eligible payments made before the end of the year that can generate potential tax savings include medical expenses for individuals and their families, certain home renovations[2], investment counsel fees, interest and other investment expenses, political donations, and union dues.

Registered Plan Considerations

RRSP/RRIF/LIRA/LIF – Individuals turning 71 in 2023 must convert their Registered Retirement Savings Plan (RRSP) to a Registered Retirement Income Fund (RRIF) and Locked-In Retirement Account (LIRA) to a Life Income Fund (LIF) by December 31st.

RESP – Parents and grandparents should consider making Registered Education Savings Plan (RESP) contributions before the year-end to receive 20% of the contributions up to a maximum of $500 per beneficiary in Canada Education Savings Grants (CESG), if eligible.

RDSP – Consider contributing to a beneficiary's Registered Disability Savings Plan (RDSP) before December 31st to access 2023 federal government assistance and maximize tax-deferred growth.

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[1] An "affiliated person" includes a spouse, a common-law partner (CLP), a corporation controlled by you or your spouse/CLP, and a trust where you, your spouse/CLP or affiliated corporation are majority beneficiaries.

[2] E.g. for the Home Accessibility Tax Credit and the Multigenerational Home Renovation Tax Credit.