



UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

2022 April Team Newsletter

From the desk of Kurt Rosentreter, CPA, CA, CFP, CLU, FSCI, CIMA, FMA, TEP
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Canada has a progressive income tax system where the amount of income tax you pay is based on your taxable income level. People with a taxable income level of \$120,000/year often pay more income tax than people with \$50,000/year of taxable income. Tax rates increase as your income increases, up to a point. Tax rates also vary by province and type of income you earn.

When trying to determine an optimal amount of RRSP contribution to make, an optimal amount of charitable donation to make or the best way to split income between a couple looking to minimize income tax, I will almost always seek out one website to help me evaluate these questions.

The Ernst & Young tax calculators ([EY - 2021 Tax calculators & rates | EY Canada](#)) have been my go-to resources for twenty years when trying to put a price on the value of certain tax planning strategies. You can plug in your income and see tax rates that apply to you.

From the desk of Jordan Campbell, CFA
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Using the Canada Revenue Agency (CRA) Online Profile to Help Prepare Your Tax Returns

With the May 2nd deadline fast approaching to file individual tax returns, you need to gather all slips and other tax related documents needed for your tax returns.

The CRA is making it easier to do your taxes electronically and update your personal information every year. Now most of the information is available through the CRA website.

The CRA online portal should be your first and most important source for tax slips. All tax slips from your employer and financial institutions you deal with are reported here.

A summary of all the services that you can access from Canada Revenue Agency's online portal to make it easier to file your taxes this year can be found in [this article](#).

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The article addresses topics such as using CRA's My Account to verify that you've received all your tax slips and getting immediate access to your Notice of Assessment (NOA) once you've filed.

If you have any questions about the tax slips that you've received from Manulife Securities, please do not hesitate to contact us.

From the desk of Mathew Cain, CIM

Associate Portfolio Manager, Manulife Securities Incorporated

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One-Time Old Age Security (OAS) Payment for Seniors – Taxation, Delays and Errors

If you were born on or before June 30th, 1947 and were eligible to receive Old Age Security (OAS) as of June 2021, then you likely would have received a one-time OAS payment up to \$500 in mid-August 2021.

The payment was issued by the Canadian government as a way to assist seniors with rising inflation and lower income in retirement.

This one-time payment is a taxable benefit. Service Canada will send you a T4A slip which will need to be declared on your income tax return for 2021.

The majority of the tax slips were issued by February 28, 2022, however, CRA stated that some were delayed to March 14, 2022.

Due to an administrative error by CRA, some recipients of the one-time payment received an incorrect tax slip in which the payment amount of \$500 was incorrectly entered into the document twice.

All individuals who received an incorrect tax slip will be issued amended tax slips in time for the tax filing season, along with a letter explaining how to report the correct amount on their tax slip.

Tax slips available on the Canada Revenue Agency's My Account for Individuals are correct as stated by the CRA.

Source: <https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security/one-time-payment-older-seniors.html>

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Pension Income Splitting and Pension Sharing as Tax Saving Tools

There are situations where one spouse has a much higher income in retirement. This is often the case when one spouse has a pension from a past employer. The spouse with the pension may pay more income taxes.

Canada Revenue Agency allows you to “split” your pension income with your spouse and in many situations both spouses may end up paying less income tax. You can split pension income that you receive from your former employer or life annuities bought with funds from your RRSP or RRIF if you are over age 65.

Source: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/pension-income-splitting.html>

From the desk of Monika Kucinskaite

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First-time Home Buyer Tax Credit

If you bought your first home in 2021, you can benefit from a government incentive to lower your taxes through the First Time Homebuyer tax credit.

This non-refundable tax credit worth up to \$5,000 can be claimed once. In case your new home is jointly owned, you may split this amount between you and your partner or claim the full amount on one tax return. Check with your accountant about which spouse or common law partner is better to claim the tax credit.

The government proposed to increase this tax credit to \$10,000 for homes purchased after January 1st 2022.

Source: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-31270-home-buyers-amount.html>

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Will Canada's Housing Market Lose Steam in 2022?

In the early stages of the pandemic, many Canadians expected a steep decline in home sales & prices, but nobody could have predicted what actually materialized in the market.

In May 2020, regional real estate markets began their rebound and the spike in demand for and price of ownership housing continued through 2021 – resulting in a record-breaking year in Canadian real estate. So, what can we expect for the remainder of 2022?

According to the **Canadian Real Estate Association**, home prices and sales activity will most likely keep climbing, though at a slower pace. Although borrowing costs may be on the rise, there is still one significant factor at play: historically low housing supply.

There's an unprecedented imbalance of housing supply & demand and the unmet demand will continue to fuel enormous activity across the country. Inventories being at an all-time low will make the competition between buyers fierce even beyond Toronto and Vancouver markets.

Another reason for increased home prices is that many Canadians are buying homes as investment properties – that is, in addition to their principal residence. This ongoing trend is having a big impact on the real estate market as investors are competing with first-time homebuyers for scarce supply and in most cases, are successfully outbidding them – in this way, lifting prices even higher.

Last but not least, the Canadian government met its ambitious target of welcoming 401,000 new permanent residents in 2021, even though most migrants were already in the country on a temporary basis. The government will most likely reach this year's target of 411,000 new immigrants as well, meaning that there will be many newcomers looking for housing and set to enter the already red-hot real estate market in Canada.

Source: Canadian Real Estate Association & RBC Economics

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Old Age Security (OAS) Clawback

The Old Age Security (OAS) pension is a monthly payment any eligible individual can receive when they are 65 and older.

OAS is subject to a claw back due to high earnings at a rate of 15% of adjusted income received that year, over an indexed threshold. The current threshold for 2021 is \$79,845, increasing to \$81,761 in 2022. An individual receiving the maximum OAS in 2021 (assuming no changes), will have the full amount clawed back if their 2021 adjusted income is \$129,757 or higher.

Adjusted income is net income before the deduction of any claw back, with some modifications such as removal of Registered Disability Savings Plan (RDSP) income inclusions.

Consider deferring receipt of OAS (you can defer up to age 70) if you forecast your income will continue to be high after age 65.

Source: Canada Revenue Agency

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Disclosures

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