



Tax filing in the '20s: Mining your tax return for extra money this spring

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The 2023 federal T1 Personal Income Tax Return (Tax Return) contains many tax deductions, credits and other calculations that may impact the taxes you pay. You'll need to know where to look within the Tax Return to claim valuable tax benefits for 2023. You may be surprised to learn that many commonly-claimed items have relatively little value, while some lesser-known ones can produce significant tax savings.

The deadline for filing your Tax Return is April 30, 2024 (or June 17, 2024 if you or your spouse or partner¹ are self-employed). The balance of any taxes owing for 2023 must be paid by April 30, 2024 to avoid interest or penalties.

Personal information and income

Page one of the Tax Return asks for basic identification information, such as your name, address, e-mail address, province of residency, marital status and information about your spouse or partner.

The second page asks if you wish the Canada Revenue Agency ("CRA") to have your personal information included in the National Register of Electors, as applicable. It also asks whether you have any income that is exempt under the Indian Act – if you tick off the box, you are instructed to complete form, the T90, "Income Exempt under the Indian Act."

¹ In this report, spouse refers to someone to whom you are legally married. Partner refers to a common-law partner under the *Income Tax Act*, which means someone who cohabits with you in a conjugal relationship, provided the two of you have cohabited for the past 12 months or are jointly parents of a child.

The bottom of page 2 is where you indicate whether you owned any foreign investment property (excluding foreign property in registered accounts) where the total cost amount was more than \$100,000 at any time during the year. If so, make sure you complete Form T1135, “Foreign Income Verification Statement,” and file it by the deadline for your Tax Return, since penalties for failure to file form T1135 are \$25 per day to a maximum of \$2,500.

Moving on to page 3, that’s where you calculate your total income, which is reported on Line 15000.

The system of tax deductions and tax credits

Tax savings generally begin on page 4 of the Tax Return, as this is where many valuable tax deductions are claimed. These are amounts that you can deduct from your total income to arrive at your taxable income, which is the base for calculating the amount of tax that is payable.

Additional savings can be found on pages 5 through 7 of your Tax Return, where you claim a number of non-refundable tax credits that directly reduce the tax you pay.

Income tax is levied at graduated, “progressive” rates, such that higher tax rates apply as your income level increases. Figure 1 shows the federal tax rates that apply to various levels of taxable income.

Figure 1: Federal tax rates for 2023

Taxable income	Federal tax rate
Up to \$53,359	15.0%
Over \$53,359 and up to \$106,717	20.5%
Over \$106,717 and up to \$165,430	26.0%
Over \$165,430 and up to \$235,675	29.0%
Over \$235,675	33.0%

Let’s look at an example that shows how a tax deduction yields tax savings at the marginal tax rate² that varies with your income level, while a tax credit generally yields tax savings at the lowest marginal tax rate, regardless of your income. Suppose you have total income of \$60,000. Figure 3 shows how deductions and credits reduce the tax that you pay for 2023.

Figure 2: Value of a \$1,000 federal tax deduction and tax credit in 2023

	No deduction or credit	Tax deduction	Tax credit
Total income	60,000	60,000	60,000
Deductions	n/a	(1,000)	n/a
Taxable income	60,000	59,000	60,000
Tax @ 15% on first \$53,359	8,004	8,004	8,004
Tax @ 20.5% on remaining income	1,361	1,156	1,361
Total tax payable before credits	9,365	9,160	9,365
Tax credit (\$1,000 @ 15%)	n/a	n/a	(150)
Total tax payable	9,365	9,160	9,215
Value of deduction / credit	n/a	\$205	\$150
Effective tax rate	n/a	20.5%	15.0%

² This report considers statutory income tax rates and does not consider the impact of low-income tax reductions or the loss of various income tested benefits, such as Old Age Security or the Age Amount, that are “clawed back” once income reaches various annually-indexed, legislated thresholds.

The amount of the deduction is subtracted from income, so that this amount of income is not taxed. In Figure 2, a \$1,000 tax deduction yields \$205 of tax savings, calculated as the \$1,000 deduction multiplied by the marginal tax rate that would have applied to the income (20.5%). Consequently, a deduction yields tax savings at your marginal tax rate.

With tax credits, a fixed rate (usually the lowest marginal tax rate) is applied to eligible amounts and the resultant credit amount offsets taxes payable. Figure 2 shows that when the federal tax credit rate of 15% is applied to a \$1,000 amount, \$150 of tax savings results.

The value of selected tax deductions, credits and other amounts

Since the value (tax savings) from a tax deduction is based on your marginal tax rate, a tax deduction can provide greater value for those who have higher levels of income. The value of a tax credit is generally based on a rate that is fixed for all taxpayers, so a tax credit usually yields the same value regardless of income level or marginal tax rate.³

The provinces and territories also have their own versions of many deductions and credits, so the overall tax savings is usually much higher than the federal savings alone. Combined federal and provincial or territorial rates range from about 20% to 55% for tax deductions (depending on your taxable income) and 20% to 54% for tax credits. Some provinces even have deductions or credits that are not available federally.

Let's look at some common tax deductions and credits in the Tax Return. We'll show the potential federal tax savings via some examples, assuming a 20.5% federal marginal tax rate for deductions (which would apply with taxable income over \$53,359 and up to \$106,717 in 2023) and a 15% federal rate for tax credits.

Tax deductions

Registered Retirement Savings Plan (RRSP) deduction, line 20800

One of the most commonly-known ways to save tax is to make a contribution to an RRSP. You can generally claim a deduction for contributions made up to 60 days after year end that do not exceed 18% of your previous year's earned income, with a maximum deduction of \$30,780 for 2023.⁴ If you have carried forward unused RRSP contribution room, you can claim a higher deduction.

You may, however, choose to defer claiming your deduction until a later year, which can be advantageous if you expect your marginal tax rate to be materially higher in the future.

Suppose you made an RRSP contribution of \$1,000. At a marginal tax rate of 20.5%, the deduction would have a value of approximately \$205. Of course, this is merely deferring the tax owing on the \$1,000 until a later time, such as retirement, when the funds are withdrawn, hopefully at a lower marginal tax rate. In the interim, the investment income earned inside your RRSP is effectively tax-free.⁵

FHSA deduction, line 20805

If you opened an FHSA in 2023, you'll need to complete new form, Schedule 15 - FHSA Contributions, Transfers and Activities. This schedule is used to tell the CRA that you opened up an FHSA (step 1), that you made a contribution (step 2), that you're claiming a deduction in the year, or saving some of that deduction for a future year (step 3), and whether you made a qualifying withdrawal to buy your first home (step 4).

If you contributed to the new FHSA in 2023, you'll receive a T4FHSA First Home Savings Account Statement showing your total contributions and any withdrawals. You can choose to deduct your contributions (up to \$8,000) on line 20805 of your Tax Return, or defer claiming (part of) the deduction to a future year, perhaps when you're in a higher tax bracket and the deduction may be worth more.

If you made a non-qualifying withdrawal in 2023, you may need to report an income amount on line 12906.

³ Some tax credits (such as the basic personal amount) depend on your net income.

⁴ Your RRSP deduction limit is also reduced for any pension adjustments and increased for any pension adjustment reversals.

⁵ For a full discussion of the benefits of RRSP investing, please see the CIBC report Just do it: The case for tax-free investing.

Home office expense deduction, line 22900

For the 2023 tax year, you can write off your home-office expenses if your home workspace is where you “principally” (more than 50% of the time) performed your duties of employment for a period of at least 4 consecutive weeks during the year. Unfortunately, the CRA has scrapped the simplified method for home office expenses, which allowed employees working from home to claim \$2 per day, up to \$500 in previous years.

For 2023, you’ll need to calculate your actual home office expenses, and pro-rate them according to work use, using form T777 Statement of Employment Expenses. You’ll also need to get a signed copy of CRA form T2200 Declaration of Conditions of Employment from your employer. Form T2200 is not submitted with your Tax Return, but you’re required to keep it in case the CRA asks to see it later.

Repayment of COVID benefits, line 23210

If your COVID-19 benefits were denied, and you were required to repay them in 2023, they can be claimed as a deduction on line 23200 of your Tax Return.

Tax credits

Basic personal amount (BPA), line 30000

The basic personal amount (BPA) is the mechanism used to ensure that no tax is paid on a certain amount of basic income. The BPA is \$15,000 and has a value of \$2,250, which is the 15% federal tax that would have been paid on \$15,000 of taxable income. The BPA is reduced with net income in the second-highest federal tax bracket (over \$165,430 and up to \$235,675). Only a lower BPA of \$13,520 is available with net income in the top federal tax bracket (above \$235,675) and the reduced credit is \$2,028.

Age amount, line 30100

You can claim the maximum age amount of \$8,396 if you were at least 65 years of age and your net income was no more than \$42,335. At a tax credit rate of 15%, the maximum age amount is worth \$1,259. Your age amount will be reduced at a rate of 15% with additional net income and is completely eliminated with net income above \$98,308.

Spouse or common-law partner amount, line 30300; or amount for an eligible dependant, line 30400

You may be able to claim one of these two amounts if you supported your spouse or partner (or another eligible dependant) who had little or no income and, therefore, could not claim (all of) the BPA. Each of these amounts is equal to your BPA, so the maximum amount is 15,000.⁶ If your spouse or partner (or eligible dependant) had net income, the amount you can claim is reduced dollar-for-dollar because of the BPA that could be claimed by the dependant.

If you supported your spouse or partner at any time in the year, you may claim the spouse or partner amount, which will give you a credit with a maximum value of 2,250.

If you don’t have a spouse or partner⁷ and live with an eligible dependant (such as your child, grandchild, parent, grandparent, brother or sister), you may claim the amount for an eligible dependant.⁸ This credit also has a maximum value of \$2,250.

⁶ The amount (and related tax credit) is reduced with taxable income over \$165,430 and is eliminated with income over \$235,675.

⁷ You can also claim the amount for an eligible dependant even if you did have a spouse or partner but were not living with, supporting, or being supported by that person.

⁸ Your eligible dependant must live with you in a home that you maintain.

Canada caregiver amount, line 30450⁹

You can claim the Canada caregiver amount if you have a spouse or partner, or another eligible family member,¹⁰ who has a physical or mental impairment and depends on you for support. The Canada caregiver amount is reduced dollar-for-dollar by the dependent's net income over \$18,783. Although only one Canada caregiver amount is available on behalf of each dependant, in some cases the credit can be shared by multiple caregivers who support the same individual.

Claiming the Canada caregiver amount of \$7,999 for one dependant provides a federal Canada caregiver credit that, at rate of 15%, would yield tax savings of \$1,200.

Note that if you claim the spouse or partner amount or the amount for eligible dependents, the Canada caregiver amount is limited to \$2,499, so a 15% credit would only provide savings of \$375.

Home Buyers' Amount tax credit, line 31270

The Home Buyers' Amount provides a 15% non-refundable federal credit for first-time home buyers. To qualify, you or your spouse or partner must not have lived in another home owned by you (or your spouse or partner) in the year or in any of the four preceding calendar years. The credit is calculated as 15% of the \$10,000 base amount, yielding a maximum tax credit of \$1,500. These funds may help you pay the extra costs of buying a home, including closing costs, legal fees, transfer taxes and inspections.

Home Accessibility Tax Credit, line 31285

The Home Accessibility Tax Credit provides a 15% non-refundable credit for eligible home renovation or alteration expenses made for an individual who is at least 65 or is entitled to the Disability Tax Credit. The amount eligible for the credit is \$20,000, so the maximum credit is \$3,000.

Allowable medical expenses, line 33099

You can claim a federal credit for total medical expenses that exceed a minimum threshold, which is the lesser of 3% of your net income or \$2,635. Common eligible medical expenses include fees for doctors, dentists, qualified therapists or other medical practitioners, prescription medication or eyewear, and hospital or medical laboratory services.¹¹ The list of eligible medical expenses also includes a variety of expenses individuals may incur to become parents in the areas of surrogacy, sperm, ova or embryo donations.

One commonly-overlooked expense is out-of-pocket costs for medical and dental insurance plans. Although amounts are not eligible if they have been reimbursed (such as by a health insurance plan), you can claim amounts paid within any 12-month period that ends in the tax year. Private health services plan premiums may be reported using code 85 on your T4 Statement of Remuneration Paid slip.

For example, suppose you had medical insurance premiums, prescription medications and eyeglasses, and some visits to therapists for an aching back, that totaled \$2,500. If you had net income of \$50,000, you could claim a tax credit for your expenses that exceed \$1,500 (which is 3% of \$50,000), so you would have \$1,000 of allowable medical expenses. You could, therefore, claim a tax credit worth \$150 at a rate of 15%.

Charitable donations and gifts, line 34900

A tax credit is provided for donations and gifts to qualified charitable organizations, including registered charities, and public or private foundations. A federal tax credit of 15% applies to total gifts up to \$200. For the amount of total charitable gifts exceeding \$200 in a tax year, the federal credit rate is 29%.¹²

If you made charitable gifts of \$1,000, your federal tax credit would be \$262 ($\$200 \times 15\% + \$800 \times 29\%$).

⁹ The Canada caregiver amount may be claimed on other lines in your Tax Return if you claim the you claim the spouse or common-law partner amount or the amount for eligible dependents.

¹⁰ Qualifying relatives include your or your spouse's or partner's child, grandchild, parent, grandparent, brother, sister, uncle, aunt, niece, or nephew. They must rely on you to regularly and consistently provide them with some or all of the basic necessities of life, such as food, shelter and clothing.

¹¹ Qualifying medical expenses can differ from province to province. See information from the CRA about [Authorized medical practitioners for the purposes of the medical expense tax credit](#).

¹² The federal credit rate rises from 29% to 33% for total gifts over \$200 to the extent that your taxable income exceeds \$235,675.

Disability amount, line 31600

You can claim the disability amount if a medical professional certifies on Form T2201 – Disability Tax Credit Certificate that you had a severe and prolonged impairment in physical or mental functions. The disability amount is \$9,428.¹³ You may also be able to claim a disability amount that would otherwise be claimed by another individual (such as your spouse or partner, child or parent) to the extent that the individual does not need to claim the disability tax amount to reduce taxes payable to zero.

At a tax credit rate of 15%, the disability tax credit would be worth \$1,414.

Tuition amount, line 32300

If you were enrolled in qualifying post-secondary education, you can claim a federal tax credit based on the amount of tuition that you paid. If you do not have sufficient income to use the credit in the year of attendance, up to \$5,000 can be claimed by your spouse or partner, or a supporting parent or grandparent. You can carry any remaining amounts forward and claim the credit in a future year.¹⁴

If your post-secondary tuition was \$1,000, your tax credit would be \$150 (\$1,000 x 15% rate).

Dividend tax credit, line 40425

When calculating your taxable income, you must include 138% of eligible dividends from Canadian corporations (to approximate the income earned by the Canadian corporation) and you can claim a federal dividend tax credit of 20.7%¹⁵ of eligible dividend income.

If you had eligible dividend income of \$1,000, the value of this credit would be \$207 (\$1,000 x 20.7%).

Multigenerational home renovation tax credit (MHRTC), line 45355

The new, refundable Multigenerational Home Renovation Tax Credit (MHRTC) assists Canadians with the costs incurred to renovate a home to create a secondary unit so that certain family members can live with them. If eligible, you can claim up to \$50,000, with a maximum credit of \$7,500, for each qualifying renovation. The credit is claimed on line 45355 of your Tax Return, and new Schedule 12 - Multigenerational Home Renovation Tax Credit must be completed to provide details.

Non-taxable portion for capital gains, Schedule 3

Unlike interest income that is fully taxable, only 50% of capital gains (less capital losses) are included in your total income on Schedule 3. The remaining 50% is excluded from income and tax is saved at your marginal rate on this excluded half of net capital gains.

Suppose you had net capital gains of \$1,000 from the sale of shares. Only half of this amount (\$500) would be taxed so you would pay tax of \$102.50 (\$500 x 20.5%) on the capital gain. If instead you had earned interest income of \$1,000, you would have paid tax of \$205 (\$1,000 x 20.5%). The tax savings from earning capital gains in comparison to interest income would, therefore, be \$102.50 (\$205 - \$102.50.)

If you sold securities in a foreign currency, the gain or loss may be larger or smaller than you anticipated once you take the foreign exchange component into account. For example, suppose you bought shares of a US company for USD\$10,000 when the US dollar was at par with the Canadian dollar. In 2023, you sold the shares for USD\$9,000 when exchange rate is USD\$1.00 = CAD\$1.35. In US currency, there would be a capital loss of USD\$1,000 (USD\$9,000 minus USD\$10,000.) For your Tax Return, you'll need to convert purchase and sale values into Canadian dollars, so there would actually be a capital gain of CAD\$1,350 (USD\$9,000 times 1.35 minus USD\$10,000 times 1.00).

¹³ The disability amount is allowed federally and in all provinces except Quebec, where an "amount for a severe and prolonged impairment in mental or physical functions" can be claimed.

¹⁴ Education and textbook amounts were also available before 2017. To the extent that these amounts were not claimed in previous years, they can still be carried forward and claimed by the student in the current year or a future year.

¹⁵ Calculated as $6/11 \times 38\%$.

Form T1032 Joint Election to Split Pension Income

You and your spouse or partner can jointly elect to split your pension income if you each file form T1032. You can deduct up to 50% of your pension income if it qualifies for the pension amount, provided your spouse or partner adds this same amount to income. This pension income splitting technique has value when you receive pension income and have a higher marginal tax rate than your spouse or partner.

Suppose you receive pension income and have a marginal tax rate of 20.5%, while your spouse has a 15% marginal tax rate. The net tax savings from splitting your pension income would be 5.5% (the difference between your 20.5% marginal rate on the pension deduction and your spouse's 15% marginal rate on pension income). The value of splitting \$1,000 of pension income would, therefore, be \$55 ($\$1,000 \times 5.5\%$.) If you paid tax at the top marginal rate of 33% and your spouse paid tax at the lowest marginal rate of 15%, your tax savings would be 18% (33% minus 15%) or \$180 per \$1,000 of pension income that you split.

Pension income splitting may also help you prevent the loss of income-tested benefits, such as the Old Age Security (OAS) pension or the age amount, by lowering your income below the recovery (clawback) threshold. For example, in 2023 OAS benefits had a maximum of about \$8,355 (\$9,190 if you were age 75 or over) and were clawed back at a rate of 15% with net income exceeding \$86,912.

Calculating your tax refund or tax payable

You calculate your federal tax on page 7 of the Tax Return. The non-refundable credits calculated on page 6 are deducted, along with various other credits like the dividend tax credit and the foreign tax credit, to arrive at net federal tax on Line 42000.

Finally, you calculate any refund or balance owing on page 8 of your Tax Return.

Filing your Tax Return

The deadline for filing your Tax Return is April 30, 2024 (or June 17, 2024 if you or your spouse or partner are self-employed). The balance of any taxes owing for 2023 must be paid by April 30, 2024 to avoid interest or penalties.

It's also a good idea to file your Tax Return as soon as possible if you're expecting a tax refund.

If you owe money on your Tax Return, you can use the "Proceed to Pay" button located in the CRA's [My Account for Individuals](#) to make a secure and quick payment.

Once you've filed your Tax Return, the CRA will allow you to access your notice of assessment (NOA) instantly in the certified tax software, right after your Tax Return has been received and processed by the CRA. Otherwise, a formal NOA will arrive within 2 weeks of filing an electronic Tax Return and within 8 weeks of filing a paper Tax Return, or you can view your NOA using the CRA's [My Account for Individuals](#).

Amending tax returns for previous years

You can see that valuable tax savings can be realized by claiming tax deductions and credits. But what if you didn't know about these savings or forgot to make claims in previous years? You can still remedy the situation by filing form [T1-ADJ T1 Adjustment Request](#) for any of the ten previous tax years. In this form you report the amount of the deduction or credit that you originally claimed (zero if no claim was made), along with the revised amount that you are claiming. You can also use the Change my Return feature the CRA's [My Account for Individuals](#).

If you prefer, you can request that an adjustment be made to current or prior year tax returns by using [ReFILE](#), an online service that lets you and your EFILE service providers to send online adjustments for your tax returns with certified NETFILE and EFILE software. You or your EFILE service provider may be able to use ReFILE to send adjustments for returns from 2019 to 2023. But be sure to wait for your NOA prior to using ReFILE.

CRA will process your request and, assuming the deduction or credit is allowed, will issue you a refund for the tax that was overpaid.

Other benefits

Some benefits, such as the GST/HST credit and Canada Child Benefit depend on the income you report and may not be paid if you don't file a tax return. If you expect to receive these benefits, it's advisable to file your Tax Return by April 30, to help ensure your benefits can be properly calculated in time for 2024-2025 program payments that begin in July 2024.

Some other benefits, such as the Canada Carbon Rebate, are only available if you've filed a tax return.

Canada Carbon Rebate (CCR)

The CCR is a tax-free amount that started in 2024¹⁶ in provinces where federal pollution pricing applies. Payments vary by province, and the base amount for 2024 ranges from \$95 to \$225 per quarter for an individual. Additional amounts are available if you have a spouse or partner, or children.

To qualify for the CCR, on the first day of the payment month you must:

- Have been at least 19 years old¹⁷ and a resident of Canada in the prior month, and
- Reside in Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, or Saskatchewan.

By filing your Tax Return, you will automatically receive the CCR in 2024 if you're eligible. You can also tick the box on page 2 of your Tax Return to receive a 20% supplement if your primary residence is outside a Census Metropolitan Area (CMA) and you (expect to) continue to reside outside the same CMA on April 1, 2024.¹⁸

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¹⁶ In 2021 to 2023, it was known as the Climate action incentive payment (CAIP). In 2018 to 2020, it was known as the Climate action incentive (CAI), which was a refundable tax credit claimed annually on personal income tax returns.

¹⁷ You also qualify if you are under 19 and you either: have or had a spouse or common-law partner, or you are or were a parent, and live(d) with your child.

¹⁸ If you live in Prince Edward Island, the rural supplement is already included in the basic amount, so you don't need claim it by ticking the box on your tax return.

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