

Year-end Tax Planning Guide for 2024

November 2024



Would you like to reduce your income taxes? Proper tax planning should be a year-long activity. However, there is still time to implement a few strategies that could reduce your taxes.

The following are a few simple, effective strategies that can be implemented before the end of 2024 or early in 2025.

Don't hesitate to contact your Raymond Chabot Grant Thornton advisor who can help you determine the measures that apply to your situation.

TAKE THE INCREASE IN THE CAPITAL GAINS INCLUSION RATE INTO ACCOUNT

The capital gains (CG) inclusion rate was increased from one half (50%) to two thirds (66.67%) beginning June 25, 2024.¹ However, the first \$250,000 of capital gains would be included at a one-half (50%) inclusion rate for individuals.²

Beginning June 25, 2024, the basic stock option deduction was also reduced from one half (50%) to 33.33% (1/3 of the taxable benefit). This deduction could be increased to one half (50%) up to an annual limit of \$250,000 for both employee stock option benefits and the individual's capital gains.

These changes to the capital gains inclusion rate impacted the tax rates applicable to individuals and corporations and integration (i.e., the overall effective rate of gains realized by a corporation once distributed to the shareholder [individual] as a dividend). If you realized a capital gain or a taxable benefit for stock options in 2024, you should plan for paying more taxes.

Capital gains realized by an individual

The following table illustrates the impact of these changes on the tax rate applicable to a capital gain realized by an individual in Quebec.

Individual Tax Rate	January 1 st to June 24, 2024	Beginning on June 25, 2024
First \$250,000	26.65%	26.65% (unchanged)
CG > \$250,000		35.54% (+ 8.89%)

As a result, an individual would now benefit from allocating their significant capital gains in order to maximize their annual threshold of \$250,000 and reduce their inclusion rate. They must also plan for higher tax on death in these circumstances.

Capital gains realized by a corporation

The following table illustrates the impact of these changes on the tax rate applicable to a capital gain realized by a corporation.

CG realized by a corporation	January 1 st to June 24, 2024	Beginning on June 25, 2024
Combined tax rate (federal and Quebec)	25.09%	33.45% (+ 8.36%)
Effective rate where \$ is paid to the shareholder (total integrated rates)	29.35%	39.14% (+ 9.79%)
Difference between the total integrated rates and the rate applicable to a CG realized by the individual		
First \$250,000	+ 2.70%	+ 12.49%
CG > \$250,000		+ 3.60%

¹ For a taxation year that includes June 25, 2024, the actual inclusion rate is determined based on the net capital gains and capital losses realized during each period of the taxation year (namely the period before June 25, 2024 [P1] and the period on or after June 25, 2024 [P2]).

² The \$250,000 threshold applies to the first portion of net taxable capital gain realized by an individual during the year in addition to the capital gains deduction. This limit

may not be carried forward and is fully available in 2024, despite its effective date of June 25, 2024. The inclusion rate of 2/3 (66.67%) for corporations applies to all (100%) of the total gains.

It may therefore be more beneficial to realize certain gains in the hands of an individual rather than through a corporation. The gap is particularly large for the first \$250,000 of capital gains once the amount has been granted to the shareholder (individual) as a dividend.

Capital gains distributed by a trust

For 2024, the inclusion rate for capital gains distributed by a trust will take into account the date on which the trust realized the capital gain. Therefore, the beneficiary will be deemed to have realized a capital gain at the same time as the trust, namely either during the period preceding June 25, 2024 (rate of 50%) or during the subsequent period (rate of 66.67%).

However, this information must be correctly reflected in the T3 slips issued by the trust or the capital gain will be deemed to have been realized after June 24, 2024 (rate of 2/3).

These changes may also impact existing tax planning measures including those described in this document. Discuss these changes with your advisor as needed.

ADVICE FOR BUSINESSES AND THEIR MANAGERS

As a shareholder-manager, properly structure your compensation

If you are the owner-manager of a Canadian-controlled private corporation, it could be to your advantage to properly structure the mix of salary, bonus and dividends in your compensation package. Optimal planning does not only consider the individual's and the corporation's tax rate; various other factors have an impact on this analysis.

Consider declaring a bonus

A bonus is often preferred over salary, since the payment can be deferred until after the company's year-end and, in some cases, can defer the individual's taxation. Declaring a bonus at year-end can help reduce the corporation's income to the amount that qualifies for the small business deduction (SBD). Like salary, a bonus is deductible from the company's income, making it possible to achieve this result, which is not the case with a dividend.

A bonus, like salary, may entitle you to contribute to your RRSP since it is considered earned income for purposes of the RRSP contribution limit.

Your earned income must be at least \$180,500 in 2024 to be able to make the maximum RRSP contribution of \$32,490 in taxation year 2025.

Rethink your salary-dividend mix

The salary-dividend mix decision should consider various rules that affect corporate and individual tax.

The corporate tax rates in Quebec are as follows, for 2024 and following years³ :

Tax Rate	With SBD ⁴	Without SBD
Quebec	3.2%	11.5%
Federal ⁵	9.0%	15.0%
Combined rates	12.2%	26.5%

Depending on the nature of its income, a corporation can accumulate a general rate income pool (GRIP) entitling it to pay eligible dividends, taxable at a lower rate, to its shareholders. However, refundable dividend tax payable on investment income can only be refunded to the corporation if it pays ordinary dividends to its shareholders, which has an impact on the overall tax rate.

There is a significant gap between the tax rates applicable to ordinary and eligible dividends. The difference is even greater between the rates applicable to dividends and those applicable to capital gains, making this type of income even more advantageous.

Beginning June 25, 2024, this gap is particularly large for the first \$250,000 in capital gains realized by an individual during the year since it remains included at a one-half inclusion rate while 2/3 of the excess is included in income.

The following table illustrates the maximum marginal tax rates applicable in Quebec, Ontario, and New Brunswick, based on the type of income earned by an individual.

2024	Eligible dividends	Ordinary dividends	CG		Other income
			≤ \$250,000	> \$250,000	
Quebec	40.11%	48.70%	26.65%	35.54%	53.31%
Ontario	39.34%	47.74%	26.76%	35.69%	53.53%
New Brunswick	32.40%	46.83%	26.25%	35.00%	52.50%

Some planning options make it possible for shareholder-managers to receive amounts taxable at the capital gains rate. Ask your Raymond Chabot Grant Thornton advisor if setting up such a structure would be beneficial.

If you have already implemented such a strategy, consider confirming with your advisor whether it should be reviewed in light of the changes regarding the taxation of capital gains.

In addition to the shareholder's and corporation's tax rate, the salary-dividend analysis should consider factors such as payroll taxes, RRSP and QPP/CPP contributions and access to various tax deductions or credits based on income at both a personal and corporate level.

³ The general combined corporate tax rate is 26.5% in Ontario (25% for manufacturing and processing businesses) and 29% in New Brunswick, while the applicable rate for income that qualifies for the SBD is 12.2% and 11.5% respectively in these provinces for 2024.

⁴ The SBD is progressively reduced when the taxable capital of the corporation (including associated corporations) exceeds \$10M, and it is completely eliminated

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when it reaches \$50M. Eligibility for the maximum SBD rate is subject to several restrictive rules, including the criterion of paid hours in Quebec.

⁵ For federal purposes, the rates with and without the SBD are reduced to 4.5% and 7.5% respectively for qualifying zero-emission technology manufacturing and processing income.

There is no “rule of thumb” that owner-managers of private corporations can use to determine the best overall compensation method. Tailored planning is required. Don’t hesitate to contact your Raymond Chabot Grant Thornton advisor to discuss these matters.

Pay a reasonable salary to your spouse or children

If your spouse or children work for the family business, consider paying a reasonable salary for the bona fide services they provide. This strategy will be worthwhile if their marginal tax rate is less than yours, while providing them with earned income for QPP/PPP and RRSP purposes. Such a strategy makes it possible to split income without being subject to the rules regarding tax on split income.

Repay advances and other amounts due to your corporation within the prescribed period

If your corporation granted you a loan or advance during the year, you would normally have to repay these amounts within one year following the end of the fiscal year during which the loan or advance was made to you. Otherwise, you might have to include the amount of the loan or advance in your income as a taxable benefit.

Example: *If your corporation’s financial year-end is June 30th, an advance made on July 3, 2022, and unpaid on June 30, 2024, will be included in your income for the 2022 taxation year, that is, the calendar year during which you received the unpaid loan. If you repay the loan in 2025, you will be entitled to a deduction equal to the repaid amount in your 2025 tax return.*

Shareholders who received a loan from their company may also be required to include a taxable benefit in their income in respect of interest, to the extent the interest rate on the loan is lower than the quarterly rate prescribed by the tax authorities.⁶

There are some exceptions to these rules. If you have borrowed or received an advance from your corporation, we suggest you review the tax consequences with your tax advisor.

Take full advantage of your capital gains deduction

The cumulative capital gains deduction limit for qualified small business corporation (QSBC) shares and for eligible farm or fishing property is \$1,250,000 since June 25, 2024.⁷

A number of conditions must be satisfied for small business shares to qualify as QSBC shares, including some that apply for the 24-month period preceding the sale. If you’re planning to sell shares or other property that is eligible for this deduction, consider checking if you qualify and structuring the transaction to benefit from the maximum amount.

In some cases, you could consider crystallizing your capital gains deduction while your corporation qualifies. This would be the case, for example, if you anticipate accruing significant amounts of liquidity or surplus assets that are not used in the business. If you’ve already crystallized this deduction on your shares or on your farm or fishing property, consider making sure that you are able to claim the maximum deduction available at the time of their disposal, considering the increased limits.

Setting up a family trust could make it possible to multiply this deduction among the trust beneficiaries at the time the shares are sold. Discuss this option with your advisor.

Plan your business succession

If you’re planning to transfer your business to your children or grandchildren, you should be aware that important changes to the rules to make it easier to transfer the shares of small business or of a family farm or fishing corporation between generations came into effect in 2024.

The government also put in place new rules to facilitate the use of employee ownership trusts (EOT), which can provide an additional option to facilitate a transfer to successors without the direct ownership of shares by employees.

Business owners can benefit from a tax exemption of up to \$10M on capital gains realized on the sale of their shares to an EOT between January 1, 2024, and December 31, 2026. This exemption is also available for the sale of shares to an eligible worker cooperative. However, the conditions for applying these exemptions are very restrictive and the measures are not easily implemented.

If you are planning to transfer shares to your children, grandchildren or your employees, contact your Raymond Chabot Grant Thornton advisor to discuss opportunities in this area.

Starting in 2025, take advantage of the new Canadian Entrepreneurs’ Incentive

The Canadian Entrepreneurs’ Incentive will be introduced as of 2025. This new incentive will allow eligible shareholders to reduce by half the capital gains inclusion rate for gains realized on eligible shares or eligible farm or fishing property up to a maximum capital gain of \$400,000. This inclusion rate will increase by \$400,000 per year, up to a lifetime limit of \$2M per individual in 2029.

Several conditions will apply to qualify for this measure. The property must qualify as QSBC shares or as eligible farm or fishing property (i.e., property eligible for the capital gains deduction) and the individual must have been actively engaged in the business on a regular basis for at least three years.

However, the shares of professional corporations are not eligible for this measure. This includes businesses that provide financial services, insurance services, real property services, consulting services and personal support care services and businesses in the food and accommodation, arts, entertainment and recreation sectors.

For qualifying entrepreneurs, this new relief measure will apply in addition to the capital gains deduction. As a result, entrepreneurs could benefit from a full and partial lifetime capital gains exemption of over \$3.25M once the incentive is fully rolled out.

Maximize your capital cost allowance (CCA)

If you are planning to acquire new depreciable assets, consider doing so before the end of the year. You will then be entitled to a greater CCA for this financial year, provided the asset is ready for use.

Moreover, the disposition of assets that have appreciated in value can create significant income tax liabilities whereas a terminal loss can

shares and eligible farm or fishing property, due to indexation. The lifetime exemption of \$1.25M will not be indexed for 2025 and indexation will resume in 2026.

⁶ The rate is 5% of the last quarter of 2024.

⁷ This threshold was \$971,190 in 2023 (\$1M for eligible farm or fishing property). The threshold was increased to \$1,016,836 on January 1, 2024, for small business

result from the disposition of assets that depreciated more quickly. Also, planning when to dispose of the assets can help to defer or reduce the potential tax liability on the sale of a significant capital asset.

While the former accelerated CCA measures were gradually phased out as of 2024, the following depreciable assets are once more fully deductible in the first year if the property is acquired after April 15, 2024, and becomes available for use before 2027 :

Class	Description of assets	Rate ⁸
44	Patents or a licence to use patents for a limited or unlimited period	25%
46	Data network infrastructure equipment and systems software for that equipment	30%
50	Electronic data processing equipment and systems software for that equipment	55%

Eligible new purpose-built residential rental properties located in Canada can benefit from an accelerated CCA of 10% as long as construction begins after April 15, 2024, and before 2031 and properties are put into use before 2036.

The acquisition of property eligible for these temporary measures could be appealing from a taxation point of view.

Take advantage of the temporary enhancement of the C3i investment and innovation tax credit

The C3i is a refundable tax credit that can be claimed by qualified corporations in Quebec in all activity sectors for the acquisition of assets such as manufacturing or processing equipment, computer equipment and certain management software packages. The rate of the credit ranges from 15% to 25%, depending on the region in which the corporation is located, and applies to expenditures to acquire eligible property between January 1, 2024, and December 31, 2029.⁹

Consider planning your investments to benefit from the C3i. It may be necessary to restructure your corporation's operations to fully benefit from this incentive. Don't hesitate to consult your Raymond Chabot Grant Thornton advisor.

Make your employees twice as happy by offering them a non-taxable gift

As an employer, you can offer your employees certain tax-free non-cash gifts and rewards to mark a special occasion or recognize an outstanding achievement. The total value of all gifts and rewards offered must not exceed \$500 per year. In Quebec, the \$500 limit applies to both gifts and rewards such that an employer may offer a total value of \$1,000 per year to each employee, without any tax impact.

For federal purposes, in addition to gifts and rewards, a tax-free, non-monetary gift of a maximum \$500 value may also be offered to an employee once every five years to recognize the years of service or mark an anniversary.

Although such gifts/rewards will not be taxable to your employees, the amount paid can still be deducted as a business expense.

There are numerous administrative guidelines for employee gifts and rewards. Your Raymond Chabot Grant Thornton advisor can help you navigate this information.

Hire interns or workers with a severely limited capacity for employment

Employers can avail themselves of tax credits for hiring interns (Quebec) and creating apprenticeship jobs (federal). In Ontario, hiring a student enrolled in a qualifying cooperative education program may also give rise to a tax credit. Find out about available tax credits for hiring and training. In Quebec, the credit is enhanced if the intern is part of a minority (Indigenous person, immigrant or person with a disability).

In Quebec, you could also benefit from a refundable tax credit if you hire persons with a severely limited capacity for employment such as persons with a disability or persons who receive a social solidarity allowance. The credit is equal to the employer contributions paid in a calendar year.

Finance your employees' public transit costs

In Quebec, you can deduct twice the amount incurred for paid or reimbursed public transit passes used by employees to come to work. The same goes for expenses incurred by employers who offer an inter-municipal transit service to their employees, provided that certain conditions are respected. These measures do not trigger taxable benefits for employees and are appealing from both an ecological and economic point of view.

ADVICE FOR EMPLOYEES

Reduce the taxable benefit relating to your employer-provided automobile

If your employer provides you with an automobile, you will have a taxable benefit included in your income related to the personal use of the vehicle. You should keep accurate records of business and personal use of the vehicle, for this calculation.

The taxable benefit consists of two components: a "standby charge" and an "operating cost benefit."

The standby charge benefit can be reduced if the vehicle is used more than 50% of the time for business purposes and annual personal driving is 20,000 kilometres or less. Any amount paid to your employer no later than December 31st for personal use of the vehicle during the year will decrease the value of your taxable benefit for the vehicle. Moreover, you will decrease or eliminate the operating cost benefit for 2024 by refunding your employer for part or all the operating expenses **before February 14, 2025**. You should check before if this option is to your advantage.

Lastly, since the standby charge is calculated on the original cost of the vehicle, consider purchasing an older vehicle from your employer at its fair market value after a few years.

Acquire new tools to carry out your trade

If you are an employed tradesperson, you may be entitled to a tax deduction of \$1,000 for the cost of new tools that you are required to purchase as provided in the conditions of your employment. This

⁸ The usual CCA rate applicable to the class.

⁹ Initially, corporations established in the Montréal and Québec City metropolitan communities benefitted from a credit rate of 10% while others could take advantage

of a credit of 15% or 20% based on the economic vitality of their region. These rates have been increased to 15%, 20% and 25%, respectively, until the end of 2029.

measure applies to new tools other than electronic communication devices and electronic data-processing equipment and you can deduct the amount by which the purchase cost exceeds \$1,433 (\$1,390 in Quebec).

Therefore, if you have not purchased any new tools for a total cost of at least \$2,433 during the year, plan to do so before the end of the year.

If you are a teacher or an early childhood educator and purchased eligible school supplies, you could benefit from a refundable tax credit up to \$250 for federal purposes.

Take advantage of non-taxable benefits

Tax legislation provides for a number of non-taxable benefits for employees, including, for example, repayment of moving expenses when certain criteria are met. Instead of negotiating a salary increase, consider asking your employer to grant non-taxable benefits.

ADVICE FOR INVESTORS

Plan the realization of your capital gains and losses

If you have realized a capital gain in 2024 or in any of the last three years, consider selling investments with unrealized losses before the end of the year. You may be able to reduce your 2024 taxes and possibly even recover taxes paid in the three prior tax years or reduce the tax payable on future capital gains.¹⁰ However, you should consider obtaining investment advice prior to making this type of a decision.

The loss may be denied if you sell the property to certain related persons or entities, such as your spouse, a corporation that you or your spouse controls, your RRSP, your tax-free savings account (TFSA) or if one of these persons or entities holds or purchases the same or an identical property in the 30 days after its disposition. However, you can generally transfer the loss property to a child or other family member without being caught by these rules.

If your spouse or common-law partner has realized a capital gain and you own investments with an unrealized loss (or vice-versa), there are ways to transfer the loss to the spouse with the gain. Your tax advisor can assist you in implementing this planning strategy.

When disposing of listed shares, remember that the disposition is deemed to take place at the settlement date, which can sometimes be two business days after the trading date. Different dates may apply for foreign exchanges. If you want a sale to close in 2024, you should contact your broker to ensure that the transaction settles before the end of the year.

Structure your loans to maximize your interest deduction

Non-deductible interest (mortgage, personal loans, credit card balances) is paid with after-tax dollars. Consequently, you have to earn \$200 in pre-tax dollars to repay \$100 in non-deductible interest.¹¹

If you are going to borrow, you should borrow the maximum amount for business and investment purposes and as little as possible for personal reasons.¹² Conversely, when repaying debt, as much as possible, pay off loans on which interest is non-deductible before you repay those on which interest is deductible.

If you are currently incurring significant interest fees that are not deductible in the calculation of your taxable income, feel free to contact a Raymond Chabot Grant Thornton tax advisor who can help you take certain steps to restructure your loans and make your interest fees deductible.

ADVICE REGARDING YOUR RESIDENCE

Did you acquire a residence in 2024 or are you planning such a purchase? You may be entitled to tax assistance!

If you or your spouse acquire a first home for use as your principal residence,¹³ you may be entitled to a non-refundable tax credit of 15% for federal purposes, calculated on \$10,000 (maximum credit of \$1,500). This credit of 14% is also available in Quebec, bringing the total benefit to \$2,900.

If you are planning to purchase your first home, the HBP entitles individuals and their spouse to each withdraw from their respective RRSP, without any tax impact, to buy a first home. As of April 16, 2024,¹⁴ individuals can withdraw up to a maximum of \$60,000.

The HBP is a loan that must be repaid to the RRSP in annual instalments. Any unpaid instalment becomes taxable. The repayment period is usually 15 years, but this period was extended to a maximum of 18 years for withdrawals between January 1, 2022, and December 31, 2025.

Lastly, the Tax-Free First Home Savings Account (FHSA) is designed to enable an individual to save for the purchase of a first home. Every adult can contribute \$8,000 annually to this account, up to a lifetime amount of \$40,000. Contributions paid are deductible. Income earned in the account and eligible withdrawals will not be taxable. It is possible to benefit from both the FHSA and the HBP for the purchase of the same home.

Consult your Raymond Chabot Grant Thornton advisor for the eligibility requirements of these plans.

Renovate to house an elderly or handicapped relative

Expenses incurred to make your residence safer and more accessible for a relation who is handicapped or aged 65 years or older who lives with you may give entitlement to a tax credit of up to \$3,000 for federal purposes. In addition, expenses incurred to create an independent dwelling unit in your residence (multigenerational home) for such a person may give entitlement to a credit of up to \$7,500.

Be careful, however, as such renovations could result in a change of use of your principal residence and cause you to lose part of the exemption on the capital gain you realize on its sale. If you are making

¹⁰ Following the changes to the capital gains inclusion rate, the value of losses will be adjusted to reflect the inclusion rate for gains realized in the year during which the deduction was claimed. Therefore, for example, a loss carried forward to 2023 would be 50% deductible and a loss carried forward to 2025 would be 66.67% deductible.

¹¹ Based on an approximate marginal tax rate of 50%.

¹² Interest expenses incurred to invest in a registered account, such as an RRSP or TFSA, are not deductible.

¹³ An individual is considered to have purchased a first home if neither this individual nor his/her spouse were owner-occupiers of another home during the previous year or the four previous calendar years.

¹⁴ The limit was previously \$35,000 for withdrawals made by individuals before that year. The HBP can also be used to buy back a former spouse's share of the family home or to buy a new residence following a separation.

such expenditures to support a family member, talk to your advisor about the tax implications.

Have work carried out on your residential wastewater treatment systems

If you have work carried out to upgrade residential wastewater treatment systems under an agreement entered into before April 1, 2027, you could claim a tax credit in Quebec. The credit is equivalent to 20% of the portion of eligible expenses exceeding \$2,500 up to a maximum of \$30,000 (maximum total credit of \$5,500), for expenses paid by the individual and his or her spouse before January 1, 2028.

OTHER ADVICE FOR INDIVIDUALS

Review your estate planning to take tax at death into account

The estate planning process should be undertaken as soon as possible in order to maximize the tax planning possibilities. The estate planning review process is also linked to the personal and family situation of each individual.

Changes to the capital gains inclusion rate as of June 25, 2024, can affect your estate planning in particular by requiring a review of your life insurance coverage to cover tax at death. In addition to discussing this with your tax advisor, you should also consider obtaining insurance advice prior to making this type of a decision.

Contribute to a Registered Retirement Savings Plan

You must make your 2024 RRSP contribution by March 1, 2025. However, if you turned 71 in 2024, your contribution must be made by December 31, 2024. Your RRSP planning should consider your RRSP deduction limit¹⁵ as well as the following, among others:

- You can contribute any amount up to your maximum to your own RRSP, an RRSP set up for your spouse or common-law partner or a combination of both. If you are 71 or over, but you have eligible earned income in 2024 and your spouse or common-law partner is under the age of 71 at the beginning of the year, you can still make a spousal contribution to his or her plan;
- You can over-contribute to your RRSP—within limits—without having to pay a penalty tax. In general, the cumulative amount you can over-contribute to your plan is \$2,000. However, you must earn eligible income in the subsequent years to deduct these amounts;
- You can also make a \$2,000 gift to your child or grandchild over the age of 18 so that he or she can make an RRSP contribution. The contribution would be deducted when that person has earned eligible income;
- You can defer your RRSP contribution deduction if you expect to be in a higher tax bracket in the near future. Alternatively, make the maximum contribution each year, but don't claim the amount as a deduction until a future year when your taxable income is higher;
- If you're required to collapse your plan this year because you've reached age 71 in 2024, consider making an over-contribution in

December based on your 2024 earned income (if any). Although you'll be charged a penalty tax for one month, you'll be entitled to an RRSP deduction in 2024;

- If your income is particularly low in 2024, consider making a withdrawal from your registered retirement income fund (RRIF) before the end of the year to avoid losing some deductions or non-refundable tax credits. Similarly, if you are at least 65 years of age, you could claim a pension income credit by purchasing an annuity or RRIF.

If you believe you can benefit from these measures, contact your Raymond Chabot Grant Thornton advisor.

Review your RRSP portfolio composition

A number of rules govern the types of investments which may be held in a registered plan and failure to comply with them could prove very costly. For example, you may be contravening these rules if your plan has shares or debt in a public or private company in which you own a significant interest.¹⁶

If you think you might be at risk, it is strongly recommended that you consult your Raymond Chabot Grant Thornton advisor to determine available options to reduce the negative consequences.

Take advantage of the Registered Education Savings Plan (RESP) and Registered Disability Savings Plan (RDSP)

Based on your personal and family situation, you may be able to make contributions to other registered plans such as the RESP and RDSP. Unlike an RRSP, contributions to these plans are not deductible, but they may give entitlement to substantial government grants in an amount based on the plan contribution and family income.

There is no tax on these grants or on the income earned in such a plan until the amounts are withdrawn. Don't delay investing in these plans so you won't lose your right to grants.

Don't forget to plan a withdrawal strategy for funds held in a RESP before your beneficiary children start post-secondary studies. Sound tax and financial planning helps to optimize the benefits of such a plan.

Don't forget your TFSA

For the year 2024, any individual 18 years of age or older can invest up to \$7,000 in a TFSA.¹⁷ Income earned in a TFSA is never taxed, even when it's withdrawn. If you require funds for personal purposes, consider withdrawing the amount from your TFSA. The amount will not be taxed, and you will be able to contribute the same amount to the plan as of January 1st of the year following the one in which the withdrawal was made.

For some individuals, a TFSA may be more beneficial than an RRSP, even though TFSA contributions are not deductible. Your Raymond Chabot Grant Thornton advisor can help you make informed decisions on the right plan for you, based on your personal situation.

Also think about making a donation to your child or grandchild over 18 years of age to invest in their TFSA.

¹⁵ This amount is indicated in your 2023 Federal Notice of Assessment.

¹⁶ This would normally be the case if you own 10% or more of a class of shares of a corporation or any related corporation, through your RRSP or otherwise, alone or with one or more persons with whom you do not deal at arm's length.

¹⁷ Amount indexed annually since 2010 and rounded to the nearest \$500. An individual born before 1991 (who was therefore under the age of 18 in 2009) has accumulated rights totalling \$95,000 in 2024.

Keep an eye on your instalment requirements

If you are required to make quarterly tax instalments, you should review your expected 2024 tax liability before remitting your final instalment (which is due December 15, 2024). This will be especially important where your mix of salary/dividends has varied from year to year, or where you had unusual income inclusions last year or expect increased deductions this year. Be vigilant as the tax authorities charge significant interest on late or deficient instalment payments.

If you discover that you should have been making higher instalments during the year, it is possible to catch up because the tax authorities will generally calculate credit interest on overpayments and apply that against interest deficiencies. Example: If you had to make quarterly tax instalments of \$6,000 during the year, no interest should be charged if, instead of making payments of \$6,000 each on March 15th and June 15th, you paid \$12,000 on May 1st.

To offset a late instalment payment, you could have your source deductions on a bonus or your RRSP or RRSF increased. If it is properly calculated, this increased deduction at source will have the same effect as though the instalments had been paid on time.

Pay your expenses in 2024 and get your receipts

Before the end of the year, you should make certain payments and keep your receipts so that you can claim all of the deductions and credits to which you are entitled for 2024. In particular, consider:

- Medical expenses for you, your spouse or common-law partner, minor children, as well as amounts paid by you or your spouse or common-law partner for another dependant (ask your pharmacist, dentist and specialist to give you your receipts for the year);
- Childcare expenses;
- Investment costs (interest and brokerage fees);
- Moving costs;
- Tuition fees and interest on student loans.

Owners of a rental property: check the deductibility of your expenses

If you own one or more rental properties, the vehicle expenses you can deduct depend on several factors. Keep your receipts and a log of your travel to enter the kilometres driven regarding this income source.

Starting in 2024, expenses incurred to earn income from the short-term rental of residential property (services such as Airbnb) including interest expenses are not deductible where this type of lease is prohibited in the jurisdiction in question (province or municipality) or where permit requirements have not been respected.¹⁸

Combine your charitable donations

In general, charitable donations over \$200 result in tax savings calculated at the highest marginal tax rate. Since donations made by a spouse can be claimed by the other spouse, think about combining

your donations if it makes it possible to benefit from a higher tax credit rate.

Plan your return to school

For federal purposes, since 2019, individuals aged from 26 to 65 years can accumulate \$250 per year (lifetime maximum of \$5,000) in a notional account for the Canada training credit limit account. Individuals can claim a refundable credit equal to 50% of training fees incurred during the year up to the maximum amount accumulated at the end of the previous year. For example, individuals who accumulate rights since 2019 and have never claimed the training credit can claim a maximum amount of \$1,250 in 2024 if they incur eligible training costs of at least \$2,500 during the year.

Consider finding employment in a remote region if you are a recent graduate

In Quebec, new graduates who begin employment in an eligible remote region¹⁹ within 24 months following their graduation date are entitled to a non-refundable tax credit equal to 40% of the eligible salary. This credit is subject to a maximum annual amount of \$3,000, with a lifetime limit of \$10,000 for individuals with college and university diplomas and \$8,000 for new graduates with professional training from a high school.

Avoid the Old Age Pension Security refund

The government requires that Old Age Security payments be refunded when the pensioner's net income for the year exceeds a certain annual threshold, that is, \$99,997 in 2024. The full amount of the pension must be refunded when the net income is about \$148,451 (\$154,196 for individuals 75 years of age and older). If you have the ability to manage the amount of income you receive in a year, keep these thresholds in mind.

SALES TAX ADVICE

Compliance elections: reporting, periods and methods

The end of the year is a good time to review and optimize your GST/HST and QST practices.

The following could help maximize refunds and increase cash resources:

- If you are engaged in a mix of commercial and exempt activities, take time at the end of the year to review the method used in order to claim your input tax credits (ITC) and input tax refunds (ITR) based on your activities for the year;
- If you are generally in a refund position, you can change your filing frequency to monthly or quarterly to get your refunds earlier. This election must be filed at the beginning of your fiscal year;
- Certain businesses with a threshold amount of \$400,000 or less can elect to use the "quick method" to account for GST/HST and QST and lessen their tax burden. Generally, the threshold amount includes taxable supplies, other than supplies of real property and

¹⁸ In Quebec, this restriction applies to residential property located in Quebec and offered as a rental for a period not exceeding 31 days, which does not respect the requirements specified in the *Tourist Accommodation Act* and its regulations. Therefore, the non-compliance of a short-term rental in Quebec is not determined based on the rules governing a municipality or another province.

¹⁹ The regions include Bas-Saint-Laurent, Saguenay-Lac-Saint-Jean, Abitibi-Témiscamingue, Côte-Nord, Nord-du-Québec, Gaspésie, Îles-de-la-Madeleine, the RMCs of Antoine-Labelle, La Vallée-de-la-Gatineau, Mékinac and Pontiac as well as the agglomeration of La Tuque.

financial services, and applicable taxes. This election must be filed at the beginning of the year;

- Consider reviewing the filing periods for the businesses in the associated group to ensure they are all consistent with current rules and based on the combined Canadian sales volume.

Closely related group

To simplify tax accounting and increase cash flow, some businesses are eligible to make an election with a member of a closely related group to treat supplies of goods or services between the group members as if they were made for no consideration. At year-end, review existing elections to ensure they are still valid and consistent with company practice, particularly if there has been any restructuring during the year. It is also important to consider this question if a unanimous shareholder agreement was introduced as it may alter a corporation's controlling interests.

The form must be filed with the tax authorities no later than the first day where one of the corporations is required to file a GST/HST and QST return for which the election is effective.

Employee expense-related advice

Don't forget to adjust for the GST/HST paid on meals, beverages, and entertainment if you claim the total tax throughout the year. Where applicable, this 50% adjustment is made on the return filed in the first reporting period immediately after the fiscal year-end.

GST/HST and QST must also be self-assessed with respect to employee taxable benefits regarding taxable goods and services. The tax must be reported in the return for the reporting period that includes the last day of February of the following year.

Joint ventures

Tax authorities have been applying the joint venture rules more strictly.

Ensure that transactions are processed appropriately by your joint venture since it could be difficult to limit the costs related to a future assessment. It is important to verify that the joint venture agreement is properly evidenced in writing and that the name of the person designated to manage taxes on behalf of all joint venture participants is qualified to do so in accordance with the Act. Note, however, that not all businesses with commercial activities can make the election to designate an individual to manage the taxes.

Don't hesitate to contact your Raymond Chabot Grant Thornton advisor who can help you determine if your business can make this election.

Management and financial services companies

Generally, financial services are exempt for both GST/HST and QST purposes. However, some financial services supplied to non-residents by a financial institution may be zero-rated.

This is a good time to review your corporate structure to check if various provisions of the Act could be used by entities in the group to recover the GST/HST and QST payable within a corporate group, particularly if certain members have activities that include the supply of financial services.²⁰

²⁰ Including, for example, receiving dividends or interest.

It should be noted that the rules in this regard have been significantly amended in recent years.

Businesses in the construction and maintenance of public building and employment and temporary foreign worker recruitment agencies

Businesses in the construction and maintenance of public building sectors must obtain an attestation from Revenu Quebec that they must then remit to work providers. Clients of such businesses are required to obtain a copy of the attestation, verify its validity and authenticity in the manner specified to avoid potential penalties.

Employment and temporary foreign workers recruitment agencies must have a valid Revenu Quebec attestation to obtain or renew their permit. Clients of such agencies must verify the validity of their permit.

Consider reviewing your internal procedures to ensure that you are in compliance.

GST rebate for residential rental properties

For the construction of rental properties intended for long-term rental, a partial rebate of 36% of the GST is provided for homes valued at \$350,000 or less. The rebate declines for homes valued between \$350,000 and \$450,000. A 36% QST rebate is also available, but the rebate elimination thresholds are \$200,000 to \$225,000.

The government has proposed a temporary increase in the GST rebate for the construction of certain rental properties, increasing the rebate from 36% to 100%²¹ and abolishing the elimination thresholds. The buildings concerned are those with at least four private apartments or at least 10 private rooms or suites and where 90% of the units are intended for long-term rental. Your Raymond Chabot Grant Thornton advisor can help you determine whether these measures apply to your project and assist you in taking the necessary steps to benefit from them.

Imported goods and services

The GST is generally payable at the time of import and collected by the Canada Border Services Agency when the goods are released from customs. A person who imports intangible property or services for use other than exclusively in its commercial activity must self-assess and pay the GST on its net tax return or non-registrant return. A registrant would generally be entitled to ITCs for the GST paid on import for the portion of the property or services used in its commercial activity, based on the usual rules.

Similarly, QST is payable by persons who bring goods into Quebec by self-assessment through their net tax return or the return of a non-registrant. As an exception, QST is not payable when a registrant brings goods or services into Quebec for use exclusively in the course of its commercial activity. A registrant will be entitled to ITRs for the QST paid by self-assessment for the portion of the goods or services used in the registrant's commercial activity under the normal rules.

Non-resident suppliers who make sales of intangible property and services to Canadian residents who are not registrants are required to register for the simplified system and to collect the GST and QST.

As registrants who acquire intangible property or services from foreign suppliers, the end of the year is an opportunity to update your records

²¹ The 100% rebate applies to buildings for which construction began after September 13, 2023, and before December 31, 2030, and ends no later than December 31, 2035.

with these suppliers. In particular, make sure they have your GST and QST registration numbers on hand, so they do not collect GST and QST from you by mistake if they are registered under the simplified system. If such tax was collected in error, you will have to claim a refund from the supplier, as the tax authorities do not refund this tax, nor do they allow ITCs/ITRs in this regard.

Businesses that are not exclusively engaged in commercial activities and that are required to self-assess GST or QST on imported taxable supplies should take advantage of the year-end to review their processes and validate whether the non-resident supplier is registered for the simplified system before proceeding with such self-assessment. Supplies made by a supplier registered in the simplified system are deemed to be made in Canada and are therefore not subject to the imported taxable supply rule.

Other sales taxes and international transactions

Tax registration and collection may be required, regardless of whether you have a permanent establishment in the jurisdiction.

If you have clients in Manitoba, Saskatchewan, British Columbia or abroad, check if you are required to register for sales taxes in these various jurisdictions. Registration requirements have been expanded in Manitoba, Saskatchewan and British Columbia for businesses that do not have a presence in these provinces.

E-commerce

If you work in e-commerce and have sales abroad or in western Canada, it may also be time to review your processes and structures in light of the OECD recommendations and global changes with respect to local regulations on the application and collection of sales taxes. For example, new rules have been implemented in the United States for online sales platforms that sell on behalf of third-party suppliers.

Economic Nexus for U.S. tax purposes

If you do business in the United States, you could be required to collect state sales tax even if your company does not have a permanent establishment in the state in question. Indeed, the concept of commercial presence (known as Nexus) is far more encompassing for U.S. sales tax purposes than it is for corporate tax. Economic Nexus creates a compliance obligation for non-residents when they reach certain economic thresholds in a state, for example, \$100,000 in sales or 200 distinct transactions during the year. When that threshold is reached, the corporation may be required to register for sales tax in that state. As the thresholds and inclusions for calculating an economic Nexus vary from state to state, a case-by-case analysis is usually required.

Sales made in the European Union

As with sales carried out in the U.S., you must also take into consideration the rules regarding value added tax (VAT) on sales made in the European Union (EU). Under these rules, you may be required to apply VAT to goods and services sold in Canada to EU member states from the first Euro invoiced.

If you do business in the EU, the U.S. or elsewhere in Canada, your Raymond Chabot Grant Thornton advisor can help you in determining your obligations regarding collecting and remitting the various sales taxes.

Not-for-profit organizations

Not-for-profit organizations (NPOs) are responsible for determining annually whether they can take advantage of partial rebates offered to eligible NPOs for sales taxes paid in the course of their exempt activities.²² To qualify for rebates, an NPO must receive at least 40% of its revenue for the current fiscal year or the previous two fiscal years from government funding.

In practice, the partial sales tax rebates are requested using Form FP-2066, GST/HST and QST Public Service Bodies' Rebate Application, which must be produced:

- As per the NPOs reporting period if the NPO is a sales tax registrant (the QST number ends in TQ0001);
- On a quarterly basis if the NPO is registered for the purposes of partial rebates only (the QST number ends in DQ0001 and not TQ0001).

As a result, if an NPO demonstrates its eligibility at the end of its first reporting period, it will be necessary to file an FP-2066 form to apply for partial rebates for each tax returns reporting period.²³

Don't hesitate to contact your Raymond Chabot Grant Thornton advisor who can help you determine your eligibility for these additional repayments.

New exemptions related to healthcare

Effective June 20, 2024, psychotherapy and counselling therapy services have been added to the list of practitioners whose services may be exempt from GST/HST and QST.²⁴ If your business is eligible for this exemption, several factors must be considered, particularly in connection with:

- A change of use of movable and immovable property;
- Your invoicing process;
- Cancelling GST/HST and QST registration;
- Adjustments to the ITC/ITR claimed for the current year and subsequent years;
- Calculating a commercial percentage where the professional continues to carry out taxable transactions (cosmetic services, for example).

Please do not hesitate to contact your Raymond Chabot Grant Thornton advisor to discuss any of the measures described herein.

For additional information, visit our website: rcgt.com.

²² Form FP-523, Non-Profit Organizations – Government Funding allows NPOs to demonstrate their eligibility for such rebates. The form must be filed once a year, at the end of each reporting period during which the eligible NPO applied for partial rebates.

²³ Or two FP-2066 forms in the case of a half-yearly reporting period.

²⁴ Subject to the requirements related to practitioners recognized by a professional order and services rendered (qualified as eligible healthcare services).