2023 Year-end | Tax Planning Opportunities

These important tax and financial planning moves can help prepare you for the upcoming tax season and better align your finances with your short- and long-term goals.

Key Takeaways

While tax and financial planning should take place all year long, there are several actionable strategies to consider before year-end deadlines.

Important life events can have financial implications and should be discussed with your tax and financial advisor.

Certain investments generate more taxable distributions than others, so work with your advisor and tax professionals to evaluate your investments and after-tax returns.

RAYMOND JAMES®

Introduction

The rapid rise of inflation is forcing everyone to pay more attention to managing their finances to find cost savings wherever possible. Maximizing tax savings opportunities is only one part of an overall financial strategy, but can significantly impact wealth building in the current tax year and the years to follow. Legislative proposals to increase taxes on high-income individuals and certain trusts in the form of alternative minimum tax (AMT) are also introducing complexities into the personal tax planning equation. The new AMT proposals will be effective starting in 2024 if passed into law. The information contained in this document is accurate at the time of writing (October 2023), and the Canadian government may revise current proposals and introduce new tax measures before the end of the year.

Despite the uncertainty of future tax policies, taxpayers can take actions based on the alternative minimum tax proposals before the federal government finalizes them for 2024. With deadlines fast approaching, now is the time to take advantage of tax-deferred growth opportunities, tax-advantaged investment strategies, and charitable-giving opportunities, among others, to maximize deductions and credits for your tax situation. Reviewing your investments in light of your goals, the tax policy environment, and the economic landscape can help you and your advisor see where adjustments need to be made to position yourself for 2024 and beyond.

Important Dates to Remember

December 2023	**15**	Fourth quarter tax instalment payment for 2023 due.
	27	Last day to sell securities on Canadian markets to realize a gain or loss. Settlement is T+2 days.
	27	Last day to sell securities on U.S. markets to realize a gain or loss. Settlement is T+2 days.
	31	Last day to pay investment loan interest to deduct in 2023.
	31	Last day to complete charitable contributions for 2023. Allow enough time to complete donations that may require additional lead time, such as securities donations.
	31	Last day to pay childcare, medical, and tuition expenses to claim deduction or credit on the 2023 T1.
	31	Annual tax instalment payment for 2023 due for farming and fishing income.
January 2024	**30**	Must pay prescribed rate loan interest by this date to maintain income splitting.
February 2024	**29**	Deadline for employers to report T4/T5 to CRA.
	29	Deadline for employers to send T4 receipts to individuals.
	29	Deadline to contribute to a Registered Retirement Savings Plan to claim as a 2023 deduction.
March 2024	**15**	First quarter tax instalment payment for 2024 due.
	30	T3 trust tax return deadline for trusts with a December 31 year-end.
	31	Deadline for paying balance owing for Form T1-OVP if you made excess RRSP contributions in 2023.
April 2024	**30**	Deadline to pay your 2023 taxes and file your 2023 Individual T1 tax return.
June 2024	**17**	Deadline to file your 2023 Individual T1 tax return if you or your spouse earned self- employment income. Tax payment deadline remains April 30, 2024.
	17	Second quarter tax instalment payment for 2024 due.
	30	Deadline to file your TFSA return RC243 and pay taxes if you made excess contributions in 2023.
September 2024	**16**	Third quarter tax instalment payment for 2024 due.
October 2024	**1**	Last day to buy or build your qualifying home if you made a Home Buyers' Plan withdrawal from your RRSP in 2023.

Gather Information for Year-end Investment Tax Planning

1. Review year to date realized gain/loss portfolio statements to estimate your expected net taxable gains or deductible losses for 2023.

2. Analyze unrealized gain/loss portfolio statements of current holdings to consider triggering gains or losses in 2023 or deferring to future years. Consider accelerating large capital gains in 2023 if the same gains would trigger alternative minimum tax (AMT) in 2024, but not in 2023.

3. Obtain recent account statements with year to date taxable investment income to estimate any income taxes due in excess of your withholding taxes and quarterly tax instalments.

4. Obtain recent account statements with year to date investment management fees and interest to estimate income tax deductions.

5. Calculate your total RRSP contributions to employer, bank, and brokerage accounts to ensure you did not contribute in excess of your 2023 RRSP contribution room. Review against your 2022 CRA Notice of Assessment RRSP available contribution room for 2023, not the RRSP deduction limit for 2023. Withdraw excess contributions immediately to stop penalties from accruing further. Consider maximizing RRSP contributions to reduce current or future taxes and earn tax-deferred investment income. Contribute enough to your group plan to maximize your employer's matching contributions.

6. Calculate your total year to date TFSA contributions during 2023 to ensure you did not contribute in excess of your 2023 TFSA contribution room. Withdraw excess contributions immediately to stop penalties from accruing further. Consider maximizing TFSA contributions to earn tax-free investment income.

7. Calculate your total year to date RESP contributions during 2023 to maximize annual Canada Education Savings Grants (CESG) for the year and any grant entitlements carried forward.

8. Calculate your total year to date RDSP contributions during 2023 to maximize annual Canada Disability Savings Grants (CDSG) for the year and any grant entitlements carried forward.

Moves to Consider

Here are important items to think about in each of the major planning categories. Keep in mind the ideas listed here are conversation starters for most investors. You and your advisor should determine next steps for your own situation.

Year	TFSA Contribution Limit
2009	$5,000
2010	$5,000
2011	$5,000
2012	$5,000
2013	$5,500
2014	$5,500
2015	$10,000
2016	$5,500
2017	$5,500
2018	$5,500
2019	$6,000
2020	$6,000
2021	$6,000
2022	$6,000
2023	$6,500
Total Cumulative contributions	**$88,000**

Income Tax Planning

1. The First Home Savings Account (FHSA) is now available to Canadian residents who are 18 years of age or older and have not owned a home in the year the account is opened or the preceding four calendar years. The annual tax contribution limit is $8,000 up to a lifetime contribution maximum of $40,000. Like other plans, unused contribution room for the FHSA carries forward. Contributions not needed for a deduction can also carry forward to future years for deduction in higher income years. The plan must be closed after 15 years from first opening an FHSA or when the individual turns age 71, whichever is earlier. This newly introduced savings account shares tax attributes with the existing RRSP and TFSA. Similar to an RRSP, contributions to the plan are tax deductible. Similar to a TFSA, income generated *(including capital gain on the sale of the investments)* is tax-free if the withdrawals are used towards the purchase of a qualifying home.

   TIP: If you or your adult children are eligible to contribute to an FHSA, contribute to the FHSA before funding an RRSP and TFSA to maximize both tax deductions and future tax-free withdrawals.

2. Consider exercising employer stock options in 2023 if you expect your personal tax rates to increase. Large company stock options granted after June 30, 2021 have a $200,000 annual vesting limit for entitlement to the 50 per cent stock option deduction based on the value of shares at grant date.

   TIP: The 2024 changes to the AMT calculation deny the 50 per cent stock option deduction. Consider exercising stock options in 2023 instead of 2024 to avoid possible AMT.

3. Complete TFSA withdrawals by December 31, 2023 to restore TFSA contribution room on January 1, 2024. If you require funds from your TFSA or want to rebalance the holdings by withdrawing securities in kind, make the withdrawal before December 31, 2023 rather than in 2024 to ensure the withdrawal value is added back to your contribution room. Asset values withdrawn in 2023 can be replaced as of January 1, 2024.

   TIP: Rebalance your TFSA holdings by contributing income-producing Canadian securities "in kind" into your TFSA. Any accrued capital gains will be taxable using the value at the contribution date. Capital losses are not claimable. Therefore, do not contribute securities in a loss position to your TFSA.

4. Ensure every family member age 18 and over has maximized contributions to their TFSA account.

   TIP: The highest income earner can split income by gifting funds to each eligible family member to open their own TFSA account and contribute the maximum amounts. The cumulative maximum to the end of 2023 is $88,000 for Canadian resident individuals who were 18 years of age and older in 2009. There is no attribution on TFSA income if the funds are gifted because the income earned is tax-free. Withdrawals from and income earned inside a TFSA do not affect income tested benefits such as OAS and GST/HST credits.

   Note: The TFSA account holder must be 18 years of age or older and a Canadian resident to receive TFSA contribution room each year. Age of majority for the province of residence is required to open an investment brokerage TFSA.

5. Open a registered disability savings plan (RDSP) if you or your child qualifies for the disability tax credit. The federal government will match 100 per cent to 300 per cent of the contributions made to an RDSP depending on the level of family income, up to a lifetime maximum of $90,000 in total grants. The lifetime contribution maximum is $200,000 per beneficiary, and the income and growth are tax deferred.

6. Consider loaning investment funds to your spouse at the prescribed interest rate to split investment income if one spouse earns significantly more taxable income than the other and the expected investment income will be greater than the prescribed interest rate.

   TIP: The CRA prescribed rate for spousal loans is currently five per cent. Given the erosion of income-splitting benefits at the current rate, consider keeping existing low-rate loans in place. If you do not have a loan in place, consider waiting until the prescribed interest rate drops before setting up any new spousal loans.

Planning for New Tax Legislation

Changes to the alternative minimum tax (AMT) calculation that the federal government proposed in the 2023 Federal Budget have received a lot of attention in the financial media. AMT is a secondary calculation on schedule T691 of your T1 return that applies a flat tax rate instead of graduated tax rates with some adjustments to income, deductions, and credits. If the calculated tax amount under the AMT rules is greater than the regular federal tax amount, then the excess is the AMT amount. The AMT amount paid in a tax year is refundable over the following seven tax years when the calculated flat rate tax falls below the federal tax.

Most Canadians do not think about AMT because it typically only affects individuals with large tax preferential deductions and credits, such as the lifetime capital gains exemption for selling small business shares. However, the **proposed changes** may have a significant impact on individuals earning capital gains. Rather than increasing the 50% capital gains inclusion rate as rumored in prior years, the government devised the AMT changes to effectively raise taxes on capital gains for certain taxpayers. Generally, the new AMT rules will not affect individual taxpayers who earn most of their taxable income as salary, self-employment, and pension income. You can read the summary of the proposed changes in our 2023 Federal Budget Tax Flash Bulletin.

At the time of writing, the changes to the existing AMT rules have not been passed into law. The proposed effective date is January 1, 2024. Based on the draft legislation, high-income individual taxpayers should give serious consideration to:

- realizing large taxable capital gains in 2023 rather than deferring a planned disposition to 2024 (e.g. sale of rental real estate),
- using up capital loss carry forwards in 2023 instead of applying to capital gains in 2024,
- exercising stock options which are eligible for the 50% stock option deduction in 2023 instead of 2024 (up to the $200,000 vesting limit if applicable),
- completing large donations of cash or securities in 2023 instead of 2024.
    - Raymond James clients can open a Charitable Giving Fund account to receive cash and securities donations which allows the donor to claim a donation tax credit in 2023, but distribute the income and capital to registered charities in future years. A minimum donation of $100,000 is required to set up the account.

Please contact your professional tax advisor if you are concerned about exposure to alternative minimum tax in future years. Your Raymond James advisor can work with your tax professional to execute your tax action plan for 2023 with respect to your investments.

Investment Tax Planning

1. Review your portfolio's tax efficiency. Simply put, tax efficiency is measured by how much of an investment's return remains after taxes are paid. Certain investments generate more taxable distributions than others. Consider rebalancing your portfolio to include more tax-advantaged investments such as Canadian dividend-paying shares and investments that allocate capital gains, especially in higher tax brackets. Work with your advisor to evaluate your investments and after-tax returns.

   TIP: When rebalancing, consider using new money coming into the account versus selling off certain investments to avoid incurring unnecessary capital gains taxes.

2. Review your tax-efficient placement of foreign investments between your investment, FHSA, TFSA, and retirement accounts. Ensure your FHSA and TFSA accounts do not hold investments that are subject to foreign withholding tax, which eliminates the tax- free benefit of the FHSA and TFSA accounts. Consider holding certain dividend-paying foreign securities outside your RRSP/RRIF accounts if the income is subject to withholding tax. That is because the dividend will be taxed a second time upon withdrawal from the plan. Ensure lower treaty withholding rates are applied to foreign investments in your taxable investment account, where applicable.

3. Work with your tax advisor to determine the best time to realize capital gains and/or harvest capital losses. Consider offsetting investment gains with losses, as appropriate, to reduce your overall tax liability. If you expect to be subject to alternative minimum tax in 2024, but not in 2023, consider realizing capital gains in 2023. Be aware of "superficial loss" rules that stop you from deducting capital losses on the sale of a particular security if you initiate a similar position within a 61-day period (30 days before the sale date and 30 days after the sale date). The rules apply across your portfolios and your spouse's, in both taxable and non- taxable accounts. For example, you cannot liquidate a position in one account and establish a similar position in your RRSP and expect to claim a loss.

   TIP: Use the superficial loss rules to transfer a capital loss upon disposition to a spouse by having the spouse purchase the same security within 30 days of the disposition. As long as the purchasing spouse holds the security for at least 30 days, the capital loss will be denied to the selling spouse and added to the adjusted cost base of the purchasing spouse

Tax-deferred Growth Opportunities

Registered Retirement Savings Plan

Defer up to 18 per cent of your earned income with a limit of $30,780 for 2023 when you make a contribution to your RRSP.

Registered Education Savings Plan

Investing in an RESP account for your children or grandchildren allows you to defer taxes on up to $50,000 per child. The growth and income are taxed in the beneficiary's hands when they are enrolled in a qualifying educational program. The beneficiary may not even pay any tax on the RESP growth. The federal government will also contribute up to $7,200 in grants to the RESP.

Index Funds

Index funds do not trigger frequent capital gains, and much of the growth is tax deferred until the index fund units are sold.

Life Insurance

Accumulating cash value in life insurance can also offer tax-deferred growth and tax-advantaged retirement income.

Financial Planning

While each individual's needs are unique, many people have similar planning objectives – whether to ensure they have the income they need today to plan for retirement tomorrow or to grow their assets.

1. Review your asset allocation to ensure it is still geared toward your goals and tolerance for risk. Risk tolerance may change based on your net worth, age, income needs, financial goals, and various other considerations. Review your holdings and your overall asset allocation and then make adjustments and rebalance as necessary. Don't forget to do this for your company-sponsored retirement accounts, too. "Set it and forget it" shouldn't be the default for your RRSP investments.

TIP: Some investments may be better suited for particular account types from a tax standpoint. Be sure to discuss with your tax professionals.

2. If you are a trustee of inter vivos trusts, consider distributing all or most trust income before December 31, 2023 to income beneficiaries. Income retained in the trust will be subject to the top federal and provincial tax rates if not distributed or allocated out to the beneficiaries. The alternative minimum tax (AMT) proposals also adversely affect certain types of trusts such as inter vivos trusts, spousal trusts, and Henson trusts in future years. The trustee should consider the future AMT implications of the trust vs. the beneficiaries. It's important to note, however, that decisions should be made within the boundaries of the trust's governing instrument and provincial law. Beware of the tax on split income rules that apply to trust income originating from a related business corporation where the beneficiary did not make a contribution to the business.

TIP: If the tax on split income rules do not apply to your trust, rather than accumulating income inside the trust, distribute or allocate the income (in line with trust terms and fiduciary duties) to beneficiaries, particularly those below the basic personal exemption. This essentially shifts the income and the resulting income tax burden from the trust to the beneficiary.

NEW: Canadian trusts with no income earned or realized in the year are legislated to file an annual T3 trust tax return with the CRA for trust taxation years ending on or after December 30, 2023. Furthermore, these trusts will need to report additional information on all trustees, beneficiaries, settlors, and each person who can exert control or override trustee decisions over the allocation of income or capital of the trust. The additional information includes the name, address, date of birth, tax residence, and taxpayer identification number (e.g., SIN, TN, BN) of each party.

Some exceptions to the new reporting requirements include:

- Graduated rate estates and qualified disability trusts,
- Trusts that have been in existence for less than three months at the end of the year, and
- Trusts that hold less than $50,000 in assets throughout the taxation year, provided the holdings are confined to deposits, government debt obligations, and listed securities.

Speak to your accountant about the application of these new requirements to your trust. Raymond James clients can engage our Tax Preparation Services to prepare annual T3 trust tax returns.

Asset allocation does not guarantee a profit nor protect against loss.

Retirement Planning

1. Maximize your retirement contributions to take advantage of tax-deferred growth if you are still working. Many companies allow you to arrange automatic contributions each pay period and provide employer matching contributions.

   TIP: Tax-deferred growth is even more advantageous when your current marginal tax rates are higher than your expected marginal tax rates in retirement.

2. Determine if you need to convert your RRSP to a RRIF. Individuals have until the end of the year they turn age 71 to convert their RRSP accounts into a RRIF account.

   TIP: Turning 71? If you are earning RRSP contribution room during 2023, consider making a 2024 RRSP contribution in December 2023 based on your 2023 earned income. The contribution in excess of your 2023 contribution room will be subject to a one per cent penalty for one month, but it will provide for an RRSP deduction in 2024 or future years. Alternatively, if your spouse is under age 71, make tax deductible spousal contributions to their spousal RRSP.

3. Consider whether you are going to withdraw your non-registered investment assets, TFSA assets, or RRIF assets to fund retirement and to minimize tax and OAS claw-backs. Work with your financial/investment advisor to project a withdrawal strategy to maximize after-tax wealth over your lifetime.

   TIP: Consider converting a portion of your RRSP to a RRIF starting at age 65 to take advantage of the pension income credit that shelters $2,000 of pension income from federal tax if you have no other pension income.

4. Evaluate the benefit of CPP sharing and maximize pension income splitting. Spouses who are both at least 60 years of age can apply to share their CPP to split income evenly. Couples can also elect to split up to 50 per cent of pension income on their personal tax returns to take advantage of the pension credit. The ability to split pension income depends on the type of pension income and whether the pension earner is under the age of 65, is 65, or older.

   TIP: Discuss the pros and cons of taking CPP early with your financial/investment advisor and planning professional.

5. Claim home accessibility renovations. Seniors 65 years of age or older can claim a federal tax credit equal to 15 per cent of eligible home renovation expenses ($10,000 maximum), which improve access, mobility, and functionality within the dwelling. Individuals eligible for the federal disability tax credit may also claim home accessibility renovation expenses at any age. Certain provinces may also grant a similar credit against provincial taxes.

Registered Plan Contribution Limits

The RRSP contribution limit for 2023 is 18% of earned income up to a maximum of $30,780.

•

The TFSA contribution limit for 2023 is $6,500. The cumulative TFSA limit is $88,000 up to the end of 2023.

•

The RESP lifetime contribution limit is $50,000 per beneficiary.

Education Planning

1. Explore your education funding options, which include Registered Education Savings Plan (RESP) accounts and In Trust for Minor accounts, which both offer flexible investment options. Consider establishing an RESP account if you haven't already done so, and contribute a minimum of $5,000 before year-end to receive the maximum grant for the current and prior year ($1,000) from the federal government. Raymond James clients have access to all of the available provincial grants. Starting early and saving often is always a good bet.

   TIP: British Columbia offers an additional $1,200 training and education savings grant for RESP beneficiaries born after 2006, and no matching contributions are required to obtain the grant. Quebec offers an additional 10 per cent grant up to $250 per year with a lifetime maximum of $3,600.

2. Superfund your RESP account to maximize tax-deferred growth over the life of the RESP. Take full advantage of the $50,000 lifetime contribution limit if you can fully fund the account now. If the growth is compounded for 18 years, the increase in the value of the account will most likely exceed the foregone grants.

   TIP: A one-time $50,000 contribution made at age one will grow to $121,534 by age 18 at a five per cent rate of return. Compare that balance to annual contributions of $3,125 from age one to 16, which would only equal $98,333 by age 18, even with the maximum grants of $7,200.

3. Discuss alternative ways to fund future education with your financial/investment advisor. If you have already maximized your family's RESP contributions, consider using an In Trust for Minor account to earn capital gains income that is taxable in the minor's hands to further reduce tax on investment income. You can also invest Canada Child Benefit (CCB) payments in an In Trust for Minor account to save for education and other expenses. The income earned from CCB payments is not attributed back to the parent for income tax reporting purposes.

4. When the student is enrolled in a qualifying educational program, withdraw enough educational assistance payments (EAPs) to use up the student's personal tax credits. There is no limit on the amount of EAPs paid out of the RESP after the first 13 consecutive weeks while they remain enrolled in a qualifying education program.

   TIP: Students attending a post-secondary institution outside of Canada can receive EAPs as long as the course is at least 13 consecutive weeks.

Additional Tax Considerations for U.S. Citizens

1. Consider locking in all or part of your currently available U.S. gift and generation-skipping transfer tax exemption. The 12,920,000 USD (2023) base exclusion amount is scheduled to return to $5,000,000 USD as of 2026 (indexed to inflation). Do not miss the opportunity to use the current exemption if you expect your estate to be worth more than the reduced exemption when you die.

   TIP: Gifts you give to adult children are not subject to Canadian tax attribution rules, but may trigger Canadian capital gains if you give assets that have increased in value from your Canadian cost.

2. Review asset valuations using U.S. cost basis calculations. The most recent tax proposals do not include an elimination of the step-up in cost basis at death. Consider revisiting your original estate plan to determine if gifting assets during your lifetime will minimize U.S. estate tax on wealth transfers.

3. Consider gifting ownership of your principal residence to your non-U.S. spouse to avoid U.S. capital gains tax on the actual sale of your home. U.S. citizens can only exclude up to $250,000 USD of capital gain from U.S. income tax, unlike in Canada, which provides an unlimited capital gains exemption for a designated principal residence.

   TIP: Use your remaining gift exemption to eliminate any U.S. gift tax on the transaction. U.S. citizens have 12,920,000 USD available in 2023 if they have never made any reportable gifts in the past. Lifetime gifts will reduce your estate tax exemption in effect at the time of your death.

Estate Planning and Charitable Giving

1. Review and update estate plans and documents to reflect your current wishes. Life events such as divorce, separation, death, births, and a move to a new province or country require a review of your current estate plan. Capital properties, including shares of a private corporation, rental property, and principal residence can roll over to a spouse (or common-law partner) within 36 months of date of death at cost to avoid tax implications at death. RRIF and TFSA accounts can roll over to a spouse (or common-law partner) before December 31 of the year after the year of death if not designated as a successor. Designating your spouse as the successor rather than as a beneficiary eliminates unnecessary filings with the CRA.

2. Consider making gifts to your adult children during your lifetime. These gifts will reduce the size of your estate subject to probate fees and reduce capital gains subject to disposition at death. Document the gifts to ensure they do not form part of the estate and cannot be contested. Additionally, consider reducing the RRIF balance by an additional lump-sum withdrawal before year-end unless the RRIF could be rolled to spouse or a registered disability savings plan for a financially dependent infirm child or grandchild.

3. Review designated beneficiaries on registered accounts. Ensure the designations are current and your spouse is designated as the successor annuitant/holder where appropriate (on RRIFs and TFSAs). Add contingent beneficiaries in case the designated individual pre-deceases you or the account owner becomes mentally incapacitated and cannot change the beneficiaries.

4. Review the legal titling on all your accounts and property to ensure they reflect your current wishes and family dynamics. Consider methods to reduce probate fees, such as joint ownership, alter-ego trusts, life insurance, and gifting assets before death.

5. Give to charities close to your heart, but do so strategically to reduce your tax liability. Consider whether a trust or a Raymond James Charitable Giving Fund will help you meet your legacy and tax-savings objectives.

6. Think strategically about your estate plan. Transferring assets to a living trust (inter vivos) for the benefit of your heir(s) allows you to ensure your estate distribution goes according to your desires and offers several advantages:

   - Future appreciation of those assets is removed from your estate,
   - Income may be shifted to beneficiaries in a lower income tax bracket,
   - Transferred assets may be protected from potential creditors, lawsuits, or divorce proceedings,
   - Assets held within the trust will bypass the probate process and maintain your privacy, and
   - It provides for contingent management of the assets if you become mentally incapacitated and can no longer make final decisions.

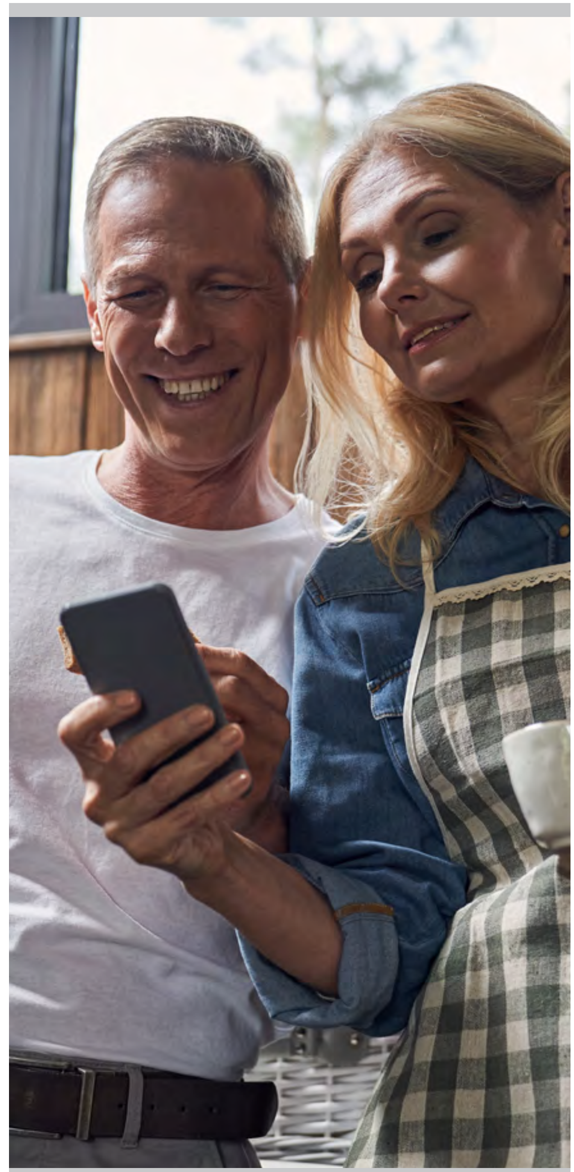
Estate Planning and Charitable Giving Tips

- Give appreciated securities listed on a designated stock exchange to registered charities instead of donating cash to avoid capital gains to reduce your overall tax liability.
- Establish a charitable giving fund account to claim a current donation tax credit. You can choose the charities at a later date. For more information, visit rjcfoundation.ca.
- Make provisions in your will to direct funds to specific charities to reduce taxes at death. Allow your estate administrator the discretion to donate gifts in-kind to charities rather than only cash to maximize tax benefits.
- Charitable giving can reduce your tax burden and also provide a sense of satisfaction by benefiting your favourite causes.

Shareholders of Canadian Private Corporations

1. Evaluate your salary dividend mix to minimize overall personal and corporate tax, while meeting your cash flow requirements and avoiding the punitive tax on split income rules for family member shareholders. Reasonable salaries paid to family members working in the business are not affected by the tax on split income rules.

TIP: Determine if any shareholders are affected by the tax on split income rules. Pay out capital dividends and repay shareholder loans as tax-free sources of cash. Pay out taxable dividends if your corporation has a refundable dividend tax balance (RDTOH) to recover corporate taxes. Consider the impact of any possible federal and provincial tax rate changes that affect business and investment taxable income.



2. Determine how to minimize passive investment income if the corporation earns active business income. A Canadian-controlled private corporation (and any associated companies) may be subject to significantly higher tax rates on active business income when adjusted aggregate investment income exceeds $50,000. The $500,000 small business deduction limit will be reduced by $5 for every $1 the corporation's investment income exceeds $50,000 and will be reduced to $nil at $150,000.

TIP: Consult with your corporate tax accountant to determine the impact, if any, on active income earned inside your corporation. Key shareholders with a history of receiving salary should consider setting up an Individual Pension Plan (IPP) to shift the investments out of the corporation. Corporate-owned life insurance may also provide a solution: income from investments earned in an exempt life insurance policy is not considered to be the passive investment income for the above rules relating to the small business deduction. A life insurance policy's premiums are paid by after-tax cash. When the corporation's tax rate is lower than the shareholder's personal tax rate, the cost of insurance is lower when the premiums are paid by the corporation. Furthermore, if the life insurance policy is held as collateral, the net cost of insurance paid for the life insurance is tax deductible to the corporation. Contact your financial/investment advisor to discuss investment strategies to manage investment income types earned inside your corporation.

3. Review your business succession plan and the potential tax impact upon your death. Review your shareholder agreements to ensure your rights are protected and to avoid shareholder disputes after your passing. Determine whether it is an appropriate time to freeze the company in order to pass future value to your heirs. Evaluate your ability to claim the $971,190 (2023) lifetime capital gains exemption upon the sale of your small business shares or upon your death.

TIP: The passage of Bill C-208 in June 2021 may provide a window of opportunity for you to pass your active businesses to your children and grandchildren to make use of your lifetime capital gains exemption. Discuss this opportunity with your corporate tax advisor as soon as possible because the federal government has proposed legislation to close the loopholes for transfers on or after January 1, 2024.

Consider purchasing capital property for your business that is eligible for immediate expensing. Certain property acquisitions on or after April 19, 2021 that become available for use before January 1, 2024 are eligible up to a maximum amount of $1.5 million per taxation year. The limit is shared among associated members of a group of Canadian-Controlled Private Corporations (CCPCs).

Work with Your Financial/Investment Advisor

Make necessary adjustments: Think strategically about what changes need to be made to best enable you to achieve your goals.	Get organized: Collect all important tax and financial documents to prepare for a thorough year-end review.	Be open: Discuss all aspects of your financial life, including any major changes you anticipate.	Take action before year-end.

Despite what may be happening in the markets and the overall economy, there are several key actions you can take at year-end to help you get a better grasp of where you stand financially. A year-end review with your professional advisors also helps ensure you're on track to meet your goals and helps identify areas in need of adjustment so your plan can evolve as your needs change.

Take the time now to talk about those changing needs, so you and your advisor(s) fully understand where you are and where you want to go.

These important tax and financial planning moves can help prepare you for the upcoming tax season and better align your finances with your short- and long-term goals.

LIFE WELL PLANNED.

RAYMOND JAMES®