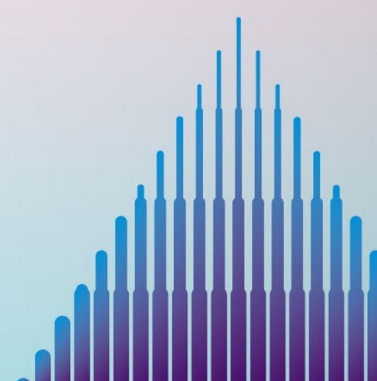




# TaxNewsNow

Canada



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## CRA Prescribed Rate Continues to Increase for Q1 2023

*The CRA prescribed income tax interest rates will increase for the third quarter in a row*

The CRA prescribed income tax interest rates for taxable benefits, overpaid taxes and underpaid taxes will all increase by 1% in the first quarter of 2023 (January 1, 2023 – March 31, 2023).

The interest rate on overdue income taxes and penalties will increase to 8% (from 7%). The prescribed rate for refunds of overpaid tax will increase to 6% (from 5%) for non-corporate taxpayers and 4% (from 3%) for corporate taxpayers. Finally, the prescribed rate that applies to taxable benefits for employees and shareholders from interest-free and low-interest loans, as well as to prescribed rate family income-splitting loans will also increase to 4% (from 3%).

Prescribed rates for 2023 and 2022 are as follows:

	Taxable Benefits	Overpaid Taxes		Underpaid Taxes
		Corporations	Others	
<b>2023</b>				
January 1 – March 31	4%	4%	6%	8%
<b>2022</b>				
October 1 – December 31	3%	3%	5%	7%
July 1 – September 30	2%	2%	4%	6%
April 1 – June 30	1%	1%	3%	5%
January 1 – March 31	1%	1%	3%	5%

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## KPMG observations

This will be the third quarter in a row that the prescribed income tax interest rates have risen, and with further interest rate increases still expected, taxpayers may want to consider locking in family income-splitting loans before January 1, 2023 to lock-in the 3% prescribed rate. For further details on the requirements and tax implications of these loans, see *TaxNewsFlash-Canada 2022-32*, "[Lock in Family Income-Splitting Loans by June 30, 2022](#)", outlining similar opportunities when the prescribed rate was first set to increase in the third quarter of 2022.

For more information, contact your KPMG adviser.

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