



TaxNewsFlash

Canada

2024 Year-End Personal Tax Planning Tips

October 31, 2024

No. 2024-41

As we prepare to wrap up 2024, it's the perfect time to take a closer look at your finances and consider ways to improve your tax position. Before the end of the year, it is important to consider available tax opportunities and planning choices to ensure you are achieving your financial goals in a tax effective manner.

As part of your year-end planning, there are certain tax changes to consider. For example, you may want to think about whether changes to additional trust reporting requirements, the proposed increase to the capital gains inclusion rate, as well as the effect of capital gains and stock option benefits on alternative minimum tax (AMT) may affect your tax situation this year.

[Year-end planning checklist](#)

You can use this checklist of top tax issues to help you make the most of your potential tax savings opportunities for 2024. This checklist outlines important issues, deadlines and tax tips that you should consider, and includes an appendix outlining the 2024 top marginal income tax rates for individuals in each province/territory. While these suggestions can be helpful when considering your annual personal income tax return, scheduling regular reviews with your KPMG tax adviser can ensure your tax planning is effective all year round, especially if your financial affairs are complicated or if you have your own business.

Checklist — Top tax issues you should consider before 2025

Your tax deadlines

- Are you prepared to meet upcoming payment deadlines to achieve 2024 tax savings?

Your investments

- Have you maximized your TFSA contribution?
- Should you sell investments with unrealized capital losses/gains?

Your family

- Are you moving to a new province/territory?
- Did you sell your home?
- Are you saving for your first home?
- Have you filed an annual Underused Housing Tax (UHT) return?

Your retirement and estate planning

- Have you maximized your RRSP contribution?
- Did you turn 71 in 2024?
- Do you have a trust (including a bare trust)?

Other planning opportunities

- Did you contribute to an RESP for a child?
- Have you made a charitable donation?
- Do you drive a company car?
- Have you paid your personal tax instalments?
- Do you need to make a taxpayer-relief request?

Your tax deadlines

Are you prepared to meet upcoming payment deadlines to achieve 2024 tax savings?

In some cases, you have to make payments by December 31, 2024 to be eligible for income tax deductions or credits on your 2024 personal income tax return. Certain other payments due during the first 60 days of 2025 may also be eligible for 2024 tax savings.

Ensure you are aware of these upcoming payment deadlines:

Payments due by December 31, 2024

- Charitable gifts
- Political contributions
- Medical expenses
- Union and professional membership dues
- Investment counsel fees, interest, and other investment expenses
- Certain child and spousal support payments
- Deductible legal fees

- Interest on federal or provincial student loans
- Contributions to your RRSP if you turned 71 during 2024 (you will also have to wind up your RRSP by this date).

Payments due by January 30, 2025

- Interest owed on family income splitting loans
- Interest payable by you on loans from your employer, to reduce your taxable benefit.

Payments due by February 14, 2025

- Reimbursement of personal car expenses to your employer to reduce your taxable operating benefit from an employer-provided car.

Payments due by March 1, 2025

- Deductible contributions to your own RRSP or a spousal RRSP
- Contributions to provincial labour-sponsored venture capital corporations
- RRSP repayments under a Home Buyers' Plan or a Lifelong Learning Plan.

Your investments

Have you maximized your TFSA contribution?

You can contribute up to \$7,000 into a TFSA for the 2024 calendar year, as long as you are 18 or over and resident in Canada. If you have not made any TFSA contributions in previous years and are 32 or older in 2024, you may be able to contribute a total of \$95,000.

If you need to withdraw funds from your TFSA, consider doing so by the end of the year rather than waiting until early 2025, because these withdrawals are not added to your TFSA contribution limit until the beginning of the year following the year you made the withdrawal. For example, if you withdraw \$7,000 from your TFSA in December 2024, your TFSA contribution limit will be increased by \$7,000 in 2025. However, if you withdraw \$7,000 from your TFSA a month later in January 2025, your TFSA contribution limit will not be increased by \$7,000 until January 1, 2026.

Should you sell investments with unrealized capital losses/gains?

If you own investments with unrealized capital losses, consider selling them before year-end to realize the loss and apply it against any net capital gains you realized during the year or in the past three years. If you intend to do any last-minute 2024 trades, consider completing all trades a few days before the end of the year, and confirm the settlement date with your broker. You should also make sure you comply with special tax rules designed to stop the artificial creation of tax losses when selling these investments (e.g., the superficial loss rules). In particular, you should be mindful that the securities sold that generate losses should not be repurchased within 31 days to ensure the loss is available.

If you have unused capital losses carried forward from prior years, consider whether it may be beneficial for you to sell investments with unrealized capital gains now to use these losses and improve your cash flow.

On the other hand, if you have investments that you are planning to sell with unrealized capital gains but no capital losses to offset the capital gains, consider whether it is more beneficial for you to sell those investments in 2024 or 2025. As part of this analysis, you should consider how the proposed increase to the capital gains inclusion rate on capital gains realized in excess of \$250,000 on or after June 25, 2024 could affect your tax owing in 2024. In particular, the proposed \$250,000 threshold is not prorated in 2024 resulting in a potential opportunity to realize more capital gains at the lower 1/2 inclusion rate before the end of the year. You should also consider the impact of the change to the capital gains inclusion rate on AMT, if applicable to you. These complex proposed rules may increase your tax burden in 2024 and should be discussed with your KPMG adviser as soon as possible. For more information, see *TaxNewsFlash-Canada 2024-33*, "[Finance Releases More Details on Capital Gains Changes](#)"

In each case, tax considerations should not override your investment decisions.

Your family

Are you moving to a new province/territory?

If you are planning on moving to another province or territory, remember that your province or territory of residence on December 31, 2024 is generally the one that you pay your taxes to in respect of income earned in 2024. If you are moving to a higher-tax province or territory, you may want to delay your move until the new year, if possible. If you are moving to a lower-tax province or territory, you may want to take up residence there by December 31, 2024. Please see the Appendix for the top marginal income tax rates for individuals in each province/territory.

You should also consider how the timing of your move could affect the size of your donation tax credit claim for 2024, as the donation tax credit rate differs by province/territory (e.g., the top donation tax credit rate in Alberta is 54% compared to 50.4% in Ontario). For more details, see Appendix I in *TaxNewsFlash-Canada 24-39*, "[Make the Most of Your 2024 Charitable Donations](#)".

Did you sell your home this year?

If you sold your principal residence this year, you must disclose and report certain information about the sale in your 2024 personal income tax return. Keep any documents related to the sale on-hand for when you prepare your return. If you fail to report the sale as required, the sale may become taxable because you won't qualify for the "principal residence exemption" on a capital gain that arises from the sale. If you owned the property for less than 12 months prior to the sale, the "residential property flipping" rules may apply to tax the gain as business income (instead of a capital gain), subject to certain exceptions. If this rule applies and the gain is treated as business income, note that the profit from the

sale is taxed at relatively higher regular income rates and the principal residence exemption is not available.

Are you saving for your first home?

If you are saving for your first home but don't expect to make a purchase for several years, you may want to consider opening a First Home Savings Account (FHSA). To open an FHSA, you must be resident in Canada and at least 18 years old. You must also not have lived in a home that you or your spouse owned at any time in the year the account is opened, or during the preceding four calendar years.

If you decide to open an FHSA, you can deduct your contributions (generally subject to an annual limit of \$8,000, and a lifetime maximum of \$40,000) and the income earned in the FHSA is not taxable. In addition, you should not have to pay tax on withdrawals from your FHSA used to purchase your first home. You can withdraw amounts from your RRSP under the Home Buyer's Plan and make a qualifying withdrawal from your FHSA for the same qualifying home, as long as you meet all the conditions at the time of each withdrawal. Since contribution room to the FHSA does not increase until the FHSA account is opened, consider opening an account if you do not already have one and intend to save for your first home in a tax efficient manner.

Have you filed an annual return under the Underused Housing Tax (UHT)?

If you own residential property in Canada, you should ensure that you meet the reporting requirements under the new UHT rules. Certain residential property owners are required to file an annual return for each reportable property they own as of December 31, and may also have to pay the 1% UHT by April 30 of the following year, unless they qualify for certain ownership exemptions. As a result, if you haven't already, you should act quickly to determine whether you have UHT filing requirements and/or payment obligations. Significant penalties may apply even in cases where a return is required, but no tax is ultimately payable.

You should also confirm whether your province or municipality has tax filing and payment obligations related to underused or vacant housing.

Your retirement and estate planning

Have you maximized your RRSP contribution?

You have until March 1, 2025 to make your RRSP contribution (or a spousal RRSP contribution) for 2024.

Keep these three factors in mind when calculating your maximum RRSP contribution limit:

- A dollar limit (\$31,560 for 2024 and \$32,490 for 2025)
- A percentage of your previous year's "earned income" (18%)

- Your pension adjustment (which represents the notional value of pension contributions made by you and your employer in the year).

Deducting your RRSP contribution when computing your taxable income reduces your after-tax cost of making that RRSP contribution. For example, if the top marginal income tax rate applies to you, and you are a resident of Newfoundland and Labrador (where the combined top marginal income tax rate is 54.8%), a \$1,000 RRSP contribution only costs you \$452, after tax savings.

If you contributed more than the maximum to your RRSP, you need to consider how you can withdraw your overcontributions. It is important to note that, at any one time, up to \$2,000 can be overcontributed without penalty. However, any amount above this \$2,000 threshold is subject to a penalty tax of 1% per month until the excess is withdrawn.

You should think about contributing to a spousal RRSP if you anticipate your spouse will earn less income than you on retirement. The advantage of a spousal RRSP is that your spouse will be the one who ultimately reports the income for tax purposes when the funds are withdrawn on retirement, which can result in significantly less tax on the income.

Did you turn 71 in 2024?

If you turned 71 in 2024, you need to wind-up your RRSP by December 31, 2024. Remember that, in this situation you only have until December 31, 2024 (not March 1, 2025) to make a contribution to your RRSP for 2024.

Do you have a trust (including a bare trust)?

If you have a trust you may need to provide additional information in a trust income tax return each year. In particular, the additional information to report includes the name, address, date of birth, jurisdiction of residence and taxpayer identification number (e.g., SIN) of the settlor, trustees, beneficiaries (including contingent beneficiaries) and protector of your trust. The new trust reporting requirements apply to tax years ending on or after December 31, 2023.

If your trust is a bare trust, you are not required to file a trust income tax return for the 2024 tax year to report the additional information and will only need to provide these details if the CRA specifically requests them. This administrative relief was recently announced by the CRA and additional legislative relief for bare trusts is proposed to take effect in 2025.

Contact your KPMG Tax Adviser as soon as possible to help you identify any trust arrangements you have that may be affected, including bare trusts and in-trust accounts. For more details on these rules, see *TaxNewsFlash-Canada 2024-32, "[Reporting Relief on the Way for Trusts?](#)"*

Other planning opportunities

Did you contribute to an RESP for a child?

If you have an RESP for a child, you can contribute up to \$2,500 annually to receive a 20% government grant under the Canada Education Savings Grant (CESG) program. The grant is worth up to \$500 per year (to a maximum of \$7,200 per beneficiary) for each year a beneficiary is under 18. If you do not make the maximum contribution this year, you can still carry forward entitlement to the grant to a later year (within restrictions). Where entitlement is carried forward, the total CESG per beneficiary per year is capped at \$1,000 or 20% of the unused CESG room, whichever is less.

Have you made a charitable donation?

Did you know that there are potential tax savings available to you when you make a charitable donation? For example, if you live in British Columbia, a \$1,000 charitable donation could save you \$406 in federal and provincial tax, assuming your income is under \$246,753.

If you are considering making a charitable donation before the end of 2024, see *TaxNewsFlash-Canada* 24-39, "[Make the Most of Your 2024 Charitable Donations](#)". You should also consider the potential impact of the proposed AMT changes on donations made in 2024 and contact your KPMG tax adviser to discuss your donation options.

Do you drive a company car?

If you drive a car that is owned or leased by your employer, you might be able to reduce the taxable benefit for your use of the car in 2024. The taxable benefit is made up of two elements: a standby charge and an operating cost benefit. The standby charge is based on the cost of the car to your employer (or the leasing cost, if it is leased). If certain conditions are met, your employer can reduce your standby charge to a percentage equal to your personal-use kilometres driven divided by 20,000 (assuming the car was available to you for the full 12 months).

The standby charge may also be reduced by any reimbursement you make in 2024 for your use of the car other than reimbursements of operating costs. If you think you may qualify for a reduced standby charge, be sure to contact your employer to discuss these opportunities well before your employer issues T4 slips for 2024 in February 2025.

If your employer pays any operating costs during 2024 for your personal use of an employer-provided car, make sure you fully reimburse your employer by February 14, 2025, otherwise your taxable benefit for operating costs will be 33¢ per kilometre of personal use for 2024 (less any partial reimbursement).

Pay your tax instalments

If you have to pay your 2024 personal tax in instalments, avoid interest and penalty charges by paying your final instalment by December 15, 2024. If you're behind on your 2024 instalments, you can reduce or eliminate non-deductible interest and penalties by making a "catch-up" and advance payment now (or any time before December 15). If you make an extra or early instalment payment, you can offset some or all of the non-deductible interest that you would have otherwise been assessed.

Make a taxpayer relief request

You have until December 31, 2024 to make a taxpayer relief request related to 2014. The December 31 deadline specifically applies to relief requests that relate to the 2014 tax year, as well as any interest that accrued during the 2014 calendar year for tax owing on any previous tax year.

We can help

Even though you only have to file your personal income tax return once a year, taking tax planning steps throughout the year will help you save money at tax time. Your KPMG Tax Adviser can help you review your personal or business tax situation and help you decide which steps you can take before the year-end to help you with the taxes you'll pay for 2024.

Appendix

Combined Top Marginal Income Tax Rates for Individuals — 2024

	Interest and Regular Income	Capital Gains ¹	Eligible Dividends	Non-Eligible Dividends
British Columbia	53.50%	26.75/35.67 %	36.54%	48.89%
Alberta	48.00	24.00/32.00	34.31	42.30
Saskatchewan ²	47.50	23.75/31.67	29.64	41.34
Manitoba	50.40	25.20/33.60	37.79	46.67
Ontario	53.53	26.76/35.69	39.34	47.74
Quebec	53.31	26.65/35.54	40.11	48.70
New Brunswick	52.50	26.25/35.00	32.40	46.83
Nova Scotia	54.00	27.00/36.00	41.58	48.27
Prince Edward Island ³	51.75	25.88/34.50	36.20	47.63
Newfoundland and Labrador	54.80	27.40/36.53	46.20	48.96
Yukon	48.00	24.00/32.00	28.92	44.05
Northwest Territories	47.05	23.53/31.37	28.33	36.82
Nunavut	44.50	22.25/29.67	33.08	37.79

Notes

(1) The lifetime capital gains exemption limit for qualified farm property, qualified fishing property and qualified small business corporation shares increased to \$1,016,836 (from \$971,190) for 2024. The 2024 federal budget proposed to increase the lifetime capital gains exemption to \$1.25 million (from \$1,016,836) and would apply to dispositions that occur on or after June 25, 2024. The increased lifetime capital gains exemption is proposed to be indexed annually for inflation starting in 2026.

The 2024 federal budget proposed to increase the capital gains inclusion rate to 66.67% (from 50%) on capital gains realized annually above \$250,000 by individual taxpayers for gains realized on or after June 25, 2024. Quebec announced that it will harmonize its rules to also increase the capital gains inclusion rate to 66.67%.

The 2024 federal budget also proposed to introduce the Canadian Entrepreneurs' Incentive that will allow an individual taxpayer to use a 33.33% inclusion rate for the disposition of qualifying shares, subject to a lifetime limit of \$2 million in capital gains per individual that will be phased in by increments of \$400,000 per year beginning in 2025.

(2) Saskatchewan increased the province's DTC rate that applies to non-eligible dividends to 2.52% (from 2.11%) of taxable dividends, effective January 1, 2024.

(3) Prince Edward Island's top marginal personal tax rate on interest and regular income increased to 18.75% (from 16.7%), effective January 1, 2024. The province also eliminated its 10% surtax beginning in 2024.

kpmg.com/ca



[Contact Us](#) | [KPMG in Canada Privacy Policy](#) | [Legal](#)

Information is current to October 30, 2024. The information contained in this *TaxNewsFlash-Canada* is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.