

2024 Tax Rates

Now that we are approaching year end, it is a good time to look at your situation for the 2024 tax year. This will allow you to plan more effectively and, hopefully, save taxes in the future.

Tax Estimator: Many accounting firms offer on-line tools, such as: <https://www.eytaxcalculators.com/en/2024-personal-tax-calculator.html>

I recommend that even children working summer jobs should file a tax return to recover any taxes withheld, to receive government benefits, and to accumulate RRSP contribution room that can be carried forward into the future.

In Canada we work on a marginal tax system. The marginal tax rate is the rate of tax that income earners incur on each additional dollar of taxable income. Your taxable income is the total of all types of income received which can be reduced by any expenses and other deductions (such as RRSPs). As the marginal tax rate increases, the taxpayer ends up with less money per dollar earned.

It is important to note, however, that the different types of income are not all taxed at one rate but at varying rates as it moves across the rate schedule. The types of income and actual tax brackets are set out below.

Income: The tax paid on any employment income and interest earned is charged at your marginal tax rate. For earnings over \$253,414, you will pay \$53.53 of tax for every \$100 of income.

Eligible Dividends: At the highest tax bracket, eligible dividends are taxed at a rate of 39.34%. Therefore, receiving dividend income is significantly more attractive than receiving interest income. Dividends from Canadian public companies may reduce your taxes payable.

Capital Gains and Losses: In a taxable account (not a RRSP, RRIF, RESP or TFSA), a capital gain or loss is the difference between the purchase price and the sale proceeds of assets such as stocks, bonds, a business, real estate, etc. A taxable capital gain is 50% of the profit. An allowable capital loss is 50% of the decline in value and can be used to reduce or eliminate capital gains. As only half of the Capital Gains are taxable, less income tax is paid on income tax than on other income such as Interest or Dividends.

Registered Accounts: The use of Registered accounts continues to be among the best strategies to shelter or defer taxes. The 2024 contribution limits are as follows: RRSP \$31,560, FHSA \$8,000, TFSA \$7,000, RESP \$2,500. If you haven't been able to make full use of these plans in the past, the Contribution Room has been carried forward.

If you have any questions, please do not hesitate to contact me.

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