


TAX GUIDE

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FEDERAL TAX ESSENTIALS



Income	Rate	Tax
0 - 47,000	15%	7,050
47,000 - 95,000	20.5%	9,825
95,000 - 143,000	26%	12,680
143,000 - 191,000	29%	14,075
191,000 - 239,000	33%	16,167
239,000 - 287,000	35%	17,065
287,000 - 335,000	39%	18,945
335,000 - 383,000	41%	20,755
383,000 - 431,000	43%	22,565
431,000 - 479,000	45%	24,375
479,000 - 527,000	49%	26,185
527,000 - 575,000	53%	28,000
575,000 - 623,000	59%	29,815
623,000 - 671,000	63%	31,630
671,000 - 719,000	67%	33,445
719,000 - 767,000	71%	35,260
767,000 - 815,000	75%	37,075
815,000 - 863,000	79%	38,890
863,000 - 911,000	83%	40,705
911,000 - 959,000	87%	42,520
959,000 - 1,007,000	91%	44,335
1,007,000 - 1,055,000	95%	46,150
1,055,000 - 1,103,000	99%	47,965

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ESSENTIAL CREDITS

Category	Rate	Amount
Basic Personal Credit	9%	1,000
Spouse's Credit	9%	1,000
Home Owners' Credit	9%	1,000
Charitable Credit	9%	1,000
Medical Credit	9%	1,000

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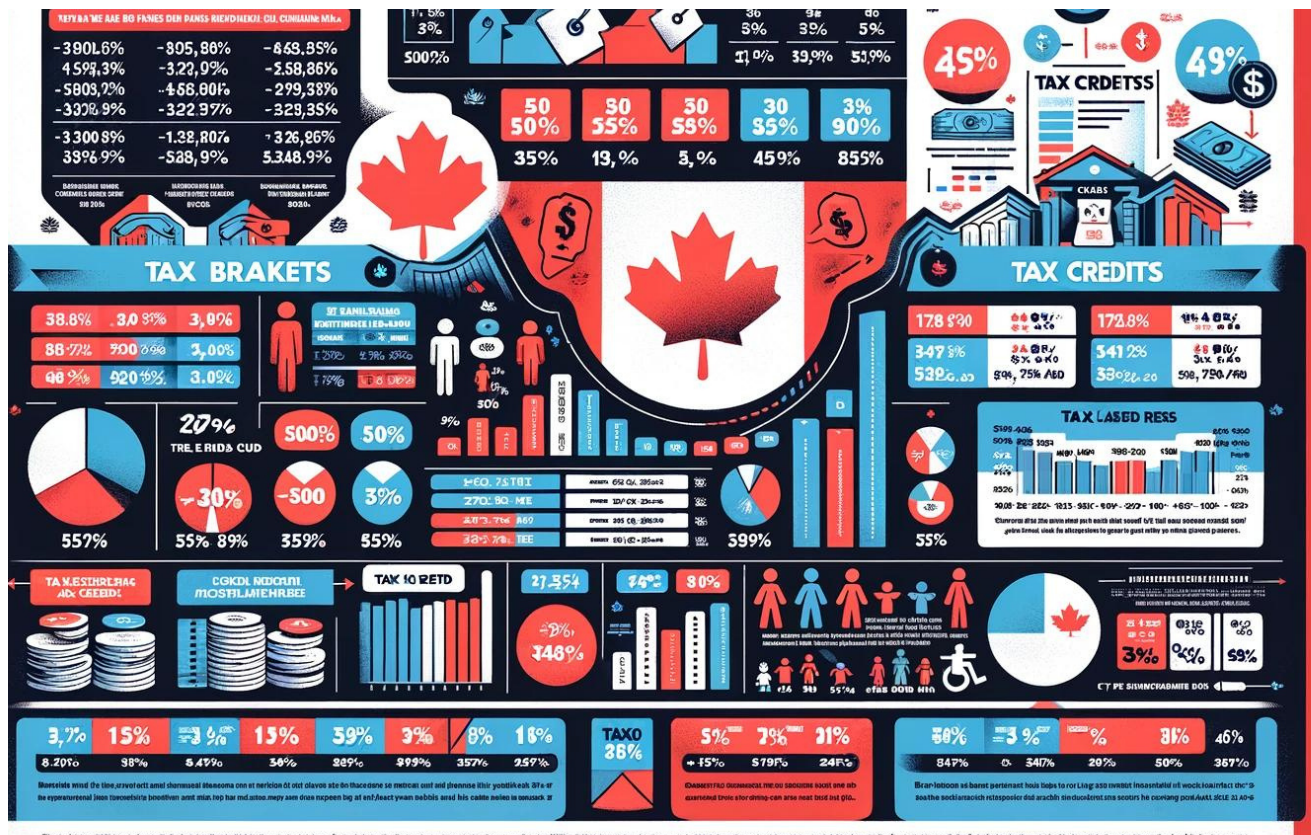
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FEDERAL TAX BRACKETS, RATES, AND CREDITS

It is again that time of the year when a lot of Canadian citizens get hassled while figuring out their tax returns. It is a popular belief that paying taxes is a complicated and tedious process. But when you have the right information and expertise, it can be a smooth ride. In this chapter we'll discuss all that you need to know about federal tax brackets in Canada, tax rates and credits. At the end of the chapter, you'll have clear information and it will make filing your return a lot easier.

Consolidated federal tax rates of 2022

- 15% on the first \$50,197 of taxable income
- 20.5% on taxable income between \$50,197 and \$100,392
- 26% on taxable income between \$100,392 and \$155,625
- 29% on taxable income between \$155,625 and \$221,708
- 33% on any taxable income over \$221,708



What are tax brackets?

Let's start with the basics and understand what are tax brackets before we proceed to understanding the tax bracket rates and credits in Canada.

The CRA establishes tax brackets as a method of determining your annual personal income tax liability. These brackets pertain to the range of personal income falling between predetermined lower and upper thresholds, commonly referred to as tax rates. To put it differently, a tax bracket designates the tax rate that is applicable to a specific income range.

These rates are relevant to your taxable income, encompassing your overall income from Line 15000, minus any eligible deductions you might have.

The amount of taxation you encounter is contingent upon your earnings. The greater your income, the higher your tax burden. This approach characterizes a progressive (or graduated) tax system, where individuals with lower incomes are subjected to lower tax rates in comparison to those with higher incomes.



How to identify your tax bracket in Canada?

The amount of tax you're obligated to pay hinges on both your residence within a province or territory and the cumulative income you report from various origins. Of significant note, your provincial tax rate corresponds to the province in which you reside on December 31 of the tax year. Hence, in a scenario where you relocate from Ontario to Nova Scotia in July and your residence remains in Nova Scotia as of December 31, you would then be subject to the provincial tax rates of Nova Scotia.

Key dates for tax deadlines

- **March 1, 2023:** The last day to contribute to an RRSP, PRPP, or SPP for the purpose of deducting against your 2022 income.
- **May 1, 2023 (extended from April 30, 2023, due to April 30 being a Sunday):** The final day for filing your tax return and settling your tax payment.
- **June 15, 2023:** An extended deadline for submitting your tax return if you or your spouse/common-law partner are self-employed (remember that payment must be made by April 30).

For those required to pay tax instalments, the due dates for payments are March 15, June 15, September 15, and December 15.

Understanding combined federal and provincial tax rates

Each province and territory in Canada establish its distinct tax brackets. Consequently, individuals in Canada are subject to paying income tax both to the federal government and to the government of the province or territory they call home.

The provincial tax rate applicable to you is ascertained based on your residence status on December 31 of the given tax year. For instance, suppose you relocate from Manitoba to Ontario during July, and your place of residence remains in Ontario by December 31. In that case, you would be subject to Ontario's provincial tax rates.



What are marginal tax rates?

A prevalent misunderstanding is that once your taxable income crosses into a higher tax bracket, the entirety of your earnings becomes subject to that escalated rate. However, the reality is that your income is segmented into distinct portions, each taxed according to the applicable rate.

In essence, even as you earn more and advance into the subsequent tax bracket, only the portion falling within that bracket encounters the higher tax rate. This concept is termed a "marginal tax rate," signifying the extra tax incurred for each additional dollar earned as income.

Tax brackets by province in Canada

As previously mentioned, your provincial income tax portion is influenced by your residence on December 31. Therefore, if you're considering relocating to a province with lower taxes, ensure you make the move before December 31.

- **Alberta**

- 10% up to \$142,292
- 12% between \$142,292 and \$170,751
- 13% between \$170,751 and \$227,668
- 14% between \$227,668 and \$341,502
- 15% on any taxable income exceeding \$341,502

- **British Columbia**

- 5.06% up to \$45,654 of taxable income
- 7.7% between \$45,654 and \$91,310
- 10.5% between \$91,310 and \$104,835
- 12.29% between \$104,835 and \$127,299
- 14.7% between \$127,299 and \$172,602
- 16.8% on any amount exceeding \$172,602 and \$240,716
- 20.5% on any taxable income exceeding \$240,716

- **Manitoba**

- 10.8% up to \$36,842 of taxable income
- 12.75% between \$36,842 and \$79,625
- 17.4% on any taxable income exceeding \$79,625

- **New Brunswick**

- 9.4% up to \$47,715 of taxable income
- 14% between \$47,715 and \$95,431
- 16% between \$95,431 and \$176,756
- 19.5% on any taxable income exceeding \$176,756

- **Newfoundland and Labrador**

- 8.7% up to \$41,457 of taxable income
- 14.5% between \$41,457 and \$82,913
- 15.8% between \$82,913 and \$148,027
- 17.8% between \$148,027 and \$207,239
- 19.8% between \$207,239 and \$264,750
- 20.8% between \$264,750 and \$529,500
- 21.3% between \$529,500 and \$1,059,000
- 21.8% on any taxable income exceeding \$1,059,000



- **Nova Scotia**

- 8.79% up to \$29,590 of taxable income
- 14.95% between \$29,590 and \$59,180
- 16.67% between \$59,180 and \$93,000
- 17.5% between \$93,000 and \$150,000
- 21% on any taxable income exceeding \$150,000

- **Ontario**

- 5.05% up to \$49,231 of taxable income
- 9.15% between \$49,231 and \$98,463
- 11.16% between \$98,463 and \$150,000
- 12.16% between \$150,000 and \$220,000
- 13.16% on any taxable income exceeding \$220,000

- **Prince Edward Island**

- 9.8% up to \$31,984 of taxable income
- 13.8% between \$31,984 and \$63,969
- 16.7% on any taxable income exceeding \$63,969

- **Quebec**

- 15% up to \$49,275 of taxable income
- 20% between \$49,275 and \$98,540
- 24% between \$98,540 and \$119,910
- 25.75% on any taxable income exceeding \$119,910

- **Saskatchewan**

- 10.5% up to \$49,720 of taxable income
- 12.5% between \$49,720 and \$142,058
- 14.5% on the amount over \$142,058

Importance of identifying your tax bracket

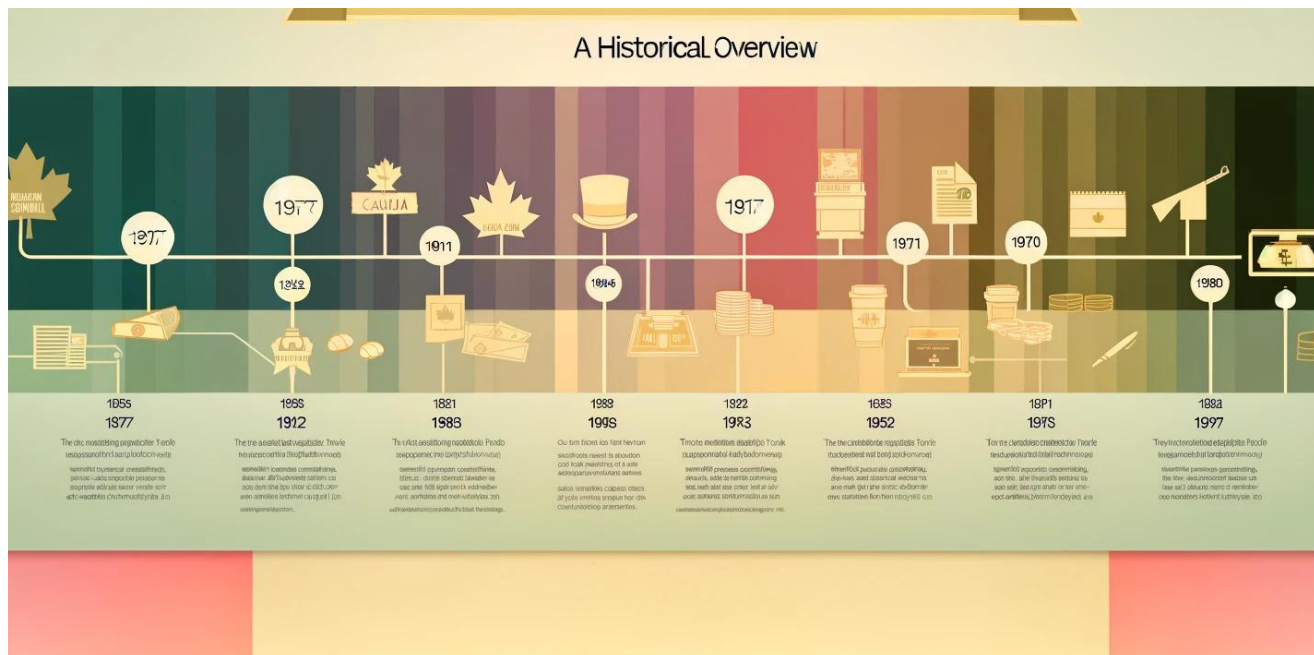
Understanding where your income lies within the tax brackets provides insight into shifts in your income tax situation. For instance, if you engage in a supplementary venture or acquire additional income that elevates you to the subsequent bracket, this can account for discrepancies in owed taxes or alterations in your refund compared to the previous year.

Moreover, the tax brackets into which you fit offer guidance in making informed choices regarding the timing and method of claiming specific deductions and credits. How do tax brackets work in Canada?

Your tax bracket corresponds to your "taxable income," which encompasses your total income from various sources, reduced by any eligible tax deductions you might qualify for. In simpler terms, it's your remaining income after accounting for all legitimate deductions.

Once you've established your taxable income, you'll then apply the applicable federal and provincial tax rates to it. The federal income tax should be calculated first, followed by the provincial rate. Combining the two will give you the total.

Your marginal tax rate denotes the collective federal and provincial income taxes you pay on all income sources when filing taxes. The rate varies based on the income you declare on your T1 General Income Tax Return (the form you complete at tax time with the captivating name) and your Canadian place of residence.



How to get yourself in a lower tax bracket?

Two of the most common ways of reducing your taxes are credits and deductions. Read on to know more about each –

- **Tax credits**

Tax credits in Canada are deductions from the total amount of income tax you owe to the government. They are designed to reduce your tax liability and provide a way to potentially lower your overall tax bill. Tax credits can be applied to various expenses, situations, or circumstances that the government deems worthy of encouragement or support. There are two main types of tax credits in Canada: refundable and non-refundable tax credits.

- **Non-Refundable Tax Credits:** These credits can reduce your tax liability to zero, but they won't result in a refund if they exceed the amount of tax you owe. In other words, they can only reduce your tax payable to zero, but any excess amount won't be refunded to you. Examples of non-refundable tax credits in Canada include the Basic Personal Amount, tuition and education amounts, medical expenses, charitable donations, and more.
- **Refundable Tax Credits:** Refundable tax credits, on the other hand, can lead to a tax refund if the credit exceeds the amount of tax you owe. If the total refundable credits are larger than your tax liability, you will receive the excess amount as a refund. The Working Income Tax Benefit and the Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit are examples of refundable tax credits in Canada.

Tax credits effectively reduce your taxable income, which can lead to significant savings on your tax bill. It's important to note that tax credits can vary based on personal circumstances, and they are subject to eligibility criteria and specific rules. To claim tax credits, you usually need to include them when you file your annual income tax return with the Canada Revenue Agency (CRA). It's advisable to consult with a tax professional or use tax preparation software to ensure you claim all eligible tax credits accurately.

- **Tax deductions**

Tax deductions in Canada are specific expenses or amounts that you can subtract from your total income, resulting in a reduction of your taxable income. The purpose of tax deductions is to lower the amount of income on which you're required to pay taxes. By lowering your taxable income, you ultimately decrease the amount of income subject to taxation, potentially reducing the total amount of income tax you owe to the government.



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