



Portfolio Strategy

In February, indices gave back some of the gains achieved in January as markets grapple with several risks and concerns at this point of the cycle. Continued geopolitical tension with Russia and China, a debt ceiling showdown coming in the U.S. (although expectations are for some type of agreement – as always – since a U.S. default seems an unlikely outcome), economic and earnings deceleration, and higher-for-longer inflation and interest rates.

A narrative took hold in late 2021/early 2022 whereby inflation would quickly come back down to 2-3% as supply chains normalized post COVID lockups. We are seeing this is not going to be a quick return to those levels as wage inflation and strong demand continues to push prices higher. However, we are seeing that inflation has peaked and that the trajectory is now generally on the way down. This view continues to be reinforced by survey data showing that household inflation expectations continue to come down both in Canada and the U.S. In the chart below, it shows that Canadian inflation peaked in early 2022 and has been trending lower since, which as we have said in the past is more important for the market than the overall level.

Canadian Annualized Inflation Rate – Trending in the Right Direction



Source: BMO Private Client Strategy, BMO Economics

Over the past several months, high quality equities have behaved well and there are continued signs of accumulation occurring in markets. As a result, we have been strategically reducing the short-term cash levels in our portfolios as we see an opportunity to take advantage of the market volatility. We added to existing positions in February including CN Rail, Illinois Tool Works, JP Morgan, Johnson Controls and Thomson Reuters. We also initiated a position in an international equity ETF. Our asset mix now is slightly overweight equity, underweight fixed income and continuing to hold a small amount of short-term.

[Completing your 2022 Income Tax Return](#)

As the tax filing deadline approaches, the attached document provides some reminders to help ensure you're prepared to file your personal income tax return, and that you maximize your tax savings. It's important that you have all required tax documents before you prepare your return, otherwise you will be required to file an amendment.

As always, should you have any questions please do not hesitate to contact us.

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Completing Your 2022 Income Tax Return Checklist

February 2023

As the tax filing deadline approaches¹, below are some reminders to help ensure you're prepared to file your personal income tax return, and that you maximize your tax savings. It's important that you have all required tax documents before you prepare your return, otherwise you will be required to file an amendment. In addition, you may want to have your 2021 tax return and the Canada Revenue Agency ("CRA") – and, if applicable, Revenu Québec – Notice of Assessment handy in case you need to refer to tax information from the previous year.

Tax Receipts

All individuals
<input type="checkbox"/> Salaried Income (T4/R1)
<input type="checkbox"/> Investment Income (T5/R3)
<input type="checkbox"/> Trust and Mutual Fund Income (T3/R16)
<input type="checkbox"/> Limited Partnership Income (T5013/R15)
<input type="checkbox"/> Trading Summary/Realized Gain/Loss Report
<input type="checkbox"/> RRSP Contribution Receipts – For contributions made during the 2022 calendar year, and during the first 60 days of 2023.
<input type="checkbox"/> RRSP Withdrawals (T4RSP/R2)
<input type="checkbox"/> RESP Withdrawal Receipts (T4A/R1)
<input type="checkbox"/> Foreign Securities Report
<input type="checkbox"/> Interest Expenses and Carrying Charges – Including Fee Letter(s) for any applicable management fees relating to fees for non-registered fee-based account(s).
<input type="checkbox"/> Charitable Donations – You can combine your charitable donations with your spouse (or common-law partner) and claim on one income tax return for maximum tax savings.
<input type="checkbox"/> Political Contributions
<input type="checkbox"/> Moving Expenses
<input type="checkbox"/> Medical Expenses
<input type="checkbox"/> Tuition Expenses (Form T2202A/R8)
<input type="checkbox"/> Child Care Expenses
<input type="checkbox"/> Home Office Expenses
<input type="checkbox"/> Employment-related Expenses (including Form T2200/TP-64.3)

Note: For Canadians who received Federal COVID-19 benefits in 2022, such as, the [Canada Recovery Benefit](#) ("CRB"), the [Canada Recovery Sickness Benefit](#) ("CRSB"), the [Canada Recovery Caregiving Benefit](#) ("CRCB"), and the [Canada Worker Lockdown Benefit](#) (CWLB), the CRA will be issuing a T4A slip by the end of February to report these amounts received, as they are taxable. Residents of Quebec will receive both a T4A and a RL-1 slip.

Tax Receipts cont.

Retirees

Registered Retirement Income Fund, Locked-in Retirement Income Fund, or Prescribed Retirement Income Fund Withdrawals (T4RIF/R2)

Old Age Security & Canadian Pension Plan Benefits (T4A-OAS, T4A-P, R2)

Other Pension/Annuity Income (T4A, R2)

Helpful Reminders and Tips

Individuals

If you realize capital losses in the same taxation year that a significant capital gain is triggered, the tax liability on the capital gain can be reduced. Also, any net capital losses can be carried forward indefinitely or carried back to offset net capital gains reported in the three previous taxation years.

Remember to report the sale of your principal residence, if applicable.

Employees

For employees who worked from home for much of the year, the CRA has again simplified the process to claim home office expenses for 2022, which will allow employees (with modest expenses) to deduct an amount of up to \$500 without the need to track detailed expenses. The allowable amount will be based on the amount of time spent working from home and will generally not require a signed form from employers. Employees who worked from home more than 50% of the time over a period of at least four consecutive weeks in 2022 due to COVID-19, will be eligible to claim a (temporary) flat rate deduction of \$2 for each day they worked at home in that period, plus any other days they worked from home in 2022 due to COVID-19, up to a maximum of \$500. Employees with larger claims for home office expenses can still choose to use the existing detailed method to calculate their home office expenses deduction. Revenu Québec announced that it will again parallel these Federal changes for Quebec provincial income tax purposes for 2022.

Business owners

Incorporated small business owners can use their lifetime Capital Gains Deduction to shelter up to \$913,630 (2022) of capital gains on the sale of shares of a qualifying small business corporation. The Capital Gains Deduction can only be claimed on an actual sale (or deemed disposition) of qualifying shares.

Retirees

Consider pension income-splitting to strategically lower family taxes by taking advantage of your spouse/common-law partner's lower marginal tax rate. Canadian residents receiving eligible pension income can transfer up to 50 per cent of this income to their spouse or common-law partner. A T1032 – Joint Election to Split Pension Income form (or Schedule Q for Quebec taxpayers) must be completed.

For more information on this topic, ask your BMO financial professional for a copy of the article, *Pension Income-splitting Provides Tax Planning Opportunities for Couples*.

Notable Changes for 2022 Tax Filing:

First-time home buyers' tax credit

The amount used to calculate the first-time home buyers' tax credit has increased to \$10,000 for a qualifying home purchased after December 31, 2021.

Home accessibility tax credit

The annual expense limit of the home accessibility tax credit has increased to \$20,000.

Labour mobility deduction for tradespeople

The labour mobility deduction provides eligible tradespeople and apprentices working in the construction industry with a deduction for certain temporary relocation expenses. Eligible individuals may be able to deduct up to \$4,000 in eligible expenses per year.

Underused Housing Tax

The new Underused Housing Tax ("UHT") is an annual 1% tax on the ownership of vacant or underused housing in Canada that took effect on January 1, 2022. The tax usually applies to non-resident, non-Canadian owners, however, it can also apply to Canadian owners in certain situations.

The UHT can impose an annual reporting requirement and, for some of these filers, a tax liability. The tax return for affected taxpayers, as well as the tax imposed, is due by April 30¹.

Please note that this checklist is not a comprehensive review of the subject matter, and it's important to consult a professional tax advisor for assistance in your particular situation.

For more information, please speak with your BMO financial professional.



¹ The April 30, 2023 deadline for filing your 2022 Canadian (or Quebec) personal income tax return (excluding self-employed individuals and their spouses or common-law partners) will be extended to Monday, May 1, 2023 (since April 30 falls on a Sunday). This is also the deadline for payment of any taxes owing to the CRA (or Revenu Québec) for 2022 for all individuals.

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