

Significant Changes to AMT

The alternative minimum tax increase applies January 1, 2024. The changes will negatively affect tax be paid on capital gains and employee stock options. The proposals will also have a significant impact on charitable donation planning (including flow through shares).

The following tables from the *Canadian Tax Journal* provides a great example of the potential effects:

<i>Calculation of regular income tax</i>	
Taxable capital gain on sale of private corporation shares	1,000,000
Interest income on a corporate bond, before deduction of interest and carrying charges.	60,000
Interest expense and carrying charges related to interest income on a corporate bond.	(50,000)
Taxable capital gain on donation of publicly listed security.	NIL
Employee stock option benefit inclusion, net of deduction	(50,000)
Taxable income	1,060,000
Federal tax payable	226,916

<i>Calculation of AMT under current and proposed rules</i>	<i>Current</i>	<i>Proposed</i>
Taxable capital gain on sale of private corporation shares	1,600,000	2,000,000
Interest income on a corporate bond, before deduction of interest and carrying charges.	60,000	60,000
Interest expense and carrying charges related to interest income on a corporate bond.	(50,000)	(25,000)
Taxable capital gain on donation of publicly listed security.	NIL	90,000
Employee stock option benefit inclusion, net of deduction	80,000	100,000
Adjusted taxable income	1,690,000	2,225,00
Less AMT exemption	(40,000)	(173,000)
Net adjusted taxable income	1,650,000	2,052,000
AMT Rate	15,0%	20,5%
AMT, before basic minimum tax credit	247,500	420,660
Less non-refundable tax credits	(101,065)	(50,532)
AMT amount	146,435	370,128
Less federal tax payable, as calculated above	(226,916)	(226,916)
AMT carryforward	NIL	143,212
Tax payable	226,916	370,128

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Chris Watt Bickley, Sonia Gandhim Dino Infanti and Bessy Triantafyllos, "Personal Tax Planning" (2023) 71:3 REVUE FISCALE CANADIENNE/ CANADIAN TAX JOURNAL 877-84, "Personal Tax Planning",