# INVESTMENT INCOME AND TAXES



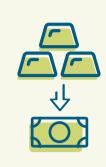
How much you pay in taxes on your investments depends on the type of income generated by your investments and your marginal income tax rate.

#### **Interest**

# **%**

Earned on GICs, bonds, money market funds

#### **Dividends**



Declared and paid on after tax profits on shares held in a public company

## Capital gains



Profits on an investment sold over its original cost plus expenses

## **Registered** investments



Tax sheltering on RRSP and RRIF while inside the plan

## Tax free savings accounts



Tax sheltering on growth while inside the plan

#### **Tax Treatment**

Fully taxed as earned at same rate as ordinary income

on Canadian dividends subject to gross up and dividend tax credit No gross up or tax credit on foreign

dividends

**Preferential** 

tax treatment

Preferential tax treatment with only 50% of gain being taxable under current legislation Fully taxed on withdrawals and periodic payments as ordinary income No tax on lump sum withdrawals or periodic payments

## Example of taxes payable on \$10,000 of each type of investment income (assuming taxable income of \$125,000 in ON in 2023)

\$4,341

Canadian dividend: \$2,538 Foreign dividend: \$4,341 – foreign taxes paid \$2,170

\$4,341

0

### Net Income (\$10,000 minus taxes above)

\$5,659

Cdn Div: \$7,462 Foreign dividend: \$5,659 \$7,830

\$5,659

\$10,000

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