

# 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	Dividends	Capital gains	Registered investments	Tax free savings accounts
Earned on GICs, bonds, money market funds	Declared and paid on after tax profits on shares held in a public company	Profits on an investment sold over its original cost plus expenses	Tax sheltering on RRSP and RRIF while inside the plan	Tax sheltering on growth while inside the plan
Tax Treatment				
Fully taxed as earned at same rate as ordinary income	Preferential tax treatment on Canadian dividends subject to gross up and dividend tax credit  No gross up or tax credit on foreign dividends	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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