Lifetime capital gains exemption: Extract nearly $1 million tax free in 2023

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Background

In 2023, business owners with adult children can extract $971,190 of corporate retained earnings tax-free using their lifetime capital gains exemption. This opportunity was created with the introduction of Bill C-208 but will be significantly restricted beginning in 2024.

Key requirements

Who qualifies for a lifetime capital gains exemption?

- Own an active business either in a corporation or as a sole proprietor.
- Want to extract up to $971,190 in cash tax-free (per shareholder).
- Have a child who is or will be 18 years or older in 2023 who can participate in the process. Adult child must be included as part of the steps.
- Have not used all of their capital gains exemption (generally available to permit owners of corporations that operate an active business in Canada selling shares of their corporation to receive part of the proceeds tax-free).

This process is simple and easy to implement and does not require than an individual gives up control. This can be implemented at a low cost, either alone or as part of an estate freeze or other tax planning.

Conclusion

Utilizing your capital gains exemption this year is a great opportunity to extract capital tax-free from your business. If you are a business owner looking for tax planning

information and may be looking to take advantage of your capital gains exemption, please reach out to any of the key contacts below.

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