2016 Federal Budget Special Report

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Knowledge Bureau Reporters:

Evelyn Jacks, President, DFA – Tax Services Specialist, MFA

Walter Harder, DFA – Tax Services Specialist

Editorial Team:

Evelyn Jacks

Al Gordon

Jordan Brugger

Michelle Clarke

Woj Schab

2016 FEDERAL BUDGET OVERVIEW:

Investors Breathe A Small Sigh Of Relief, but Losers Include Mutual Fund Holders, Small Businesses, Charities and Certain Families

Highlights in this Special Budget Report include submissions by Walter Harder, DFA-Tax Service Specialist and Evelyn Jacks, MFA.

BUDGET BY THE NUMBERS – 2015-16 to 2020-21

- Income tax revenues are projected to increase by $6.9 billion or 5.1% to $142.7 billion in 2015-2016
- By 2020-2021 that number will be $177 billion, indicating a slower average annual growth rate of 4.4%
- Corporate tax revenues are expected to decline in 2017 rebounding to their 2014 level by the end of 2018. Oil prices have been the main culprit, and with loss carry back provisions available corporate tax revenues will grow in the period by only 2.8%.
- GST revenues will post a higher growth rate of 5.6% in 2015-16 but slow to 3.8% in the remainder of the period

The good news is that the much rumored increase to the capital gains inclusions rate did not come to fruition in this budget, and the anticipated changes to stock option benefits have been deferred for now. But, if you've invested in corporate class mutual funds, you 'll want to do any switching between funds on a tax free basis now until September as that special tax free treatment will disappear.

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Charities will also wince at the cancellation of a provision expected to begin in 2017, introduced in the last Budget. That is, the donation of sales tax proceeds from a qualifying private corporate or real estate dispositions will no longer qualify for a capital gains exemption if proceeds are donated to charity.

Families will be happy with the introduction of a more generous **Canada Child Benefit**, which is a refundable credit based on family net income. Specifically, the new Canada Child Benefit provides a maximum benefit of $6400 per child under age of 6 and $5400 per child age 6 to 17. The clawback zones are what we need to watch:

	Family Net Income		
Number of Children	**Under $30,000**	**$30,000 to $65,000**	**Over $65,000**
1	0%	7.0%	$2,450 + 3.2%
2	0%	13.5%	$4,725 + 5.7%
3	0%	19.0%	$6,650 + 8.0%
4+	0%	23.0%	$8,050 + 9.5%

This provision is based on 2015 family net income, which is determined on the tax return (2015) currently being filed. Therefore, RRSP planning for families is extremely important as clawback zones can bring marginal tax rates over 50% for taxpayers with income under $65,000.

Foreign born individuals who are Indians and not Canadian citizens and permanent residents under the *Immigration and Refugee Protection Act* may legally reside in Canada and receive the CCB. A new limitation is being introduced with regard to eligibility for retroactive payments. Currently individuals may apply for CCTB and UCCB as far back as to introduction of programs; income-tax based credits however, are limited to a 10-year limitation. Retroactive application of UCCB and CTB will align after 2016, to the 10-year limitation.

Unfortunately, there is no non-refundable tax credit for minor children for those who do not qualify for the income-tested benefits. This was removed when the previous government introduced the Universal Child Care Benefit enhancements and the Family Tax Cut.

Other **non-refundable tax credits will be removed as well: the education/textbook amounts will disappear, as will the refundable children's fitness credit.**

The balance of the tax provisions appear below, together scenarios for families and a review of economic forecasts in the period.

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Northern Residents Deductions:

Effective the 2016 tax year

The Northern Residence Deduction will be increased as follows:

- Residency deduction – each member of the household can currently claim $8.25 per day. Starting in 2016 this rises to $11.00 per day
- Double deduction for sole claimant: If no one else in the household makes the claim, $22.00 per day may be claimed.
- Intermediate zones: half that amount - $5.50 and $11.00 respectively

Teacher and Early Childhood Educator School Supply Tax Credit

Effective 2016 tax year

Claim a 15% refundable tax credit on amounts up to $1,000 in expenditures made by employed teachers for eligible supplies. Employers must certify that supplies were purchased for teaching or learning enhancement environments and receipts are required. Eligible educators are those who hold a valid teacher's certificate or early childhood education certificate or diploma.

Eligible supplies include games, puzzles, supplementary books, software, containers, construction paper, items for science experiments (vinegar, seeds, stir sticks) art supplies and stationery items.

Ontario Electricity Support Program

Effective 2016

Amounts received from this program will not affect income-tested benefits from the federal government.

Mineral Exploration Tax Credit for Flow-Through Share Investors

Extended to flow through agreements entered into on or before March 31, 2017. This is a benefit extended to individuals who invest in mining flow-through shares, equal to 15% of specified mineral exploration expenses incurred in Canada.

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Education and Textbook Tax Credits

Effective January 1, 2017

The education and textbook amount will be eliminated starting in the 2017 tax year. However, the tuition tax credit will continue to provide a 15% non-refundable tax credit on eligible fees for tuition and eligible examination fees paid to qualifying educational institutions. Unused amounts can be transferred to qualified supporting individuals. The exemptions that rely on these eliminated credits, such as the scholarship, fellowship and bursary income exemption, will be modified to be unaffected by these changes. Unused education and textbook credit amounts carried forward will continue to be available for future years.

Children's Fitness and Arts Tax Credits

Effective 2016 and 2017 Tax Year

These tax credits will be phased out starting in the 2016 year. The refundable child fitness amount will remain for 2016 but be reduced to a maximum of $500 from the current $1,000 maximum. The children's arts tax credit maximum claim will be reduced to $250 from $500 – this credit is however non-refundable. Both will be eliminated in 2017. The supplemental claim for disabled children will remain at $500 in both cases for 2016.

Labour- Sponsored Venture Capital Corporations Tax Credit

Effective 2016 and subsequent years

In support of province that use LSVCC tax credits, the federal LSVCC tax credit will be restored to will be 15% for share purchases of provincially registered LSVCCs. These must be sponsored by an eligible labour body and invest and maintain a minimum of 60% of its shareholder equity in eligible investments generally in small and medium sized enterprises.

For 2016 the federally registered LSVCC will remain at 5% and be phased out for 2017.

Taxation of Switch Fund Shares

After September 2016

The ability to switch shares of one class of mutual fund corporation for another will no longer be deemed tax free for dispositions of share that occur after September 2016. This means that transfers between corporate class funds within the corporate class structure will be treated like transfers between any other types of mutual funds.

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Sales of Linked Notes

After September 2016

A linked note is a debt obligation linked to the performance of one more reference assets or indexes over the term of the obligation. This includes principal protected notes and principal-at-risk notes. The returns of a linked note will retain the same character whether it is earned at maturity or reflected in a secondary market sale after September 2016.

A deeming rule will be applied relating to accrued interest on sales of these debt obligations. It will treat capital gains realized on the sale of a linked note as interest that accrued on the debt obligation. If the linked note is denominated in foreign currency, fluctuations will be ignored for the purposes of calculating these gains. There is an exception where a portion of the returns is based on a fixed rate of interest. Here any portion of the gain reasonably attributable to market interest rate fluctuations will be excluded.

BUSINESS TAX MEASURES

Incorporation Costs to be Deductible

Effective January 1, 2017

The first $3,000 of incorporation costs will be deductible as a current expense rather than being added to a new CCA class for eligible capital property as described below.

Eligible Capital Property

Effective January 1, 2017

A new class of depreciable property for CCA purposes will replace the current ECP system. Expenditures that are currently added to the Cumulative Eligible Capital account at 75% will be added at 100% with an annual 5% depreciation rate (instead of 7% of 75% of costs and a 7% amortization rate). Existing recapture, capital gains rules and the half year depreciation rules will apply.

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Special rules will apply for goodwill. According to the Budget, every business will be considered to have goodwill even if there was no expenditure for it. An expense that does not relate to specific property will increase that capital cost of this class. Transitional rules will apply. Small balances of eligible capital property carried over to the new classes will be allowed to be deducted more quickly. Specifically, on expenditures incurred before 2017, the greater of $500 per year and the amount otherwise deductible for that year will be allowed. For existing properties, the amortization rate will be 7% until the property is disposed or until the last taxation year ending before 2027.

Donation of Real Estate and Shares of Private Corporations - Cancelled

High net worth families will be not be able to take advantage of a generous provision introduced in Budget 2015 pertaining to the donation of certain dispositions of private corporation shares or real estate to charity. Starting in 2017, cash proceeds from the disposition of these assets within 30 days of sale to a qualified donee were to be exempt from tax. This measure has been cancelled.

Small Business Tax Rate

Effective 2017

The Budget will retain the small tax rate at 10.5 after 2016. The rate reductions to 9% announced by the former government will not occur. In discussing the issue with Finance Canada resources, the reductions slated to take the rate down to 9% by 2019 will be deferred. The current gross up factors to non-eligible dividends (dividends distributed from corporate income taxed at the small business rate) will be maintained at 17% and the corresponding Dividend Tax Credit will be 21/29 of the gross up which is 10.5% of the taxable (grossed-up) amount or 12.3% of the actual dividend.

Other Technical Measures for Small Business

Multiplication of the Small Business Deduction

On or after budget day

The Budget will immediately preclude the multiplication of access to this deduction for certain partnerships and corporate structures.

Specifically, the multiplication of small business deductions in a partnership of corporations not associated with one another is prohibited. In these cases, there is one small business limit allowed to the partnership. These rules have been circumvented by planning arrangements in which the shareholder of a CCPC is a member of a partnership and that partnership pays the CCPC as an independent contractor. These types of arrangements will be curtailed.

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Avoidance of the Business Limit and the Taxable Capital Limit

The associated corporation rules apply the $500,000 business limit and the $15 million taxable capital limit to CCPC (Canadian Controlled Private Corporations). Under section 256(2) there is a special rule under which two corporations not otherwise associated will be treated as if they were associated, if they are each associated with the same third corporation. Their small business limit will be affected if the taxable capital limit of all the corporations exceeds $15 million. An exception to that rule exists to allow the two corporations not to be treated as associated for the purposes of the small business deduction if the third corporation is not a CCPC or elects not to be associated with the other two. In such cases, the third corporation could still pay investment income such as rentals, interest and dividend income, and have that income taxed as active business income. That income will now be taxed at general corporate income tax rates. In addition, the third corporation will be associated with each of the other corporations for the purposes of applying the $15 million taxable capital limit.

Consultation on Active vs. Investment business

The Budget will not propose any modifications to the active business income rules at this time. Active business income does not include income from a "specified investment business" which principally earns income from property (interest, dividends, rents, and/or royalties)

It's important to note that under current rules and now, for the foreseeable future, the number of employees of a business carried on by a CCPC is not relevant in determining the eligibility for the small business deduction, unless the principal purpose of the business is to earn in come from property. Even if those cases, the CCPC may still qualify if the business has more than five full-time employees.

Back-to-Back Loans: Shareholder Loans

Budget Day

Where a shareholder is a non-resident, income inclusions due to the failure to repay shareholder loans within one year are considered to be deemed dividends subject to a withholding tax. This can be avoided by interposing a non-connected third party shareholder. This will be curtailed as of Budget day by applying existing rules on back-to-back loans to debts owing to Canadian resident corporations.

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Life Insurance Policy Distributions

The portion of policy benefits received in excess of adjusted cost basis may be added to the capital dividend account of a corporation or to the adjusted cost base of a partnership's interest in a partnership. Under some structures, an artificial increase in the CDA balance may occur to allow income tax to be avoided on dividends payable by a private corporation or on gains from the disposition of a partnership interest.

The CDA rules for private corporations and the adjusted cost base rules for partnership interest will be amended to provide that the insurance benefit limit applies whether or not the corporation or the partnership that receives the policy benefit is a policyholder. New reporting requirements will be required if the corporation or partnership is entitled to a policy benefit.

Transfers of Life Insurance Policies

On or After Budget Day

Under current rules, where a policy holder disposes of an interest in a life insurance policy to an arm's length person, the FMV (Fair Market Value) of any consideration is included in computing the proceeds of disposition. If the disposition is to a non-arm's length person, a policy transfer rule deems the policyholder's proceeds of disposition and the acquiring person's ACB (Adjusted Cost Base) to be the interest's surrender value. This is also known as the "Policy Transfer Rule".

To ensure that amounts are not received tax-free as a result of a disposition of an interest in a life insurance policy, both by shareholders of a corporation and the private corporation itself, the rules will be amended to apply the FMV of any consideration given for an interest in a life insurance policy in the policyholder's proceeds of disposition and the acquiring person's cost.

Also, there will be a limit imposed on any increase in paid up capital of a class of shares and the ACB of the shares or interest in the partnership equal to the amount of the proceeds of disposition, if a disposition arises on a contribution of capital to a corporation or partnership.

Finally, regarding the excess of the proceeds of the disposition determined under the Policy Transfer Rule, the amount of policy benefit otherwise permitted to be added to a corporation's CDA or the ACB of an interest in a partnership will be reduced by the amount of the excess.

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IN OTHER NEWS

Top Marginal Income Tax Rate – Consequential Amendments

The following provisions will reflect the 33% top marginal tax rates

- Charitable donations tax credit for donations made after 2015 (individuals and trusts to the extent that their income is taxed at 33%)
- Excess employee profit sharing plan contributions
- Personal services business income earned by corporations
- Other changes include capital gains refund mechanism for mutual fund trusts

GST Relief – **Insulin Pens and pen needles** will be added to the list of zero-rated drugs as of Budget Day. Also **intermittent urinary catheters** have made the list if supplied on a written order of a medical doctor, registered nurse, occupational therapist or physiotherapist.

Purely Cosmetic Procedures provided by all suppliers including registered charities will continue to be subject to GST/HST. However, reconstruction due to congenital abnormalities or personal injuries resulting from an accident or trauma or a disfiguring disease continue to be exempt. Exempt also are cosmetic procedures paid for by a provincial health insurance plan.

Grand-parented Housing Sales. Where a province either joined the HST system since 2010 or increased its HST rate, sales of some newly constructed or substantially renovated homes were grand-parented for HST purposes, meaning they were exempted from the new tax. Reporting rules for builders will now be simplified by limiting reporting requirements to sales equal to or greater than $450,000 and by providing an opportunity to correct past reporting errors and omissions with an election to report all past grand-parented sales in this value zone. This will apply for supplies payable on or after July 1, 2010. The election must be made between May 1, 2016 and December 31, 2016.

GST and Charities. Where property or services are supplied in exchange for recognition of a donation to charity there are split receipting rules. The charity may issue a donation receipt for the amount paid by the donor less the value of property or services the donor receives. In this case, GST/HST will apply only to the property or services supplied, unless the goods are already exempt.

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Economic Quick Tips: New Measures in the March 22, 2016 Budget

THE CANADA CHILD BENEFIT: HOW WILL IT AFFECT YOU?

By Evelyn Jacks

The changes the Liberal government has introduced for families has varying results, depending on family net income, how many children the family has, and whether they are under 6 or between 6 and 17. However, the key learnings are that while middle class families are generously rewarded with the combination of tax rate reductions and enhanced refundable tax credits, their marginal tax rates increase significantly as incomes reach the middle of the middle class range: almost **50%** for income levels between $40,000 and $65,000. **This makes RRSP planning a must for those families in order to reduce family net income below the $65,000 threshold.**

Let's look now at the effects of the changes on a low income family; in this case net family income is $30,000 and there are three little children in the family – each under 6:

Effects of the New Canada Child Benefit on Low-income Families

Scenario: Ontario family has three children under 6 and family net income of $30,000

	Both work ($15K each)			One Works ($30K)		
	Old Rules	New Rules	Difference	Old Rules	New Rules	Difference
Earned Income	$30,000	$30,000	$0	$30,000	$30,000	$0
- Federal Tax	1,318	454	+864	1,466	602	+864
- Provincial Tax	0	0	0	0	0	0
= Net After Tax	$28,682	$29,546	+$864	$28,534	$29,398	+$864
+ UCCB	5,760	0	-5,760	5,760	0	-5,760
+ CTB	9,656	19,200	+9,544	9,656	19,200	+9,544
+ GSTC	987	987	0	987	987	0
+ Prov CTB	3,324	3,324	0	3,324	3,324	0
= Total Income	$48,409	$53,057	+$4,648	$48,261	$52,909	+$4,648
Monthly Income	$4,034	$4,421	+$387	$4,022	$4,409	+$387

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Conclusions:

- Under the new rules a low-income family with three children will be better off by almost $400 per month.
- **This family has after-tax income of $4409 per month.**
- Whether single-earner or two working spouses makes little difference.
- The tax system added 75% to earned income under the new rules with one earner.

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Higher Income Earners

Scenario: Ontario family has three children under 6 and various family net income. But in this case one spouse is working.

Table 1: Old Rules

Income	Income Tax	UCCB	CTB	GSTC	After Tax	%
$30,000	$1,466	$5,760	$9,656	$987	$44,937	150%
$40,000	3,406	5,760	6,140	652	$49,146	123%
$50,000	6,101	5,760	4,385	152	$54,196	108%
$60,000	9,165	5,760	3,985	0	$60,580	101%
$70,000	12,280	5,760	3,585	0	$67,065	96%
$80,000	15,549	5,760	3,185	0	$73,396	92%
$90,000	19,014	5,760	2,785	0	$79,531	88%
$100,000	23,268	5,760	2,385	0	$84,877	85%
$110,000	27,609	5,760	1,985	0	$90,136	82%
$120,000	31,949	5,760	1,585	0	$95,396	79%
$130,000	36,291	5,760	1,185	0	$100,654	77%
$140,000	40,632	5,760	785	0	$105,913	76%
$150,000	45,261	5,760	385	0	$110,884	74%
$160,000	50,058	5,760	0	0	$115,702	72%

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Table 2: New Rules

Income	Income Tax	UCCB	CTB	GSTC	After Tax	%	Difference	% Diff	MTR
$30,000	$602	$0	$19,200	$987	$49,585	165%	$4,648	15%	15%
$40,000	3,406	0	$17,300	652	$54,546	136%	$5,400	14%	43.15%
$50,000	6,030	0	$15,400	152	$59,522	119%	$5,326	11%	48.65%
$60,000	8,944	0	$13,500	0	$64,556	108%	$3,976	7%	48.65%
$70,000	11,909	0	$12,150	0	$70,241	100%	$3,176	5%	37.15%
$80,000	15,028	0	$11,350	0	$76,322	95%	$2,926	4%	39.48%
$90,000	18,343	0	$10,550	0	$82,207	91%	$2,676	3%	45.91%
$100,000	22,588	0	$9,750	0	$87,162	87%	$2,285	2%	51.41%
$110,000	26,929	0	$8,950	0	$92,021	84%	$1,885	2%	51.41%
$120,000	31,370	0	$8,150	0	$96,780	81%	$1,384	1%	51.41%
$130,000	35,611	0	$7,350	0	$101,739	78%	$1,085	1%	51.41%
$140,000	39,952	0	$6,550	0	$106,598	76%	$685	0%	51.41%
$150,000	44,582	0	$5,750	0	$111,168	74%	$284	0%	55.97%
$160,000	49,379	0	$4,950	0	$115,571	72%	-$131	0%	55.97%

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Conclusions:

- 3-child families will be better off if they earn under $160K
- Benefits as a percent of income are highest at lowest income levels
- Absolute benefits are highest at lowest income levels
- **Family does not actually start paying taxes 'til income exceeds $70,000**
- The new Canada child benefit is available at higher income levels than the old system (exclusive of UCCB which was reduced by income)
- Marginal tax rates are **over 50% for income levels exceed $100,000**

Single Child Families

In the following scenarios, we take a look at the results under old and new rules that focus on the removal of the Universal Child Care Benefit (UCCB) in favour of the Canada child Benefit and the net results for families at $30,000, $60,000 and $120,000. In this case, there is only one child.

Family Income	One child	Old Rules				New Rules				Difference
		Income Tax	CTB	UCCB	Net	Income Tax	CCB	UCCB	Net	
$30,000	**<6**	$1,466	$3,354	$1,920	$33,808	$602	$6,400	$ -	$35,798	$1,990
$30,000	**>5**	$1,466	$3,354	$720	$32,608	$602	$5,400	$ -	$34,798	$2,190
$60,000	**<6**	$9,506	$1,195	$1,920	$53,609	$ 8,944	$ 4,300	$ -	$ 55,356	$1,747
$60,000	**>5**	$9,273	$1,195	$720	$52,409	$ 8,944	$ 3,300	$ -	$ 54,356	$1,947
$120,000	**<6**	$32,322	$0	$1,920	$89,598	$ 31,270	$ 2,190	$ -	$ 90,920	$1,322
$120,000	**>5**	$32,058	$0	$720	$88,398	$ 31,270	$ 1,190	$ -	$ 89,920	$1,522

Of note is the fact that single-child families are better off with one child under the new rules at either age and across large income ranges.

Income Cut Offs

The following table shows the income level at which the Canada child Benefit will be eliminated for various families. The full benefit is only received up to family net income of $30,000 but the benefit is available over a surprisingly large income range.

Ages of Children	Income Cut-Off
1 child under 6	$188,437
1 child over 6	$157,187
2 children, both under 6	$206,667
2 children, one under 6	$189,123
2 children, both over 5	$171,579
3 children all under 6	$221,875
3 children, two under 6	$209,375
3 children, one under 6	$196,875
3 children, all over 5	$184,375
4 children, all under 6	$249,737
4 children, three under 6	$239,211
4 children, two under 6	$228,684
4 children, one under 6	$218,158
4 children, all over 5	$207,631

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SENIORS AND INVESTORS – WATCH CLAWBACK ZONES CAREFULLY

By Evelyn Jacks

It's reasonably common knowledge that higher wealth accumulators in Canada will want to do some extra planning to avoid the 33% high federal income tax rate applicable to the terminal return of the last surviving spouse. This is generally accomplished by averaging in their taxable pension amounts throughout retirement, if possible.

However, a sharp eye on marginal tax rates is important in this activity, because clawbacks of the Age Amount and Old Age Security can make income averaging opportunities precipitous.

In fact, when you ask the question, who pays the highest marginal tax rates in Canada, you might be surprised to know it's not those whose income exceeds $200,000. The answer depends on the type of income sources. But it also depends on whether the taxpayer is subject to a clawback of social benefits and credits.

Let's see how clawbacks affect seniors and investors in 2016 under various scenarios.

In the first, seniors are subject to clawbacks of the age amount, the GST/HST Credit and the Old Age Security at various income levels. (We have looked at incomes over $30,000 which ignores those who qualify for the Guaranteed Income Supplement (GIC), which is clawed back at rates of 50% as income rises)

	Current Clawback Rules	
Income	MTR (tax)	MTR with clawbacks
$30,000	20.05%	20.05%
$40,000	20.05%	40.10%
$50,000	29.65%	51.15%
$60,000	29.65%	51.15%
$70,000	29.65%	51.15%
$80,000	31.48%	72.48%
$90,000	37.91%	58.41%
$100,000	43.41%	63.91%
$110,000	43.41%	63.91%
$120,000	43.41%	43.41%
$130,000	43.41%	43.41%
$140,000	43.41%	43.41%
$150,000	46.41%	46.41%
$160,000	47.97%	47.97%
$170,000	47.97%	47.97%
$180,000	47.97%	47.97%
$190,000	47.97%	47.97%
$200,000	47.97%	47.97%
$210,000	51.97%	51.97%
$220,000	51.97%	51.97%
$220,000+	53.53%	53.53%

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Scenario: Ontario senior couple, one with eligible pension income spouse has no income.

Clawbacks of social benefits and credits occur as income rise. Red ranges in the table are subject to clawback of the Age Amount. Highlighted income ranges are subject to clawback of OAS.

A typical relief is to reduce net income with an RRSP contribution, if the taxpayer is age eligible and if there is contribution room.

That's important. Given the prohibitive marginal tax rates, RRSP contribution opportunities form part of the overall retirement income planning pre-retirees do. So do subsequent re-investments of after-tax remainders into Tax Free Savings Accounts.

But remember, what goes into an RRSP must come back out. Once the taxpayer is in the OAS clawback zone, deferrals using RRSP contributions will only be of benefit if the taxpayer will not be in that same clawback zone when they are required to withdraw from their RRIF.

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Budget 2015 What Previously Announced Tax Provisions are Left?

By Evelyn Jacks

If you are confused the numerous family tax changes over the past couple of years, you are probably not alone. Here are some tips on the tax preferences you enjoyed in 2015 that didn't make the cut in the latest Federal Budget on March 22, 2016. They include:

UCCB - Universal Child Care Benefit. This benefit rose to $160/month for children under age 6, and a new benefit of $60/month for children 6-17 was introduced in 2015. However, that's now been replaced by the new Canada Child Benefit, which will begin in July of 2016. On your 2016 tax return, (that's the one you'll file next year), the UCCB will appear for the last time, to account for payment receipts from January 1 to June 30, 2016.

The Non Refundable CTC - Child Tax Credit for minor children was eliminated on the 2015 tax return. Many taxpayers have been looking for it, but the only non-refundable amount for minor children on line 367 occurs if the child is infirm and qualifies for the Family Caregiver Amount. The budget made no changes to the status quo in 2015

The Child Care Expense Deduction maximum claim increased by $1,000 to $8,000 per child under age 7, and to $5,000 for each child aged 7 to 16 as well as infirm dependent children over age 16 in 2015, and to $11,000 for children who are eligible for the Disability Tax Credit. This will be claimed on your 2015 tax return and will continue into 2016 and the foreseeable future.

Family Tax Cut Credit. It's gone for 2016 forward. Make sure you optimize it in the 2014 and 2015 returns. But, don't forget that the pension income splitting provision is still with us for those who receive periodic pension income receipts in retirement.

Children's Fitness Tax Credit. This doubled to $1,000 in 2014, and is a refundable credit as of 2015. Eligible parents can claim 15% of expenses for qualifying activities to a maximum of $1000. This credit will be cut in half to a maximum of 15% of $500 in 2016 and be eliminated for 2017 and future years.

Children's Arts Amount. The federal credit will be halved in 2016 and eliminated in 2017. Remember that this is a non-refundable credit, so it doesn't help those who don't pay federal taxes.

Family Caregiver Relief Benefit and Critical Injury Benefits are now non-taxable to Veterans, as per March 2015 announcements. These provisions remain intact.

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Now History however. . .

Donations of Proceeds from the Sale of Private Corporation Shares or Real Estate. The 2015 budget announced that starting in the 2017 tax year, an exemption of the capital gains taxes would have been allowed as well as a charitable donation tax credit to individual donors (with a deduction available to corporate donors) when shares of a private corporation or real estate were sold and proceeds donated to qualified donees within 30 days of the disposition. Unfortunately, this provision was completely cancelled in the 2016 budget.

Evelyn Jacks is President of Knowledge Bureau and author of 52 books on personal tax preparation and family wealth planning. Her latest is *Family Tax Essentials: How to Build a Wealth Purpose with a Tax Strategy available at www.knowledgebureau.com.*

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Founded by award-winning financial educator Evelyn Jacks, Knowledge Bureau provides relevant and practical knowledge and skills through continuing professional development in the area of tax, investment, retirement, estate and business planning services. Over 100,000 courses have been taken by thousands of students across Canada since inception in 2003.

A national post-secondary educational institution, Knowledge Bureau offers comprehensive, certificate courses leading to the prestigious MFA™ (Master Financial Advisor) and Distinguished Financial Advisor™ designations. These courses are available online, through instructor-led workshops and the Distinguished Advisor Conference (DAC), or a combination of blended learning options. These programs are also recognized broadly for CE/CPD accreditation by most regulators and professional associations in the tax, bookkeeping, accounting and financial services industries.

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