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2016 Budgets Measures That May Affect You Personally

It is possible that, with a few exceptions, 2016 is the year of the deficit. With a new incoming government comes major change. The federal government devoted a large portion of the Budget to undoing the previous government's tax measures. Each province has introduced different measures that reflect each government's priorities and policies. Some are lowering the tax burden while others are bringing forth new charges to increase revenues. At the time of writing, the federal government and all of the provinces and territories (except Manitoba and Saskatchewan) have presented their Budgets. Personal tax changes that may be pertinent to you are summarized below.

Federal

Personal Tax Rate Changes

- Although announced prior to the 2016 federal Budget, individuals earning income in excess of \$200,000 are subject to a new high tax bracket. Income exceeding \$200,000 is subject to the new 33% rate (from 29%) effective 2016 and subsequent years.
- The tax rate applicable to income in the second tax bracket (income exceeding \$44,701 up to \$89,401 in 2016) is reduced from 22% to 20.5% for 2016 and subsequent years.

Repealed Personal Credits

The income splitting credit for families with children ("family tax cut") is eliminated as of 2016 going forward. The education and textbook credits will be eliminated for 2017 and subsequent years. However, credits earned before 2017 can be carried forward indefinitely. Also note that the tuition tax credit and tax credit for interest paid on student loans are unaffected. Lastly, the children's fitness and arts tax credits are reduced for 2016 and will be eliminated for 2017 and subsequent years. The maximum eligible amounts for the fitness and arts credit are reduced for 2016 to \$500 and \$250, respectively.

New Canada Child Benefit

The new Canada Child Benefit ("CCB") payments will begin in July 2017 and will replace the Canada Child Tax Benefit and Universal Child Care Benefit. The CCB is calculated on the basis of family income and the age and number of children in a family. In most instances, the new benefit will place more money into the pockets of the average family. However, the computation of the monthly benefit will vary depending on your family's circumstances. If you are already receiving child benefit payments under the old regime, you don't need to do anything since the CRA will calculate your payments under the new regime. The first CCB payment will be made on July 20, 2017.

Other Measures

- The annual TFSA dollar limit is reduced back to \$5,500 for 2016 (announced prior to the Budget).
- The northern residents deduction is increased by 1/3 for 2016 and subsequent years.
- The labour-sponsored venture capital corporations (LSVCC) tax credit for provincially registered LVSCCs is reinstated to 15% for 2016 and subsequent taxation years.
- A new tax credit for school supplies expenses incurred by teachers and early childhood educators is introduced effective for 2016 and subsequent years.

Alberta**Personal tax rate changes**

There are no notable changes. However, since 2016 is the first full year in which the new graduated tax brackets apply in Alberta, these tax bracket amounts will be indexed for 2017 and subsequent years.

Credit changes

- The Dividend Tax Credit applicable to non-eligible dividends (dividends paid from income that was taxed at the small business rate) will be reduced effective January 1, 2017 as a consequence of reducing the small business tax rate.
- The Budget introduced the Alberta Investor Tax Credit which provides investors a tax credit for investing in small and medium-sized businesses in Alberta.

Other Measures

- A carbon levy on fuels will be introduced on January 1, 2017. It will be phased-in, so smaller levies will apply for 2017 with the full amounts coming into effect on January 1, 2018. The levy on gasoline will be 4.49¢/L for 2017 and 6.73¢/L for 2018 and subsequent years. Lower income households will also be eligible for a rebate to protect them from the higher costs of energy.

Yukon

The Yukon Budget contained no personal tax measures.

Northwest Territories

The Northwest Territories Budget contained no personal tax measures.

Nunavut

The Nunavut Budget contained no personal tax measures.

New Brunswick**Personal tax rate changes**

- In response to the increase in the highest federal tax rate to 33%, New Brunswick will eliminate their highest tax bracket of 25.75%. Effective January 1, 2016, New Brunswick's new highest tax bracket is reduced to 20.3% and applies to income exceeding \$150,000.

Other Measures

- The real property transfer tax increased from 0.5% to 1% on April 1, 2016.
- Tobacco tax will increase effective February 3, 2016. A further increase in the tax will take effect on February 1, 2017.
- The provincial portion of the HST will increase by two percentage points, which will raise the HST from 13% to 15%, effective July 1, 2016.

Newfoundland and Labrador**Personal tax rate changes**

The tax rates for all personal brackets will increase. Increases will be phased-in effective July 1, 2016 and take full effect on January 1, 2017. Thus, 2016 tax returns in effect will use the average of the new and old tax rates to compute taxes payable. The increase is as low as 1% for the lowest tax bracket and as high as 3% for the highest tax bracket.

Further, a temporary deficit reduction levy will take effect on July 1, 2016. It is anticipated that the levy will be phased-out over three years beginning in 2018. All individuals with income exceeding \$20,000 will be subject to the levy. For example: an individual earning \$38,500 will be required to pay an annual levy of \$450. The maximum annual levy of \$900 applies to taxpayers earning more than \$202,500.

Credit changes

- The Dividend Tax Credit for non-eligible dividends received on or after July 1, 2016 will be reduced from 4.1% to 3.5%.

Other Measures

- The following sales tax increases will take effect on July 1, 2016:
 - o HST rate will increase from 13% to 15%;
 - o the retail sales tax on used vehicles will increase from 14% to 15%; and
 - o the 15% retail sales tax on insurance premiums will be re-introduced.
- A Newfoundland and Labrador Income Supplement is introduced to assist low-income individuals. The supplement is based on family income and paid quarterly beginning October 2016.
- The Low Income Senior's Benefit is increased from \$1,063 to \$1,313 per year.
- The Home Heating Rebate Program and provincial HST credit are to be eliminated.
- There is also a variety of tax increases on gasoline, tobacco, and government fees (as well as the introduction of new fees).

Nova Scotia

The Nova Scotia Budget contained no personal tax rate changes.

Credit changes

- Effective January 1, 2016, the Budget introduces a tax credit for farmers who donate their agricultural products to a registered charity that provides food for families in need. The non-refundable credit will be computed as 25% of the fair market value of the donated products.

Prince Edward Island

The PEI Budget contained no personal tax rate changes.

Credit changes

- The basic personal exemption, the spouse or common-law partner amount, and eligible dependant amount will all increase, effective 2016 and subsequent years.
- Effective 2016 and later years, the low income tax reduction amount for an individual and a spouse or common-law partner will increase from \$300 to \$350 and the reduction for each dependent child will increase from \$250 to \$300.

Other Measures

- The Real Property Transfer Tax will be eliminated for first-time home buyers as of October 1, 2016.
- Effective October 1, 2016, the HST rate will increase from 14% to 15%. The maximum PEI sales tax credit will be increased from \$200 to \$220 as a result.
- The Retail Sales Tax on private transfers of vehicles, boats, and aircraft will also increase from 14% to 15% on October 1, 2016.

British Columbia

The BC Budget contained no personal tax rate changes.

Credit changes

- Effective February 17, 2016, the new farmers' food donation tax credit is introduced. It allows farmers to claim a credit of 25% on the fair market value of qualifying agricultural products donated to registered charities.
- Beginning in the 2016 tax year, the BC Seniors' Home Renovation Tax Credit is expanded to included persons who are eligible for the federal disability tax credit.
- The BC mining flow-through share tax credit is extended to the end of 2016.
- The BC mining exploration tax credit is extended for three more years to the end of 2019.
- The federal changes to the taxation of trusts and estates are paralleled in British Columbia.

Other Measures

- Effective February 17, 2016, the following property transfer measures apply:
 - o the property transfer tax rate is increased from 2% to 3% on the portion of the property's fair market value that exceeds \$2 million;
 - o an exemption from property transfer tax is introduced for home with a fair market value up to \$750,000; and
 - o disclosure of citizenship is required on the registration of a taxable transaction.
- Medical Services Plan premiums are being increased by about 4% effective January 1, 2017. The calculation of premiums will compute the rate for couples by simply doubling the premium amount otherwise payable a single person. Further, the number of children in a family

will no longer affect the computation of the premium. These two changes will also apply as of January 1, 2017.

- The BC Training and Education Savings Program is extended to include eligible children born on or after January 1, 2006. Previously, the cutoff was January 1, 2007. This program provides a one-time \$1,200 grant to the RESPs of eligible children.

Ontario

Personal tax rate changes

Ontario will be paralleling the federal tax rule of applying the top marginal tax rate to income split with related children ("the kiddie tax"). Thus, beginning January 1, 2016, split income will be taxed at the top marginal rate of 20.53% (with no applicable surtax).

Credit changes

- In congruence with introducing the new Ontario Student Grant, the tuition and education tax credits will be eliminated. Eligible tuition fees paid up to and including September 4, 2017 will still qualify for the tuition credit. The education credit can also be claimed for months of study before September 2017. These credits can continue to be carried forward indefinitely.
- The Children's Activity Tax Credit will be eliminated as of January 1, 2017.
- The Healthy Homes Renovation Tax Credit will also be eliminated as of January 1, 2017.
- The Dividend Tax Credit and Gross-up for non-eligible dividends are under review for 2017 and subsequent years.

Other Measures

- Taxes on wine and tobacco are increased.
- The new Cap-and-Trade plan is being introduced, which will take effect on January 1, 2017. The cap is expected to decline each year through 2020.

Quebec

The Quebec Budget contained no personal tax rate changes.

Credit changes

- The RénoVert tax credit is a new temporary refundable tax credit for eco-friendly renovation work carried out on eligible dwellings; the credit is capped at \$10,000 and is calculated at a rate of 20% of eligible expenditures in excess of \$2,500 paid before October 1, 2017.
- The refundable tax credit attributing a work premium has been enhanced by 2% in 2016 for households without children, hence the general work premium rate will increase from 7% to 9%, and the adapted work premium rate will increase from 9% to 11%.
- An enhancement to the tax shield refundable credit for low to middle income households.
- Enhancements to charitable donations, in particular, the rule limiting the donation credit to 75% of the donor's income will be eliminated in 2016 and the maximum tax credit will increase from 24% to 25.75% in 2017.
- The eligibility age for the tax credit for experienced workers will be lowered from 63 to 62 in 2018.

Other Measures

- The elimination of the health contribution has been accelerated and will be completely eliminated in 2017 for lower-income taxpayers and in 2018 for all other taxpayers.
- The additional child care fee in respect of a second child is being reduced by 50% retroactively to April 22, 2015.