

Tax Tips for Taxation Year 2016

➤ What's New

- **Sale of Principal Residence**
 - Starting with the 2016 tax year, individuals who sell their principal residence will have to report the sale on Schedule 3, Capital Gains of the T1 Income Tax and Benefit Return. Reporting will be required for sales that occur on or after January 1, 2016.

➤ What's Ending

- **Child Care Tax Credits**
 - The federal government is ending four child care tax credits this year:
 1. Arts*
 2. Fitness*
 3. Education
 4. Textbooks

*Parents of children under 16 that prepaid 2017 arts and fitness programs to claim them on 2016 tax returns can do so as long as total spending does not exceed the \$250 and \$500 limits respectively.

- **Income Splitting for Families**
 - The federal government is also cancelling income splitting for families. This was a tax reduction that allowed someone to transfer up to \$50,000 of income to a spouse with a lower income if they had a child under 18 years of age. The tax credit was capped at \$2,000.
 - If you are receiving a pension, you may be able to split your eligible pension income with your spouse or common-law partner to reduce your taxes.

➤ What's Changing

- **Tax brackets for 2017**
 - There are five federal tax brackets:
 1. \$0.00 to \$45,916 (15%)
 2. \$45,916 to \$91,831 (20.5%)
 3. \$91,831 to \$142,353 (26%)
 4. \$142,353 to \$202,800 (29%)
 5. above \$202,800 is taxed at 33 per cent, the new high-income bracket (33%)
- **Basic personal amount**
 - The federal basic personal amount for 2017 is \$11,635.

Note: All non-refundable credit amounts (other than the three-tiered donation credit) are calculated at 15% which is the lowest federal bracket rate. $\$11,635.00 \times 0.15 = \$1,745$ in

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reduced federal tax. If income is less than \$11,635 no federal tax is payable.

- **Employment Insurance premium rate and maximum**
 - For 2017, the EI rate is dropping to 1.63 per cent (from 1.88 per cent) of insurable earnings, up to an earnings maximum of \$51,300 making the maximum employee premium for 2017 of \$836.19.
- **2017 RRSP Limit**
 - The 2017 RRSP limit is based on 18% of 2016 earned income to a maximum of \$26,010 (up from \$25,370 in 2016) less any pension adjustment.
- **Northern Residents Deductions**
 - Budget 2016 proposes to increase both the basic and additional residency amounts used in the calculation of the residency deduction from \$8.25 to \$11 per day.

Note: This measure has received Royal Assent.

- **Eligible Educator School Supply Tax Credit**
 - The 2016 budget proposed an eligible teacher or early childhood educator school supply tax credit for 2016 and subsequent taxation years allowing an employee who is an eligible educator to claim a 15% refundable tax credit based on an amount of up to \$1,000 of purchases of eligible teaching supplies by the employee in a taxation year, for which no reimbursement has been provided. The employer must provide a signed statement that provides and attests to the amount paid for eligible teaching supplies purchased during the year.

Note: This measure has received Royal Assent.

- **Universal Life Insurance**
 - Under changes made by the previous government new policy holders will see a decrease in their ability to build up investment gains above death benefit premiums on a tax-free basis.
- **Business Owners**
 - Large and small business owners will gain less from the sale of their operations. Assets such as goodwill and trademarks will become fully taxable as investment income. Currently half of the proceeds can be distributed as a dividend (tax free).

➤ What's Not Changing

- **Canada Pension Plan contributions**
 - Canada Pension Plan rates are not changing (4.95 per cent for employees and 9.9 per cent if you're self-employed).