

What We Are Thinking



March 2016

Many have dubbed the recent budget that Justin Trudeau and the Liberal party announced as a "No Surprise Budget", nevertheless it still contains some changes that you should be aware of:

Personal Tax Rates

- 1.5% reduction in Federal Tax rate for income between \$45,283 and \$90,563 (\$679 in savings)
- 4% increase in Federal Tax rate for income over \$200,000 (from 29% to 33%)
- These changes had already been passed (Bill C2) in December 2015 but were highlighted again on Tuesday.

Old Age Security (OAS) Eligibility

- Restoration of the age of eligibility for Old Age Security and Guaranteed Income Supplements (GIS) to 65 from 67.
- GIS for low income seniors has been increased by 10% or approximately \$947 per annum.

Corporate Class Mutual Funds

- Currently investors in Corporate Class Mutual Funds can "switch or exchange" one class of a mutual fund for shares of another class on a tax deferred basis. As of September 2016, all fund switches in these products will be considered a taxable disposition at fair market value for income tax purposes.

Income Splitting

- While income splitting for pensioners remains untouched, family income splitting (The Family Tax Cut) for eligible couples with minor children will no longer be available for 2016.

Canada Child Benefit

- A Canada Child Benefit (CCB) will be introduced in July of this year. Gone will be the current entitlements - Canada Child Benefit and Universal Child Care Benefit.
- The CCB will be tax-free, and tied to family income levels. The new program is designed to save nine out of 10 families, and an estimated \$2300 a year.
- Also being phased out are the Children's Fitness and Arts Tax Credits. These credits were originally designed as a non-refundable credit for fees paid on qualifying programs. The credits will remain at a reduced capacity for 2016 and fully eliminated for 2017 and subsequent years.

Small Business Tax Rate

- For the business owners, tax rates for small business had been previously scheduled to decrease from 11% to 9% by 2019. The new proposal stipulates that all rates remain frozen at 10.5% after 2016.

Labour Sponsored Venture Capital Corporation (LSVCC) Tax Credit

- They're back but not forgotten!
- Proposal to restore the federal LSVCC back to 15% for 2016 and subsequent years. Poor performance and liquidity restraints have hampered these products' performance in the past. We're adamant that the tax tail should not wag the dog and we don't recommend investing just for the benefit of a tax credit.