

KNOW THE **TAXATION** CHANGES THAT WILL AFFECT YOU

By Ivana Karac

Whether you voted for or against the federal Liberal party, you may be getting anxious as you hear different rumours of the tax changes coming our way.

Since the Trudeau government obtained a majority in October, it has the required strength to more quickly pass bills and implement its party platform.

The tax and finance related changes are already under way. Some of the expected changes that may affect you have been summarized below.

- **Personal tax rates:** The federal personal tax rate in the second bracket (earnings between approximately \$45,000 and \$90,000) will be reduced from 22 per cent to 20.5%. A fourth tax rate of 33 per cent will be introduced starting at \$200,000 to compensate for the reduction in the second tax bracket -- four per cent higher than the highest bracket at present.
- The family tax cut will be eliminated. The pension income split will remain.
- The Universal Child Care Tax Benefit, National Child Supplement and Child Tax Benefit cheques you may be receiving now will be extinguished and you may be receiving a single cheque, being the new Canada Child Benefit as of July 1. A base amount of \$6,400 per child under six and \$5,400 per child aged six to 17 will be paid. Payments will be reduced based on family income level and will not be taxable. If your family income is greater than \$150,000, you will be receiving less than you were in the past but no reduction will occur for family income below \$30,000.
- The TFSA annual contribution limit for 2016 will revert to the \$5,500 level, reduced from the one-time limit of \$10,000 for 2015.
- Home Buyers Program: flexibility will be increased for those that have experienced sudden and significant life changes such as job relocation, death of a spouse, marital breakdown, etc.
- Education and textbook credits are expected to be cancelled in favour of increasing student grants. The tuition credit is expected to remain.
- Donations: A 33 per cent federal donation tax credit will be available on donations exceeding \$200 made after 2015 for individuals with income greater than \$200,000. All taxpayers will still receive a 15 per cent donation tax credit on the first \$200 of gifts. Taxpayers who do not have earnings in the top tax bracket of 33 per cent will receive a 29 per cent donation tax credit on gifts in excess of \$200
- Small business (CCPC) tax rates will decrease from 11 per cent in 2015 to nine per cent in 2019, in stages.
- Small business deduction eligibility: an undisclosed project may be underway to review CCPC status to ensure it is not used to reduce the personal tax obligations for high-income earnings rather than supporting small businesses.

All potential changes are subject to parliamentary approval.

For more details on these changes and for help assessing the effect of the tax changes on your personal and corporate finances, contact Ivana Karac at 519-746-7220 or Ivana.Karac@flkcpa.com.



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