

## Issue #43 – “Budget 2016 Tax Summary”

### Interesting Links from Around the Web

Russia : [Why Syria?](#) : The Economist  
 Related : [Child Tax Benefit Calculator](#) : Gov of Canada  
 Video : [When antibiotics don't work anymore](#) : TED

*“I like to pay taxes. With them, I buy civilization.”*

— Oliver Wendell Holmes Jr.

In light of yesterday’s release of the new Federal budget, we expedited the release of this month’s Innova Market Insights to bring you a summary of the most salient points as they relate to the income tax provisions. Our summary of Mr. Morneau’s first budget is broken down by category of people impacted.

#### Everyone

- ▲ 1.5% decrease on Income Tax Rates on income earned in between \$45,282 and \$90,563.
- ▼ 4% increase on Income Tax Rates on income earned above \$200,000.
- ▲ Old Age Security eligibility brought back to age 65.
- ▲ Increased the Guaranteed Income Supplement for single seniors.
- ▲ Increased the accessibility of Employment Insurance (shorter wait times, longer payouts).

#### Investors

- ▼ Eliminated the ability to “switch” between corporate class mutual funds on a tax-deferred basis.
- ▲ Revived the “Labour Sponsored Venture Capital” tax credit at the federal level (15%), implemented through the provincial system. Unfortunately no credits exist in Ontario.
- ▲ Extended eligibility of the “Flow-through share” tax credit for mineral exploration.

#### Small business owners

- ▼ Cancelled the proposed reduction in corporate income tax rates for small businesses. Currently frozen at 10.5%.
- ▶ Eliminating the ability to spread the small business deduction across multiple corporations

#### Parents

- ▲ Consolidated the “CCTB” and the “UCCB” under one expanded program called the “Canada Child Benefit” that provides substantial financial assistance to low-income families with children. The amount of funding received depends on family income and number and age of the children. In most cases, families earning a combined income in excess of \$200,000 will effectively lose all financial assistance.<sup>2</sup>
- ▼ Eliminated the “Family Tax Cut” that benefited families with children below the age of 18 where there is a substantial difference in the parents’ income (Income Splitting for Young Families).
- ▼ Phasing out the Children’s Fitness and Arts Tax Credits (2016 = \$500, 2017 = \$0).

#### Students

- ▼ Eliminated the “Textbook” tax credit which granted non-refundable credits of ~\$65 per month for full-time enrollment, and ~\$20 per month for part-time enrollment.
- ▼ Eliminated the “Education” tax credit which granted non-refundable credits of ~\$400 per month for full-time enrollment, and \$120 per month for part-time enrollment.
- ▶ No changes to the “Tuition” tax credit which provides a 15% non-refundable tax credit on tuition fees.

#### Teachers & early childhood educators

- ▲ Introduced the “School Supply” tax credit, which allows a 15% refundable tax credit on school supplies paid for by a teacher up to \$1,000 per taxation year on eligible supplies.

#### What’s not in this budget!

- Many, including myself, expected some major changes to the eligibility of active business income for small businesses. Fortunately, these changes were not implemented.
- No changes to the capital gains inclusion rates.
- Any real changes to the way international corporations can syphon profits out of Canada. Although important steps were taken in that direction, the ability for companies like Google to shift their tax burdens to havens remains in place.
- Cuts of any kind to Pension Income Splitting

1. Government of Canada. Budget 2016. <http://www.budget.gc.ca/2016/home-accueil-en.html>

2. JACKS, Evelyn. Winners and Losers of the Canada Child Benefit. <http://www.moneysense.ca/save/taxes/budget-winners-and-losers-child-benefit/>