What's New In Tax?

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Here is a summary of some recent income tax—and some non-income tax—changes.

Tax Rates

- **Personal.** No changes in federal personal income tax rates for 2017. The 2017 tax brackets have been adjusted to take into account inflation.
- **Corporate.** The federal corporate income tax rate on the first $500,000 of annual active business earned by a Canadian controlled private corporation (CCPC) is to decrease from 10.5% in 2017 to 10% in 2018 and 9% in 2019.

Investors

- **Tax-Free Savings Account (TFSA).** The annual contribution limit for 2017 remained the same as in 2016 - $5,500. The cumulative contribution limit is $52,000 as of 2017.
- **Lifetime capital gains exemption.** The capital gains exemption on a sale of shares of small business corporation increased to $835,716 from the previous $824,176. The capital gains exemption remained at $1,000,000 with respect to sales of eligible farm and fishing properties.
- **Straddle transactions.** A new "stop loss" rule (i.e., tax loss denial) can come into play where a "loss" leg of a straddle is closed in one year and the "winning leg" is deferred and closed in the subsequent year.
- **Flow-through shares.** The 15% mineral exploration tax credit has been extended to agreements entered into by March 31, 2018.

Caregivers

- In a simplification move, three tax credits (infirm dependant credit, caregiver credit and family caregiver credit) became one – the new Canada Caregiver Credit.
- A federal tax credit of $1,032 is available when caring for a mentally or physically infirm parent, grandparent, brother, sister, aunt, uncle, niece, nephew or adult child. The credit is $323 when the infirm dependant is a spouse or common-law partner, an infirm dependant when an eligible dependant credit is claimed or an under-18 infirm child. The available credit is reduced when the dependant's net income exceeds $16,163.
- The dependant is not required to live with the caregiver.
- The credit is not available to adult children that simply have their non-infirm parents live with them.
- The tax credit amounts and the dependant's net income thresholds are to be indexed annually to inflation.

Retirement

- **Old Age Security (OAS).** The 2017 net income threshold for OAS repayment or – "clawback" – is $74,778. There will be a 100% clawback when 2017 net income is $121,314 or greater.
- **Enhanced Canada Pension Plan (CPP).** The phase-in begins in 2019. CPP payments are to be increased from 25% of pensionable earnings to 33% and higher CPP contributions will start in 2019. The contribution rate is being increased – over a period of

2019 to 2025 - to 5.95% (from 4.95%) of salary/wages up to the year's maximum pensionable earnings. The maximum pensionable earnings for 2018 is $55,900 and expected to be $82,700 in 2025.

Professionals And WIP

- Previously, work-in-progress - WIP - (i.e., unbilled fees) of a professional (e.g., medical doctor, dentist, veterinarian, chiropractor, lawyer, accountant) did not need to be included in the calculation of taxable income. New rules – being phased in over five years – now require WIP at the end of a year to be included in taxable income.

- For a professional with a December 31 taxation year end, 20% of WIP must be included in 2018 taxable income, 40% in 2019 and annual 20% increases to a 100% inclusion in 2022.

Tax Planning And Private Corporations

- Tax proposals were released in July 2017 – and significantly amended in October 2017 – with respect to the taxation of private corporations and their shareholders.

- Full details on the proposals and their implementation are still to come. The focus of the proposals is –
  - To take away the personal tax benefit of "income sprinkling" – i.e., paying a dividend to a shareholder that is not active in the operations of the corporation in which they are a shareholder and who is, presumably, subject to tax in a lower tax bracket than that of shareholders that are active in the operations and
  - The taxation of "passive" (i.e., investment) income – in excess of $50,000 annually - earned by a private corporation which is eventually paid out as a dividend to a shareholder. Details are to be presented in the 2018 federal budget.

Raising Children

- **Canada Child Benefit.** Payments are to be indexed to inflation beginning July 2018.

- **Child fitness and art credits.** These were eliminated at the beginning of 2017.

- **25% investment tax credit for employers creating child care facilities.** It has been eliminated.

Students

- Education and textbook tax credits. Federal education and textbook tax credits (not the tuition credit) were eliminated at the beginning of 2017. Unused education and textbook credit amounts from 2016 can be carried forward to be claimed in 2017 and subsequent years.

- Tuition fees. Now eligible for the tuition tax credit are fees for courses for occupational skills when offered by a university, college or other post-secondary institution when these courses are not at the post-secondary level.

Medical And Disability Tax Credits

- **Medical expense tax credit.** Expenses eligible for the medical tax credit now include the cost of reproductive technologies (such as in-vitro fertilization) where the individual does not have a medical infertility condition. The effect is to extend the medical expense tax credit in this area to same sex and single parents. It is possible to go back ten years to claim the credit.

- **Disability tax credit.** A nurse is now qualified to certify eligibility for the disability tax credit in their practice area.

Canada Savings Bonds

- Sales of Canada Savings Bonds ceased in 2017. Unmatured bonds continue to be guaranteed by the federal government, continue to earn interest and will be redeemed at the original maturity date.

- Those that hold bonds through the Canada Retirement Savings Plan (i.e., an RRSP) can no longer contribute additional funds. When bonds in the plan mature the funds can be reinvested (if desired) and earn interest until the final interest date of November 1 or December 1, 2021. (The date will depend on the bond's maturity.) As interest will not be earned after the final maturity date, the funds should be transferred to another RRSP (tax free) or withdrawn (taxable).

Other

- **Public transit tax credit.** It was eliminated on July 1, 2017. A personal tax credit for the first half of 2017 is available.

- **Employee home relocation loans.** The deemed interest benefit on the first $25,000 of a loan becomes taxable in 2018.

- **Non-accountable allowances provided to members of legislative assemblies and municipal officers.** These are to become taxable in 2019.

- **Voluntary disclosure program.** The "no-name" disclosure process is being eliminated.

- **T4s.** Employers can now distribute T4s by email when the employee has consented.

- **GST/HST.** The definition of taxi service now includes "electronic services" (i.e., mobile application or website) such as Uber.

- **Life insurance.** Tax changes came into effect for life insurance policies issued after 2016. The impact of the changes is to reduce the amount that can accumulate on a tax-preferred basis within an insurance policy.

- **Charitable donations.** 2017 was the final year for the First-time Donor's Super Credit. An extra federal tax credit of 25% was available on up to $1,000 of donations where an individual (or spouse or common-law partner) had not claimed a donation tax credit in 2008 or later years.

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MoneyTip

Bitcoin Is Going Mainstream Via The Futures Market, And The U.S. Regulator That Allowed It To Happen Has A Message: Buyer Beware.

The U.S. Commodity Futures Trading Commission issued a statement Friday detailing "the risks of virtual currency trading" and urged investors to educate themselves before buying into an asset class that has surged more than 1,700 percent this year.

The warning underscores that even as Washington makes it easier for bitcoin to move out of the shadows, worries remain that the mom-and-pop investors who've helped fuel its rise have little idea what they're jumping into. Some of the biggest names in finance have called the digital currency everything from a massive bubble to an outright fraud.

"Like all futures products, speculating in these markets should be considered a high-risk transaction," the CFTC said. "Customers should inform themselves as to how the index or auction prices used to settle the contract are determined."

In addition to warning about the futures market, the CFTC on Friday also listed dangers on the spot market which include: manipulation, hacking of customer wallets, lack of regulation and volatility.

Source: Benjamin Bain
bloomberg.com