

# 2016 Year-end Personal Tax Planning And Considerations

## PERSONAL TAX BRACKETS

For 2016 the Federal tax brackets are:

- 15% marginal tax rate for taxable income up to \$45,282
- 20.5% marginal tax rate for taxable income between \$45,283 and \$90,563
- 26% marginal tax rate for taxable income between \$90,564 and \$140,388
- 29% marginal tax rate for taxable income between \$140,389 and \$200,000
- 33% marginal tax rate for taxable income over \$200,000

For 2016 the Ontario Personal tax brackets are:

- 5.05% marginal tax rate on taxable income up to \$41,536
- 9.15% marginal tax rate on taxable income between \$41,537 and \$83,075
- 11.16% marginal tax rate on taxable income between \$83,076 and \$150,000
- 12.16% marginal tax rate on taxable income between \$150,001 and \$220,000
- 13.16% marginal tax rate on taxable income over \$220,000
- Ontario has a surtax on high income earners

So in 2016 a taxpayer resident in Ontario with a taxable income of \$225,000 will be subject to a combined marginal tax rate of 53.53%.

## PRINCIPAL RESIDENCE SOLD IN 2016

If you sold your principal residence on or after January 1, 2016, the Canada Revenue Agency now requires that you report the sale on your tax return even if the sale will be fully covered by the principal residence exemption. You will need to report the full address of the property, the proceeds of disposition, the cost amount, and a summary of the years of ownership. If you do not file the election, the Canada Revenue Agency will tax the sale of your residence. If you forget to file the election for the residence you sold, you must ask the Canada Revenue Agency to allow you to amend your tax return. If you are allowed to late file the election, a penalty may be applied which would be the lesser of \$8,000 or \$100 for each complete month from the original due date that the election was to be filed. For example, you sell your home in 2016 which requires that you file the principal residence election but you forget. The election should have been sent with your 2016 personal tax return which normally are due on April 30, 2017. If you file a request for the Canada Revenue Agency to amend your 2016 tax return on July 2, 2017, the late filing penalty would be \$200. For more information, give us a call.

### **CORPORATE CLASS MUTUAL FUNDS**

If you own shares in corporate class mutual funds (also known as, switch funds) and plan to switch share classes, either because there are better opportunities in another class, or as a general rebalancing of your portfolio, you should consider switching classes before January 1, 2017. The reason is new tax rules effective January 1, 2017 will make these types of switches taxable. For example, if you are to rebalance your portfolio on February 15, 2017 which results in several funds being switched, please note that these transactions will be taxable dispositions for 2017 tax purposes.

### **REGISTERED RETIREMENT SAVINGS PLANS (RRSP)**

Have you thought about making a contribution to your RRSP? In general, contributions to a RRSP can be deducted by an individual taxpayer to lower their taxable income. The amount that can be contributed and deducted is based on the taxpayer's RRSP limit. RRSP limits are provided on your prior year's Notice of Assessment or Reassessment. A RRSP limit is generated based on a formula which is 18% of earned income to a maximum less any pension adjustments. The maximum for 2016 is \$25,370 (2015 maximum was \$24,930). If you need help in determining your RRSP limit, please call us.

### **TAX FREE SAVINGS ACCOUNT (TFSA)**

Did you know that for 2016 the annual contribution limit was reduced to \$5,500 from \$10,000? As you may know, the income generated from investing in a TFSA is not taxable so if you have some money to invest make sure that you maximize the use of your TFSA. If you were 18 years of age and a Canadian resident in 2009 but have not invested in a TFSA, your contribution room should be \$46,500. For 2009 to 2012, the contribution limit was \$5,000 per year. In 2013 and 2014, the contribution limit was \$5,500 per year. In 2015, the limit was \$10,000 and in 2016, the limit was \$5,500. The TFSA limit is provided on your prior year's Notice of Assessment or Reassessment. If you need help in determining your TFSA limit, please call us.

### **THE FAMILY TAX CUT**

The Family Tax Cut will not be available for tax years after 2015 as the credit has been eliminated.

### **THE CHILDREN'S FITNESS TAX CREDIT**

Did you know that the 2016 limit for Federal tax purposes was decreased to \$500 per eligible child and effective for the 2017 and subsequent taxation years the credit will be eliminated? Make sure that you keep your qualifying receipts for 2016 so that you can obtain this credit.

### **THE CHILDREN'S ARTS TAX CREDIT**

Did you know that the 2016 limit for Federal tax purposes was decreased to \$250 per eligible child and this credit will be eliminated for the 2017 and subsequent tax years? Make sure that you keep your qualifying receipts for 2016 so that you can obtain this credit.

## **CHILD CARE EXPENSES**

The maximum amounts that can be claimed for the Child Care Expense Deduction for 2016 are as follows:

- Eligible expenses for children under the age of seven will be \$8,000
- Eligible expenses for children aged seven to sixteen will be \$5,000
- Eligible expenses for children who are eligible for the disability tax credit will be \$11,000

Child care expenses paid by a couple must be deducted by the person with the lower net income and only if that person has earned income. Make sure that you keep your qualifying receipts so that you can obtain this deduction.

## **UNIVERSAL CHILD CARE BENEFIT (UCCB)**

This was a taxable benefit that parents with children under the age of 18 could receive. As of July 1, 2016 the UCCB was eliminated. The program was replaced by the Canada Child Benefit which provides benefits to parents that live with a qualifying child, are responsible for the child's upbringing and care, are a resident of Canada and whose spouse/common law partner is a Canadian citizen, permanent resident, protected person or a qualifying temporary resident. Under the new program, benefits would be provided to families based on family income. To be eligible for these benefits, the Canada Revenue Agency uses information from the income tax returns filed to determine if you qualify for this benefit. Thus, you should file your income tax return so that you can get the benefit. If you want to determine if you should be receiving these benefits, you should have a copy of your last tax return and then use the online calculator found at <http://www.cra-arc.gc.ca/bnfts/clcltr/cfbc-eng.html> . If you determine that you should be receiving this credit but are currently not, please complete Form RC66 (Canada Child Benefit Application) and mail the completed form to your Canada Revenue Agency tax centre.

## **THE DISABILITY TAX CREDIT**

The federal credit for 2016 is \$8,001 which provides tax savings of approximately \$1,200. This credit is usually overlooked as many people have differing opinions of what is a disability. Many individuals are not aware that impairments could include hearing, walking, and mental functions necessary for everyday life. We often get asked what hearing and walking impairments qualify. For hearing, the Canada Revenue Agency indicates that a person has a hearing disability if the impairment is severe and prolonged and even with the use of a device the person is not able to hear all or substantially all of the time. For walking, the Canada Revenue Agency indicates that a person that requires an inordinate amount of time to walk all or substantially all of the time may qualify. For more information, give us a call.

### **CHARITABLE DONATIONS**

Making a donation to a registered charity helps the charity with its objectives but, also provides a non-refundable tax credit to the donor. For donations made after March 20, 2013, qualifying first time donors may be eligible to receive an additional federal tax credit of 25% on the first \$1,000 of monetary donations. In addition, for 2016 those taxpayers that will have income subject to the new 33% Federal tax rate will be able to obtain an enhanced credit at a rate of 33% for donations made over \$200. For more information about charitable giving, please give us a call.

### **HOME ACCESSIBILITY TAX CREDIT**

For 2016, this tax credit will allow taxpayers that are 65 years or older in 2016, or eligible for the Disability Tax Credit, to make eligible home renovations to improve the safety and/or accessibility of their home. Expenses paid up to \$10,000 per calendar year may be eligible for a non-refundable tax credit. The effective federal tax savings could be up to \$1,500. For more information, please give us a call.

### **ONTARIO HEALTHY HOMES RENOVATION TAX CREDIT**

For 2016, this tax credit will allow taxpayers that are 65 years or older in 2016, or eligible for the Disability Tax Credit, to make eligible home renovations to improve the safety and/or accessibility of their home. Expenses paid up to \$10,000 per calendar year may be eligible for a non-refundable tax credit. The effective federal tax savings could be up to \$1,500. For more information, please give us a call.

### **TEACHER AND EARLY CHILDHOOD EDUCATOR SCHOOL SUPPLY TAX CREDIT**

For 2016, it may be possible for an eligible educator to obtain a tax credit for the purchases they have made on eligible school supplies. In order to make this claim make sure that you retain your receipts for the eligible supplies. For more information, give us a call.

### **REALIZE CAPITAL LOSSES**

If you realized capital gains on the disposal of shares, mutual funds or other investment assets during the year, you can reduce or eliminate the capital gains income and taxes by selling investments that are in a loss position. For more information, give us a call.

Please note this information is for general information purposes and should you wish to act on any of the points, you should contact a professional accountant that is familiar with your specific fact situation.

**If you have any questions, we would be happy to assist you.  
Please contact us at 1 866 549 8463.**