

# Client UPDATE

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## Federal Budget News

For the 2016 tax year and beyond, the Federal budget **proposes to:**

- Eliminate the Family Tax Cut Credit;
- Replace both the taxable Canada Child Benefit and the Universal Child Care Benefit with the non-taxable Canada Child Benefit;
- Halve the maximum eligible expenditures for the Child Fitness and Art Tax Credits in 2016 and eliminate them in 2017;
- Make significant changes to the Multiplication of the Small Business Deduction;
- Leave the federal small business tax rate as is;

Increase the federal tax rate on personal services business income by 5%;

Introduce a new regime that will change the eligible capital property rules;

Make significant changes to the disposition of one's interest in a life insurance policy to a non-arm's-length person (such as a corporation).

The above are just some of the highlights of the proposed Federal Budget. For more details or to discuss specific points that might be of particular interest to you, call Gary at 905-669-7950. We welcome your questions!

## 2016 Limit Changes

- RRSPs – now \$25,370/annum
- CPP - Maximum Pensionable Earnings – now \$54,900
- TFSAs – back to \$5,500/annum

## December Blues

In December 2015, the Federal Government announced tax changes **to begin in 2016.**

Middle tax rate cut on income between \$45,863 and \$90,563; 4% tax rate increase for income more than \$220,000 with corresponding increase in donation tax credit and tax rates for inter-vivos trusts;

In 2016, the TFSA limit will be reduced to \$5,500 from the \$10,000 limit in 2015;

Plus and minus changes to the taxation of investment income for private corporations will, in the end, wash each other out.

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A gushy reporter told Jack Nicklaus, "You are spectacular and your name is synonymous with the game of golf. You really know your way around the course. What's your secret?"

Nicklaus replied, "The holes are numbered."

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## Earn more than \$220K?

As a result of both the Federal and Provincial tax rate increases in the last couple of years, if your net income is more than \$220,000, you had better take a deep breath! Your combined tax rate is now 53.53%.

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I never wanted to believe that my Dad was stealing from his job as a road worker. But when I got home, all the signs were there.

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**Ask a question or arrange for a no-charge initial consultation at [www.freedmanca.com](http://www.freedmanca.com)**

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## - FAQ's -

**Q** – If a husband and wife own a portfolio equally and one dies, what happens to the capital losses of the deceased spouse?

**A** – If the portfolio is in joint tenancy, the deceased's half automatically rolls over to the surviving spouse (assuming all qualifying criteria are met) and there is no tax implication.

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**Q** – My mom just passed away and I am named as beneficiary of her TFSAs. I also have my own TFSAs. Will this affect my TFSAs in any way?

**A** – Rest assured that this would not in any way affect your own TFSA room. Do remember though that although the value of mom's TFSAs at the time of her death came out tax-free, any increases since then will be taxable to you.

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**Q** – Why shouldn't you ever trust atoms?

**A** – They make up everything.

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**Q** – What happens to my CPP benefit if I don't start taking it out when I turn 65?

**A** – Your benefit will increase by .7% per month to a maximum of a 42% increase at age 70.

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**Q** – I just bought Canadian art for my office. Are there any tax benefits to buying Canadian?

**A** – Yes, Canadian art valued at over \$200 can be capitalized and depreciated at a rate of 20% per year for tax purposes.

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## **WHO WE ARE -**

Gary A. Freedman + Associates, Chartered Accountant is a firm which provides personalized, professional advice in all areas of accounting and tax planning.

Known for his approachability, Gary has been committed to his clients for over 25 years, and has built his practice by listening to their needs. With his warm and caring personality, clients know that with Gary, what they see is what they get!

The firm's client base consists of builders, manufacturers, daycares, small business owners, sub-contractors, professionals, high tech companies, and registered charities and not-for-profits.

We offer a full range of professional accounting services:

- Accounting & Auditing
- Personal & Corporate Tax
- Estates & Trusts
- Bookkeeping, Payroll, HST
- QuickBooks Training
- T4s, T5s & Tax Returns

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### **Taxpayers Beware!!!**

2016 is the last year that CRA will be sending out personal income tax refund cheques. If you don't have direct deposit with CRA, they will hold onto your refund and leave it on account for the subsequent year. If you are tardy in filing tax returns in subsequent years, your refund will just sit in your account gathering dust (with interest of course).

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### **One-Liners**

How do you find Will Smith in the snow? You look for the fresh prints.

I went to a really emotional wedding the other day. Even the cake was in tiers.

Whoever invented knock knock jokes should get a no bell prize.

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**Visit us at  
www.freedmanca.com  
call us at 905-669-7950  
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info@freedmanca.com**

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## **Provincial Budget News**

No changes have been proposed to the corporate tax rates or the \$500K small business limit.

**Proposed Business Tax Credit Changes:**

The Ontario Research & Development Tax Credit will be reduced to 3.5%;

The Ontario Innovation Tax Credit will be reduced to 8%;

No changes are proposed for personal income tax rates;

The Healthy Homes Renovation Tax Credit, which helps seniors remain in their homes longer, will be eliminated effective January 1, 2017;

The Provincial budget proposes to eliminate Ontario Tuition and Education Tax Credits beginning in the fall of 2017;

The Children's Activity Tax Credit will be eliminated effective January 2017.

So much for our kids and seniors!

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### **Hot Off the Press!**

#### **Small Business Rejoice**

The province recently announced that they would not begin to implement the promised provincial pension plan until January 2017. The great news for small business owners is that it won't be effective for them until 2019.

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### **Closing Down Your Business?**

Are you selling the shares or the assets? It's important to understand the difference.

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## **The Family Tax Cut may be toast but don't worry – there are other options!**

Have you thought about contributing to a spousal RRSP? With a spousal RRSP, you can effectively tax all of your RRSP/RRIF withdrawals in your spouse's name.

If your spouse, partner or kids are in a lower tax bracket than you, why not consider a prescribed rate loan strategy where the funds are loaned to the lower-income family member, either directly or via a Family Trust, to invest. By charging at least 1% on the loan, you can income split any excess returns. Call us today – we can help you set up a Family Trust.

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A guy shows up late for work. His boss looks at her watch, annoyed, and says, "You should have been here at 8:30!" The man replies "Why? What happened at 8:30?"

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### **QuickBooks Tips Right-click Menus**

QuickBooks makes extensive use of right-click menus everywhere in the program. Try them out anywhere you want to do something instead of heading for the toolbar icons and menus.

For example, highlight an entry in the Chart of Accounts, and you can perform myriad tasks, such as editing the account or making it inactive, customizing the columns, transferring funds or getting a QuickReport.

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### **First-time Homebuyer?**

If you are a first-time homebuyer, you may be able to claim a non-refundable tax credit of up to \$750 on the purchase of a qualifying home.

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### **Notice to Reader**

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