

# MONTHLY NEWSLETTER

## Personal Tax Changes Applicable for 2014



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JANUARY 2015

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*Our goal is to provide updates on topical tax issues. Information contained in the newsletters is not meant to be a comprehensive summary of the issues raised. Rather, we wish to bring what we believe to be important issues to the attention of our valued clients. We would be pleased to discuss any questions that you, the reader, might have in greater detail.*

### OVERVIEW

Some Ontario taxpayers may experience a number of personal tax changes as a consequence of the 2013 and 2014 Ontario and federal budgets that come into effect for the 2014 taxation year. This newsletter will outline some of implemented tax changes and the potential new deductions and credits available to taxpayers in 2014.

### ONTARIO UPDATES

#### *Ontario Super Tax Rates*

As the result of the 2014 Ontario budget, a new tax bracket was created between \$150,000 and \$220,000. The surtax that previously applied to income over \$514,090 now applies to income over \$220,000 (2% surtax). There is also an increased tax rate on personal income in excess of \$150,000 (1% surtax). As a result, many more Canadian's will be effected by the "super tax" in 2014.

#### *Ontario Dividend Tax Credit Changes*

In response to the federal changes to the taxation of dividends announced in the 2013 federal budget, the government of Ontario proposed measures that would change the dividend tax credit rates and the surtax calculation, starting in 2014. The measures, which have been enacted, result in dividend tax credits having the same value for all taxpayers, regardless of their incomes. Ontario surtaxes for 2014 will be applied to Ontario tax payable before the dividend tax credit is claimed. This will result in increased surtax for individuals earning dividend income in Ontario.

### FEDERAL UPDATES

#### *Registered Retirement Savings Plan (RRSP):*

The annual RRSP deduction limit of individual taxpayers is calculated as the lesser of 18% of earned income and the contribution limit for the given year. The RRSP contribution limit for 2014 is \$24,270

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(2015: \$24,930). If a taxpayer did not fully use their RRSP deduction limit for the years 1991-2013, the taxpayer may have additional contribution room available. We recommend that you refer to your personal notice of assessment for the 2013 taxation year which outlines what your RRSP room is for 2014.

*Foreign Income Verification Statement (Form T1135)*

In recent years, there have been increased measures implemented to ensure that taxpayers are disclosing and reporting international income. Form T1135 - Foreign Income Verification Statement is required to be filed by Canadian taxpayers who hold *specified foreign property* with a cumulative cost in excess of \$100,000 (Canadian) **at any time during the year**. Please refer to our newsletter on Form T1135 for more information.

*Family Tax Cut (PROPOSED)*

Families with children under the age of eighteen would be eligible for the Family Tax Cut. The purpose of the initiative is to allow income splitting between spouses of eligible families, up to a predefined limit. This tax incentive would allow one spouse to transfer up to \$50,000 of taxable income to a spouse in a lower tax bracket for tax purposes, providing tax relief up to a maximum benefit of \$2,000. The tax benefit would result from taxing the “transferred” income in the lower spouse’s income tax bracket, which would otherwise be subject to a higher rate if taxed in the hands of the higher income spouse.

The Family Tax Cut would be available for the 2014 taxation year, and eligible families could apply for the income splitting on their 2014 personal tax returns. This change is currently proposed an awaiting ascent.

*Expanded Universal Child Care Benefit (UCCB)*

The current UCCB structure provides families \$100 per month, per child under six years of age. The proposed enhanced UCCB will increase the monthly payment to \$160 per month, per child under six years of age. This would result in an annual increase of \$720 per child. In addition, the government has proposed an expanded UCCB which would provide an annual payment of \$720 for children aged six to seventeen.

These changes would come into effect January 2015, and would be reflected in payments beginning in July 2015. The July 2015 payment would include up to six months of benefits to cover the increase from January to June 2015. This change is currently proposed an awaiting ascent.

*Child Care Expense Deduction*

Eligible child care expenses, subject to restrictions, can be deducted against earned income such as employment or business income for tax purposes. The restrictions imposed are based on the age of the child. The table below outlines the current and proposed deduction restrictions.

Age of Child	Current Maximum Deduction	Proposed Maximum Deduction
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Under seven years of age	\$7,000	\$8,000
Between seven and sixteen	\$4,000	\$5,000
Eligible for disability tax credit	\$10,000	\$11,000

It should be noted that the child care expense deduction must be claimed by the lower income spouse. If one or both spouses do not have earned income, no deduction would be available to the family. This change is currently proposed an awaiting ascent.

*Increase to the Child Fitness Tax Credit*

The child fitness tax credit is a tax incentive geared towards promoting physical fitness for children. The current non-refundable tax credit limits eligible claims to \$500 for each child. The proposed plan will increase the limit to \$1,000 per child and starting in 2015 will become a refundable credit. A refundable credit would benefit the taxpayer even if there was no taxes owing. This change is currently proposed an awaiting ascent.

**CONCLUSION**

We will continue to monitor the proposed changes to the proposed changes. We anticipate the Canada Revenue Agency will announce an official statement early in 2015 regarding these changes.