

## INTRODUCING THE NEW 2016 TAX CHANGES

The Liberal party is following through on election platform promises regarding proposed changes to personal and corporate taxes, but what will these changes mean for Canadians?

On December 7, 2015, Finance Minister Bill Morneau addressed the Liberal government's new legislation which will introduce significant changes to personal taxes effective January 1, 2016.

Under this legislation, Canadians falling in the middle tax bracket will see a reduction in the rate of tax with a decrease from the current 22% to 20.5%. To offset this tax cut, a fourth tax bracket has been introduced for Canadians with incomes of over \$200,000. Canadians in this new income bracket will experience a hike in taxes from 29% to 33%.

As promised in the Liberal platform, Tax Free Savings Account (TFSA) contribution limits will be rolled back from the 2015 limit of \$10,000 to \$5,500 come 2016. Though the limit has been reduced for the coming year, Canadians who took advantage of the increased TFSA limit in 2015 will not be required to make withdrawals.

Alongside these new personal tax changes, the federal government has also introduced several important corporate tax changes as well with respect to corporations earning passive investment income. Essentially, the objective of these corporate tax changes is to make you "tax neutral" in deciding to own investments directly as an individual as opposed to owning the same investments through a corporation.

Investment income earned by Canadian Controlled Private Corporations (CCPCs) will now be subject to a surtax of 10 2/3%, an increase from the current surtax of 6 2/3%. The dividend refund rate for taxable dividends paid by corporations will also experience an increase from 33 1/3% to 38 2/3%. Likewise, the part IV tax rate on dividend income will rise from the current 33 1/3% to 38 1/3%.

The government's new tax-free Canada Child Benefit, which will replace the Canada Child Tax Benefit, Universal Child Care Benefit and National Child Benefit Supplement, will come into effect in 2016 with payments beginning July 1. Further details on the Canada Child Benefit and the potential repeal of income splitting for families with children are to follow in the new year.

### QUESTIONS?

If you have any questions or would like to know more about the information discussed in this article, please contact:

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