

# Changes to Tax Rates

Oct 27, 2015   Daniel Simone   [Advice for Business Owners](#)

Now that the Liberals have won the Canadian federal election by majority, there were numerous promised personal tax rate changes summarized below. Note at this stage, these are just election promises, many of which are expected to be effective after the 2016 Federal Budget is tabled:

- reduction in the second lowest personal income tax rate from 22% to 20.5%, decreasing personal income taxes by up to \$671 (based on 2015 tax brackets)
- increase the personal income tax rate on incomes greater than \$200,000 from 29% to 33%

Assuming individuals' personal income tax brackets remain consistent in 2016, the highest marginal income tax rates in Ontario on income greater than \$200,000 will be affected as follows:

<b>Ontario</b>	<b>2015</b>	<b>2016</b>
Ordinary Income	49.53%	53.31%
Capital Gains	24.76%	26.76%
Canadian dividend eligible	33.82%	39.34%
Canadian dividend non eligible	40.13%	45.30%

Some other key changes taxpayers should be aware of:

- a ceiling with respect to the amount that can be claimed through the employee stock option deduction
- decreased Tax-Free Savings Account contribution limit from \$10,000 to \$5,500
- currently unclear if the charitable donations tax credit (exceeding \$200) would be calculated on new 33% or 29% rate would continue to apply
- cancel income splitting which reduced families' tax liabilities by up to \$2,000.
- eliminate the education and textbook tax credits, annually worth up to \$60 and \$10 respectively
- retain eligibility to Old Age Security and Guarantee Income supplement at age 65 was scheduled to increase to 67 starting April 2023.
- replace Universal Child Care Benefit, Canada Child Tax Benefit and National Child Benefit Supplement with a new Canada Child Benefit that is income-tested and tax-free
- enhance flexibility of the RRSP Home buyer's plan