INVESTMENT PLANNING COUNSEL'S

# 2016 Tax Changes Report

## Understanding the Federal Government's Proposed Changes Shouldn't be Taxing

*Important facts and tips regarding the government's new tax policies*

Canada's recently elected federal government has a number of changes to how we're going to be taxed in 2016 and beyond. Some of these changes are likely to impact your financial situation in the coming years, so it's important for you to know what these changes are, and work with your Advisor to take advantage of opportunities that may be available to you.

## Tax changes that might impact your financial circumstances

- Increase in the federal tax rate from 29% to 33% for individuals earning over $200,000.
- Decrease in the federal tax rate from 22% to 20.5% for Canadians earning between $45,282 and $90,563.

*Two examples of the impact of these tax changes:*

1. *John earns $75,000. As a result of the new tax thresholds for people who earn less than $90,563 (but more than $45,282), he will pay $446 less in federal income tax for the 2016 tax year.*
2. *Sally, on the other hand, earns $220,000 per year. She will pay $121 more in federal income tax for the 2016 tax year.*

Check out this link to calculate the potential impact to your taxes:

https://simpletax.ca/blog/2015/new-federal-tax-brackets-2016

## Did you know?

The changes to the tax rates may have a significant impact on your short and long-term savings plans. For example, with these lower taxes, you may now be able to contribute more to your Registered Retirement Savings Plan (RRSP) to **maximize your tax savings**.

If your tax rate is going up, you may want to consider additional tax reduction or deferral strategies – like maximizing your RRSP or your Tax-Free Savings Account (TFSA).

- Rollback of the the TFSA annual contribution limit from $10,000 to $5,500.

This change was **implemented as of January 1, 2016**. It's important to note that any unused contribution room from previous years is still intact. Your Advisor can offer guidance on TFSA contributions and strategies.

- Maintain a gradual reduction in the small business tax rate from 11% to 9% by 2019 for Canadian-controlled private corporations.

If you own a small business, this reduction can help you put more money toward your business or your retirement plan.

- Cancellation of the previous government's Family Tax Cut Credit – an income splitting measure that previously allowed some families with children under 18 years of age to reduce their tax bill by up to $2,000.
- Replacement of the Universal Child Care Benefit, Canada Child Tax Benefit and National Child Benefit Supplement with the new Canada Child Benefit that is income tested and tax free.
- Loosen qualification rules for the Home Buyer's Plan to allow Canadians affected by sudden and significant life changes, such as job relocation, divorce or the death of a spouse, to access their Registered Retirement Savings Plan (RRSP) for a down-payment on a home.
- Restore the benefit age to 65 for Old Age Security and Guaranteed Income Supplement eligibility.

As you approach – or when you are in – retirement, income planning becomes very important. Work with your Advisor to determine your sources of income, as well as **ways to supplement that income** with your own savings.

Speak to your Advisor today to discuss the impact of these changes on your financial plan.

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*Please note that these changes have not passed into law as of January 2016.*
*Sources: http://www.bdo.ca/en/library/services/tax/pages/tax-alert-tax-changes-proposed-by-the-liberals.aspx*
*http://www.cra-arc.gc.ca/tx/ndvdls/fq/txrts-eng.html*

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