

The Tax Break

FAMILY TAX CUTS

NEW: INCOME SPLITTING AND OTHER BENEFITS

On October 30, 2014, Prime Minister Stephen Harper announced **personal tax changes** with respect to families. These changes were passed into law on December 16, 2014.

The **Family Tax Cut** is a new **non-refundable credit**. Essentially, you get a Federal tax credit intended to simulate the annual Federal tax benefit of **income splitting** with a **lower income spouse** to a maximum transfer of \$50,000 and a maximum tax benefit of \$2,000.

This will start on **2014** personal tax returns.

To be **eligible** for the credit, you must meet **all** of the following criteria:

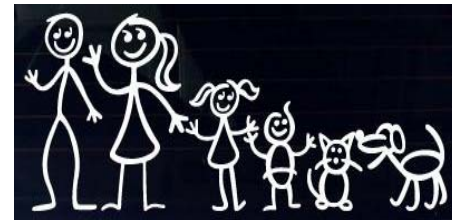
- be **married** (including **common-law** partners) to a Canadian resident at the end of the year;
- have a **child under age 18** who resides with you;
- **not** make a **pension splitting**

election (either spouse);

- **file** a return (both spouses);
- be **resident** in Canada;
- **not** become **bankrupt** in the year; and
- **not** be **incarcerated** for a 90-plus day period in the year.

Universal Child Care Benefit (UCCB) payments will be **increased** by **\$60 per month** for all children **under age 18** (so you get \$160 per month for children under age 6 and \$60 per child age 6 to 17). This is effective **January, 2015** but payments will not begin until **July 2015**. A **Canada Child Benefits Application Form** will be required for parents who have not previously completed such a Form to get other benefits, or for those whose situation has changed.

The **Child Tax Credit** (worth \$338 per child under age 18 in 2014) will be **eliminated** in 2015. Instead of a \$338 Federal tax credit, the taxpayer will receive \$720 (\$60 per month as indicated above) in new UCCB payments to be reported by the lower income spouse. Even at a 50% tax



rate, the taxpayer will still be ahead. The enhanced portion of the credit for an **infirm child** will remain available, despite the base credit being eliminated.

The annual limit on **Child Care Expenses** will increase to \$8,000 per child under age 7, \$5,000 per child age 7 to 16, and \$11,000 per disabled child, a bump of **\$1,000 per child** in each category. This will also be **effective in 2015**.

The **Fitness Tax Credit** doubles in 2014. For eligible expenses of \$1,000, a Federal credit of \$150 is obtained (\$1,000 @ 15% = \$150). This credit will become refundable in 2015. “Refundable” means that in situations where less than \$150 in tax is assessed, federal taxes will be reduced to \$0 and the unused portion of the credit will be refunded to the taxpayer. The Arts Tax Credit remained unchanged.

Ensure your children aged 17 and under are registered for UCCB.

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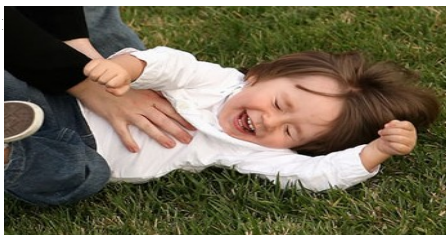
PEL ENTERS THE 21ST CENTURY

PEL is making our foray into the world of Social Media!

Be sure to check out our weekly blog at www.accountantsplus.ca/blog. We post on Mondays about all things tax, accounting and PEL-related.

You can also find [@pelcpa](https://twitter.com/pelcpa) on Twitter, pointing out articles and tips which may be of interest (and perhaps the occasional accountant joke). Note that we can't give tax advice in 140 characters or less, so please consult us about anything you may read and wish to take action on.

If you are receiving this newsletter by mail and would like to receive it by email instead (or vice versa), or if you no longer wish to receive our newsletter, please contact Julie at julie@accountantsplus.ca or 604.299.9274.



TAX TICKLERS

QUICK POINTS TO CONSIDER

- An individual may go back, up to 10 years to access Disability Tax Credits, as well as certain other items, if not previously claimed.
- Scientific Research & Experimental Development credits may be available where a business invests funds to improve manufacturing efficiency.
- The Federal Government has proposed changes which may make the sale of goodwill more costly in the future.

Contact us if you have questions or wish to discuss!



DISABILITY TAX CREDIT

MAKE SURE TO APPLY!

Individuals who have a **severe and prolonged impairment** in **physical or mental functions** may **apply** for the disability tax credit (**DTC**). The **federal** tax credit is valued at over \$1,100 (15% x 7,766) in 2014, with the possibility of an additional disability supplement for certain individuals under the age of 18 at the end of the year. **Provincial** tax credits may also be available.

The DTC is a **non-refundable tax credit** used to reduce income tax payable on an individual's income tax return. All or part of this amount may be **transferred** to an individual's **spouse or common-law partner**, or another supporting person.

Being eligible for the DTC can open the door to other federal, provincial, or territorial programs such as the **registered disability savings plan**, the **working income tax benefit**, and the **child disability benefit**.

For individuals that may have been eligible for the DTC for a number of years, but have not applied, taxpayer relief may be an option to access these credits for the prior 10 years.

If you think you may be eligible for this generous DTC, contact us to discuss.



ESTATE PROPERTY DISTRIBUTION

EXECUTOR PERSONALLY LIABLE FOR ESTATE TAX BILL?

In an August 8, 2014 **Technical Interpretation**, CRA reminded taxpayers that an **Executor** should obtain a **Clearance Certificate before distributing property** under their control.

The Certificate attests that **all amounts** payable by the Estate have either been **paid** or the Minister has accepted security for such amounts. If the Executor distributes the Estate's property **without first obtaining a Clearance Certificate**, the **Executor** may be **personally liable** for amounts that are outstanding to the Government.

The Clearance Certificate protects the

Executor only in the above-noted capacity. CRA can still **pursue the beneficiaries** of the Estate for any **unpaid taxes** even where a Clearance Certificate is issued.

Executors should consider obtaining a Clearance Certificate to avoid personal liability.



EMPLOYMENT EXPENSES

ARE YOU ELIGIBLE?

An individual can **deduct certain expenses** they paid to earn employment income if they meet certain conditions, including:

- their **employment contract** required them to pay the amount; and,
- they **did not receive an allowance** for the expenses or the allowance they received is reported as income.

Employees must obtain a signed **T2200**, Declaration of Conditions of Employment, from their employer to deduct employment expenses from their income.

Eligible employment expenses are quite **limited**. However, they may include, for example, **motor vehicle expenses, supplies, and certain work space in the home** if you meet particular criteria. Additional expenses may be available to commissioned salespersons.

Obtain a signed Form T2200 from your employer before deducting employment expenses.

We recommend that you obtain professional advice before acting on information contained in this newsletter.

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