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2011 Budgets—Measures Affecting You Personally

The 2011 Budget measures introduced federally and provincially over the past few months may affect you personally over the next couple of years. Although the Federal Budget presented on March 22, 2011 died on the table after the collapse of the Federal government, there were resolutions which may be re-introduced by the new federal government that may impact your tax planning initiatives. Most provincial budget measures were inconsequential, with little or no new tax measures or tax changes, as most provinces focused on reducing their provincial deficits over the next few years. However, the measures worth noting are summarized below. There were no new tax measures or tax changes in Prince Edward Island, the Northwest Territories, Nunavut, or the Yukon.

Federal

Even though the Federal Budget tabled on March 22, 2011 essentially died on March 25, 2011, there were several resolutions in the Income Tax Notice of Ways and Means Motion which related to avoidance issues or perceived abuses, which will likely be re-introduced, regardless of the outcome of the May 2nd election.

The Budget proposed to subject RRSPs and RRIFs to certain penalty taxes that currently apply to TFSA's in respect of "advantages", "prohibited investments", and "non-qualified investments". These changes are the government's response to what is seen as tax-avoidance measures by some

taxpayers to strip funds from their RRSPs and RRIFs without paying tax.

The Budget proposed significant restrictions on the tax exemption on capital gains relating to the donation of flow-through shares. These proposals have specifically been designed to deal with a perceived abuse of the rules applicable to charitable donations, as they apply to the donation of flow-through shares.

Alberta

The Budget was presented on February 24, 2011. There were no new tax measures or tax changes for 2011; however, personal credit amounts increased by 0.9% for 2011. The Budget also outlined expenditure increases in the areas of health services, school boards, post-secondary institutions, and child and youth programs.

British Columbia

On February 15, 2011, the government announced that Medical Services Plan premiums will increase effective January 1, 2012. Maximum monthly premium rates will increase by about 6%. The premiums will increase by \$3.50 per month to \$64 for single persons, \$7 per month to \$116 for two-person families, and \$7 per month to \$128 for families of three or more persons.

Manitoba

The Budget tabled on April 12, 2011 announced that the basic personal amount, the spousal amount, and the eligible dependant amount each increased from \$8,134 to \$8,384 in 2011, with further increases to \$8,634 in 2012, \$8,884 in 2013 and \$9,134 in 2014.

A new Children's Arts and Cultural Activity Tax Credit, effective for the 2011 and subsequent taxation years was introduced. This is a 10.8% non-refundable tax credit for the cost of eligible artistic, cultural, recreational, and development activities. Eligible activity costs of up to \$500 per year can be claimed for each child under the age of 16, providing income tax savings of up to \$54 per child. An additional \$54 in income tax savings is available for a disabled child under the age of 18 on whom at least \$100 is spent for eligible activities.

Beginning in 2011, the maximum Primary Caregiver Tax Credit increased from \$1,020 per year to \$1,275 per year.

New Brunswick

On March 22, 2011, the Budget announced that the government will delay the personal income tax rate reductions which were scheduled for 2012. However, tax brackets and personal credits will be indexed. Tax rates for 2011 decreased by 0.2% on the first \$37,150 of taxable income, 0.4% on taxable income between \$37,150 and \$74,300, and 0.9% on taxable income between \$74,300 and \$120,796. The government will hold the top marginal tax rate at 14.3% for taxable income over \$120,796, which is the tax rate for 2010. The Budget also outlined the amount of funds to be used over the next year for job creation, poverty, and affordable drugs.

Newfoundland and Labrador

On April 19, 2011, the Budget announced no changes to income tax rates. However, effective October 1, 2011, a tax rebate equal to 8% of the provincial portion of HST will be introduced for residential electricity and heating.

A new measure for a non-refundable Child Care Credit was introduced, starting in 2011, which will be equal to child care expenses currently deductible. This new credit will be combined with the existing child care expense deduction. The maximum benefit under this initiative will be \$539 per child, and will depend on a child's age and the amount of the deductible child care expense.

A new non-refundable Volunteer Firefighters' Tax Credit will be implemented for those individuals who perform at least 200 hours of service per year. The maximum benefit per firefighter will be \$231.

The Budget also announced that the government will eliminate the clawback of income tax refunds. Lastly, the Budget highlighted the government's intention to invest in ongoing educational, family, and child initiatives.

Nova Scotia

The Budget was tabled on April 5, 2011. Personal non-refundable tax credits for 2011 will increase by approximately 3%. Effective July 1, 2011, the government will also index payments under for the Affordable Living Credit and Poverty Reduction Credit by 2.2%.

As announced in the 2010-2011 Budget, the province will refund the full amount of provincial income tax paid by seniors who receive the Guaranteed Income Supplement (GIS). Rebates are expected in the early fall for seniors who received the GIS in 2010.

The Budget also mentioned increased investments in student bursaries, capping tuition increases at 3%, and increasing funding for personal allowances provided for those who receive income support.

Ontario

The Budget was presented on March 29, 2011. The Budget contained a proposal to introduce a new Ontario Trillium Benefit (OTB), which would combine payments of three existing refundable tax credits, the Ontario Sales Tax Credit (OSTC), the Ontario Energy and Property Tax Credit (OEPTC), and the Northern Ontario Energy Credit (NOEC), into one monthly benefit payment. Currently, the OSTC, OEPTC, and NOEC are paid quarterly. Beginning in July 2012, the Budget proposes to combine these payments into one monthly OTB payment amount, increasing the frequency and predictability of these benefit payments for low to moderate income level individuals and families.

In addition, the Budget set out a proposal to consolidate Ontario Child Care Supplement for Working Families (OCCS) payments with Ontario Child Benefit (OCB) payments, on a per-child basis. Where a family's OCCS entitlement is higher than its OCB benefit, the family would continue to receive the extra OCCS benefit amount for each child under the age of seven.

Quebec

The Budget was tabled on March 17, 2011. To encourage Quebec individuals who are 65 and over to remain in or return to the labour market, a new Tax Credit for Experienced Workers was introduced to eliminate the income tax that these individuals would have to pay on part of their eligible work income in excess of \$5,000, beginning on January 1, 2012.

Effective for 2011, the refundable Tax Credit for Informal Caregivers of Persons of Age was expanded from one to three components. In order to claim the credit, individuals must live in Quebec at the end of December 31 of that year, or on their date of death, and must not be dependent upon another individual during the year. The first component will apply to informal caregivers who house, in the strict sense of the term, an eligible relative. The second component will apply to informal caregivers who live with an eligible relative unable to live alone. The third component applies to informal caregivers caring for an elderly spouse.

To enable individuals wanting to acquire or lease an electric vehicle to receive government assistance more quickly, an electric vehicle purchase or lease rebate program will replace the existing refundable tax credit, as of January 1, 2012. The purchase or lease rebate program will apply to vehicles with a form of electrification and will focus primarily on rechargeable hybrid electric vehicles and exclusively on electric vehicles able to travel on a public road where the authorized speed limit is greater than 50 km/hr. The rebate will be calculated on the basis of battery capacity in kilowatt-hours. For 2012, the rebate will range from \$5,000 to \$8,000.

For vehicles with a weighted fuel consumption rating from 0.01 to 2.99 litres/100km which are acquired or leased under a long-term contract between March 17, 2011 and December 31, 2011, the amount of the tax credit granted will rise from \$3,000 to \$7,769, in order to mitigate the postponement of purchasing these vehicles until 2012.

The Quebec Pension Plan (QPP) contribution rate will increase over the next six years from 9.9% to 10.8%, in increments of 0.15% per year. The yearly increases will be effective January 1 of each year, from 2012 to 2017. For individuals over 65 years old, the monthly increase in the QPP will increase from 0.5% to 0.7%, effective January 1, 2013. For individuals under 65, the monthly reduction in the QPP will increase from 0.5% to 0.6% for the maximum pension amount, phased in from January 1, 2014 to January 1, 2017.

Saskatchewan

The Budget was tabled on March 23, 2011. Effective January 1, 2011, the basic and spousal amounts increased by \$1,000, and the amount for dependent children increased by \$500. The dividend tax credit rate on dividends received from small business corporations will be reduced from 6% to 5% for 2011 and to 4% for 2012.