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2012 Budgets and How They May Affect You Personally

This article deals with provincial incentives the 2012 Budget season is almost over, and although it wasn't a year of big tax changes that affect the individual taxpayer, there were a number of new credits that are worth noting, as well as others that were enhanced. Most Provinces stayed the course set a few years ago to reduce their spending and ultimately eliminate their deficits. The Federal Budget, which was one of the later budgets to be released, had few new personal tax incentives and for the most part, continued on with its austerity program commenced in previous years, looking instead to decrease program spending directly through changes in their funding level. More significant changes are being made on the corporate side both at the federal level as well as the provincial levels.

Federal

The federal Budget was delivered on March 29, 2012, and proposed no significant personal tax changes. Most proposed changes are effected in the future, the most significant announcement being the change in the age of eligibility for the

Old Age Security (OAS) from the current age of 65 to the age of 67, effective starting gradually in 2023, and to be fully implemented in 2029.

Most personal tax changes centered on the tightening, or clarification, of the rules respecting retirement savings and employee benefit arrangements, such as:

- Retirement Compensation Arrangements will be amended to prevent non-arm's length transactions
- Employee Profit Sharing Plans will be amended to tax non-arm's length employees with a special tax on excess contributions
- Certain Group Sickness and Accident Insurance Plan benefits will be included in the employee's income in the year that the contribution is made. This will not apply to private health service plans or certain other plans.
- Registered Disability savings Plans will be enhanced to make them more accessible to the disabled individuals that they were meant to help.

- Life Insurance policies will have an updated test to determine if such a policy is a life insurance policy and thus not subject to accrual taxation.

The Budget proposes to change certain administrative rules respecting the declaration of eligible dividends, allowing companies to declare a dividend to be an eligible dividend retroactively and also to declare a portion of a dividend to be an eligible dividend as opposed to having to declare an eligible dividend separately.

The Budget also proposes to:

- gradually eliminate the Overseas Employment Tax Credit for those individuals working outside of Canada by the year 2016;
- tax the remuneration paid to the Governor General;
- stop the minting of the venerable one cent coin in the fall of 2012.

British Columbia

The British Columbia Budget was brought down on February 21, 2012. A new home buyers' bonus will be introduced for first time buyers of a newly constructed home. The credit will be calculated as 5% of the purchase price, up to a maximum credit of \$10,000. The credit will be phased out at a rate of 20% of net income in excess of \$150,000 for single individuals and 10% of family net income in excess of \$150,000 for couples. Only one credit will be able to be claimed per home. The measure is to be effective for the period February 21, 2012 to March 31, 2013.

New children's fitness and arts credits will be introduced, effective for 2012, to mirror those offered at the federal level. The credits will be calculated at the rate of 5.06% on expenditures of up to \$500 per child.

The Budget will also eliminate the \$10,000 medical expense limit claimed for dependants other than a spouse. The dividend tax credit on eligible dividends will be increased from 9.76% to 10%, effective for the 2012 and future years.

As a result of the referendum vote to abolish the HST, the HST credit will be eliminated and the sales tax credit will be reintroduced, commencing in 2013. As well, the basic personal amount which had increased to \$11,000 in 2010 as a result of the implementation of the HST, will be rolled back to the pre-HST rate of \$9,373 (plus any inflation indexing since 2009) effective April 1, 2013.

Alberta

The Alberta Budget was announced on February 9, 2012. The Alberta credit amounts will be increased by the rate of inflation of 1.8%. The Alberta Family Employment Tax Credit will be increased to \$715 for one child, \$1,365 for two, \$1,755 for three and \$1,885 for four. The income level at which the credit starts to phase out will be increased to \$34,897.

Several enhancements will be made to social programs, namely:

- Clients of the Assured Income for the Severely Handicapped program, will have the maximum monthly income benefit rise by \$400, effective April 1, and monthly income exemptions will double;
- Income Support rates will be increased by an average of 5% (the first rate increase since November 2008);
- The Child Care Subsidy program will be enhanced to include full subsidies for families with household incomes of \$50,000 or less.

Saskatchewan

The Saskatchewan Budget was presented on March 21, 2012. It introduced a new First-Time Homebuyers Credit of 11% on the first \$10,000 of the purchase price of a qualified home, which will create a credit of \$1,100. This credit will apply to purchases with a closing date of January 1, 2012 or later. The Province will also increase the Active Family Benefit by including all children under the age of 18, and it will provide a refundable credit of up to \$150 per child to help offset the costs of children's activity in sports, recreation, and arts.

The Graduate Retention Program, which provides a refundable tax credit of up to \$20,000, will be converted

to a non-refundable credit. It will be further amended to allow for a new refundable credit for those graduates who are not otherwise able to deduct the full amount of the credit provided by the program.

Ontario

The Ontario Budget was delivered on March 27, 2012, and no new tax increases were announced. The maximum Ontario Child Benefit will be increased from \$1,100 in 2012 to \$1,210 in 2013, and to \$1,310 in 2014. The method of paying the Ontario Trillium Benefit will be explored to allow for the recipient to opt for either a monthly or an annual payment.

The government also announced that it would increase tax enforcement measures aimed at the underground economy by introducing measures similar to those adopted in Quebec.

Quebec

The Quebec Budget was introduced on March 20, 2012. Several of the tax credits for seniors will be enhanced. The maximum allowable expenses for home support services for seniors will be increased by \$3,900 per year. The rate of the credit will also increase by 1% per year from 30% in 2012 to 35% in 2017. The amount granted to informal caregivers will increase from \$591 per year to \$700 per year in 2012, and gradually in increments of \$75 per year to \$1,000 by the year 2016. A new refundable tax credit will also be introduced to help seniors with the cost of equipment that would allow them live at home independently longer, such as personal focused monitoring systems, walk-in tubs and showers, mechanized chair lifts, and hospital beds.

The government will also introduce a new voluntary retirement savings plan. This will require all employers employing five or more employees, commencing in 2013, to offer a retirement savings plan option through payroll deduction. These plans would be administered by third parties providing such a service and would be similar in most respects to registered retirement savings plans.

New Brunswick

The New Brunswick Budget was delivered on March 28, 2012. No new taxes were announced, and few if any significant changes resulted. The government did announce that they would review the dividend tax credit rate (for dividends from corporations subject to the general corporate income tax rate).

Nova Scotia

The Nova Scotia Budget was delivered on April 3, 2012. The province announced it would increase the non-refundable credit amounts for a spouse and dependant to \$8,481 and disability to \$ 7,341, to bring them to a more appropriate level. As well the Affordable Living Credit and the Poverty Reduction Credit will be increased. The Nova Scotia Child Benefit will increase by 5% effective July 1, 2012. The Equity Tax Credit and the Labour-Sponsored Venture Capital tax Credit, which were scheduled to expire on February 29, 2012, will be extended to February 28, 2022.

Others

As of the date of the composition of this article, Manitoba, Prince Edward Island, Newfoundland and Labrador, and The Northwest Territories have yet to deliver their 2012-2013 Budgets.