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Budget Season 2017 — Personal Tax Roundup

Budget season in 2017 was, with some exceptions, maintenance of the status quo. Many of the provinces and the federal government did not announce major tax changes. Rather, they proposed minor amendments to existing credits or repealed “boutique” tax credits that were not achieving their intended effects. The personal tax changes discussed here are not comprehensive, but rather are a selection of the noteworthy measures.

Federal Tax Changes

Disability Tax Credit

The eligibility criteria for the disability tax credit will be amended. One of the conditions required for the credit is that a medical practitioner certifies on CRA Form T2201 that the taxpayer has a physical or mental impairment that markedly restricts the taxpayer’s ability to perform a basic life activity. Generally, medical practitioners include medical doctors, optometrists, psychologists, etc. Applicable to certifications made on or after March 22, 2017, nurse practitioners are granted the power to certify a taxpayer’s eligibility for the credit.

Public Transit Tax Credit

Budget 2017 announced that the public transit tax credit will be repealed as of July 1, 2017. The non-refundable credit provided a 15% tax reduction

with respect to eligible public transit passes such as monthly passes and electronic fare cards.

Medical Expense Tax Credit

The medical tax credit will be expanded to include costs paid for the purpose of conceiving a child regardless of whether or not the medical procedures involved are medically indicated due to infertility. This change clarifies that such reproductive technologies are eligible for the credit in cases of medical intervention—prior to this change, such expenses were only eligible in cases of medical infertility. This change applies to 2017 and subsequent years.

Home Relocation Loans Deduction

If a taxpayer receives a loan by virtue of his or her employment with an interest rate below a prescribed rate, he or she is deemed to have received a taxable benefit. However, taxpayers can claim an offsetting deduction to the extent that the loan (not exceeding \$25,000) was for the purpose of acquiring a new home when moving to a new work location. Budget 2017 proposes to eliminate this offsetting deduction, effective 2018 and subsequent years. As a result, the home relocation loan will result in a taxable benefit.

Canada Caregiver Credit

Currently, there are several non-refundable tax credits with different eligibility criteria that depend on the circumstances of the dependant and the caregiver. Budget 2017 proposes to simplify this range of caregiver credits by replacing the credits mentioned above with the single Canada Caregiver Credit ("CCC"). The amount of the credit is \$6,883 in respect of family members (other than the individual's spouse or common-law partner, or child under 18). Where an individual claims a spousal or common-law partner amount, or an eligible dependant amount, or has an infirm child under 18 at year end, the base CCC amount is \$2,150. Where claiming a spousal or common-law partner or eligible dependant credit in respect of an infirm dependant results in a lesser total tax credit than what could have been claimed under the full CCC amount (\$6,883), an additional credit is provided to make up the difference. Note that the CCC is no longer available to non-infirm seniors who live with their adult children. The caregiver is not required to live with the dependant in order to claim the credit.

Taxi and Ride-Sharing Services

Effective July 1, 2017, Budget 2017 proposes to extend the GST/HST on taxi operators to ride-sharing services (such as Uber or Lyft). Taxi operators are required to collect and remit GST/HST on their fares with no dollar exemption limit. In order to ensure GST/HST is consistently applied, ride-sharing service providers will be required to register for GST/HST and charge the tax on their fares. As a result, the cost of using a ride-sharing service is likely to increase.

British Columbia

A new non-refundable volunteer firefighter and search and rescue volunteer tax credit will be available for the 2017 and subsequent taxation years. The tax credit is available to British Columbians who provide at least 200 hours of volunteer service to a volunteer fire department, an eligible search and rescue organization, or a combination of the two. The credit amount is \$3,000, providing a tax benefit of up to \$151.80 per eligible taxpayer.

A new non-refundable back-to-school tax credit will be available for the 2016, 2017, and 2018

tax years (after which time the credit will be reviewed). The credit is available to individuals with school-aged children (five to 17 years of age). The tax credit amount is \$250 per child, providing a tax benefit of up to \$12.65 per child.

The education tax credit is eliminated effective January 1, 2018. Unused education amounts carried forward from years prior to 2018 remain available to be claimed in 2018 and subsequent tax years.

The provincial sales tax on taxable electricity is being phased out. Effective October 1, 2017, the tax rate on electricity is reduced to 3.5% (from 7%) of the purchase price. Effective April 1, 2019, electricity is fully exempt from provincial sales tax.

As announced September 15, 2016, the planned 4% increase in the maximum Medical Services Plan ("MSP") premium for 2017 will not be implemented. The rate remains at \$75 per month per adult. Premium rates for those receiving premium assistance will be lowered to slightly below the levels announced in Budget 2016. Effective for 2018, MSP premiums are reduced by 50% for households with annual net incomes under \$120,000. To receive the reduction, households will need to register. Individuals and families currently receiving premium assistance will be automatically registered. In addition, the income threshold at which households are fully exempt from MSP premiums is increased by \$2,000 (e.g., from \$24,000 to \$26,000 for a single individual, and from \$33,000 to \$35,000 for a couple with two children). The government's intention is to eliminate MSP premiums completely at a later date, contingent on the province's fiscal position and in consultation with British Columbians.

Saskatchewan

Saskatchewan's three personal income tax rates are reduced by a half-point effective July 1, 2017, and another half-point effective July 1, 2019. When fully implemented, the first bracket will be reduced from 11% to 10%, the second from 13% to 12%, and the third bracket from 15% to 14%.

The annual indexation of the personal income tax system is temporarily suspended starting with the 2018 taxation year.

The post-secondary education and tuition tax credits are eliminated effective July 1, 2017. Unused amounts carried forward from previous taxation years will remain available to be claimed, but new credits cannot be earned after June 30, 2017.

The employee's tools tax credit is eliminated effective for the 2017 taxation year.

The Saskatchewan low-income tax credit is enhanced effective July 1, 2017, by:

- increasing the maximum basic adult component and the spousal/equivalent component by \$100, from \$246 to \$346;
- increasing the child component by \$40 per child, from \$96 to \$136, to a maximum of \$272 per family; and
- increasing the benefit clawback rate from 2% to 2.75%.

Individuals with annual income up to \$32,643 will receive the maximum benefit of \$346 while those with incomes between \$32,643 and \$45,225 will receive a partial benefit based on their level of income. A family of four with annual family income of up to \$32,643 will receive the maximum benefit of \$964 while those with incomes between \$32,643 and \$67,697 will receive a partial benefit based on their level of family income.

Manitoba

Manitoba's Tuition Fee Income Tax Rebate, for post-secondary graduates, will be phased out. The maximum rebate that a graduate can claim will be reduced from \$2,500 to \$500 for 2017 and will be completely eliminated in 2018. The advance tuition fee rebate will also be eliminated for tuition and fees related to a school term that begins after April 2017. However, Manitoba will maintain the basic education and tuition tax credits, despite the elimination of the federal education tax credit.

For 2017 and subsequent years, the maximum claim for the Primary Caregiver Tax Credit will be capped at \$1,400 per caregiver, regardless of the number of care recipients they assist. Application timelines for the credit are also being revised.

The Political Contributions Tax Credit will be enhanced for 2018 and subsequent years by increasing the maximum eligible contribution from \$1,275 to \$2,325. Although the tax credit rates remain the same, this change will increase the maximum credit from \$650 to \$1000.

Ontario

The government is proposing a new Ontario Seniors' Public Transit Tax Credit for all Ontarians aged 65 or older, covering eligible public transit costs as of July 1, 2017. The credit will be available to claim on 2017 taxation year returns and will provide a refundable benefit of 15 per cent of eligible public transit costs, providing an average annual benefit of \$130.

The 2017 federal Budget proposed to clarify the application of the federal medical expense tax credit so that individuals who require medical intervention to conceive a child are eligible to claim the same expenses that would generally be eligible for individuals on account of medical infertility. These changes will apply to the 2017 and subsequent taxation years. Ontario's medical expense tax credit parallels the federal credit. Ontario will adopt the federal changes once they have been approved by the federal government. This will allow Ontarians to claim tax relief for eligible fertility treatment costs that are not directly covered by the Province, providing even more support to help everyone who wants to conceive a child.

In its 2017 Budget, the federal government proposed to simplify its existing system of personal income tax credits for caregivers by creating a new consolidated Canada Caregiver Credit. This federal credit will be effective beginning in the 2017 taxation year. Ontario parallels the federal caregiver and infirm dependant tax credits. To simplify and enhance access to tax relief for caregivers, Ontario proposes to replace the provincial caregiver and infirm dependant tax credits with a new Ontario Caregiver Tax Credit (OCTC) that will parallel the new federal credit.

Quebec

The health contribution will be eliminated retroactively, effective as of 2016, for all adults whose income does not exceed \$134,095. Also effective for 2016 and the following years, adults whose income was greater than \$134,095, other than exempt individuals, will pay a reduced health contribution equal to the lesser of \$1,000 or 4% of the amount by which their income for the year exceeds \$134,095.

The basic tax credit granted to all individuals, other than trusts, is being increased. Currently, the basic tax credit enables individuals to reduce their income tax payable by \$2,327. The threshold

above which income tax would generally become payable in Quebec for the 2017 taxation year (the “zero-tax threshold”) corresponds to taxable income of \$14,544.

Two changes will be made to the terms of calculation of the tax credit for persons living alone as of the 2017 taxation year:

- First, for the purposes of the retirement income component of the credit, the aggregate of the amounts (each of which represents eligible retirement income of an individual) must be raised by 25%;
- Second, the reduction rate based on household income will increase from 15% to 18.75%.

Currently, only expenditures attributable to the carrying out of recognized eco-friendly renovation work stipulated in an agreement entered into after March 17, 2016, and before April 1, 2017, with a qualified contractor having an establishment in Quebec may be included in the calculation of qualified expenditures under the RénoVert tax credit. The Minister of Finance announced that the period during which a renovation agreement may be entered into with a qualified contractor for the purposes of the RénoVert credit will be extended by one year to March 31, 2018.

To financially assist owners who must undertake work to upgrade their septic systems, a new refundable tax credit for the upgrading of residential waste-water treatment systems will be introduced temporarily. Financial assistance under this tax credit, which may reach \$5,500 per eligible dwelling, will correspond to 20% of the portion in excess of \$2,500 of qualified expenditures paid by an individual to have recognized work carried out to upgrade the waste-water treatment system of the individual’s principal residence or the individual’s cottage. This tax credit will apply to individuals who have a qualified contractor carry out such work under a service agreement entered into after March 31, 2017, and before April 1, 2022.

Nova Scotia

The basic personal amount will be increased, effective January 1, 2018. However, this increase will be income tested. For individuals with taxable income under \$25,000, the basic personal amount will increase by \$3,000, from the current level of \$8,481 to \$11,481. The \$3,000 enhancement will be phased out, at a rate of 6% of taxable income over \$25,000. This means that all individuals earning less than \$75,000 will see some increase in the basic personal amount, but it will remain at \$8,481 for anyone with taxable income over that threshold.

The maximum tax credit amounts for a spouse, common-law partner, or eligible dependant are also proposed to increase for 2018 and subsequent years. Individuals with taxable income under \$25,000 will benefit from the maximum increase of \$3,000, from the current level of \$8,481 to \$11,481. This enhanced amount will be phased out as taxable income increases, with a partial enhancement available to those with taxable income between \$25,000 and \$75,000.

The tax credit amount for individuals age 65 or older will also increase, effective January 1, 2018. For seniors with taxable income under \$25,000, the age amount will increase from \$4,141 to \$5,606. However, this enhancement will be phased out linearly for seniors with taxable income between \$25,000 and \$75,000.

Other Provinces/Territories

No significant personal tax changes were announced with respect to Northwest Territories, Yukon, Nunavut, Alberta, New Brunswick, Newfoundland and Labrador, and Prince Edward Island.