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Merely a handful of personal income tax changes were announced in the 2018 Federal Budget. These changes are summarized below.

Enhancing the Working Income Tax Benefit

Low-income individuals earning employment or business income during a year may claim a refundable tax credit called the Working Income Tax Benefit (“WITB”). The WITB is made up of two components: a basic amount available to any taxpayer and a supplement that is available only to a taxpayer who is eligible to claim the disability tax credit.

Budget 2018 proposes to rename the credit to the Canada Workers Benefit and enhance the credit by increasing the credit rate from 25% to 26%, and decreasing the phase-out rate (when income exceeds a threshold) from 14% to 12%. As a result, the maximum annual benefit will increase to \$1,355 for single taxpayers (up from \$1,192), and to \$2,335 for families and single parents (up from \$2,165).

Budget 2018 also proposes to enhance the disability supplement. The maximum supplement is increased to \$700, and the income levels where the phase-out begins are also increased. The phase-out rates with respect to the supplement are also decreasing.

These enhancements will apply to 2019 and later years, and the amounts will continue to be indexed after 2019.

Budget 2018 also proposes to allow the CRA to determine if an individual is eligible for the Canada Workers Benefit where he or she did not apply for the benefit on his or her tax return. This means that individuals will not go without the benefit where they are eligible for it, effective for 2019 and later years.

Medical Credit for Service Animals

Currently an individual may claim a medical tax credit of 15% of eligible expenses less an amount equal to the lesser of 3% of net income and \$2,302 (for 2018). Budget 2018 proposes to allow as an expense, the cost of an animal trained to perform certain tasks for an individual who faces certain impairments to assist them in coping with their impairment along with certain other related expenses.

These measures will apply to qualifying expenses incurred after December 31, 2017.

Extending Relief for RDSP Holders

Budget 2018 proposes to extend the temporary measure which allows a qualifying family member to be the plan holder of an individual’s registered disability savings plan where the adult individual does not have an appointed legal

representative to the end of 2023. Currently this measure was set to expire at the end of 2018.

This measure will allow provinces extended time to streamline their process surrounding the appointment of a trusted person to manage the resources of a person who lacks that contractual capacity. Until that time, the status quo remains for affected RDSP holders.

Enhancing the Canada Child Benefit (Pre-Budget)

In Budget 2016, the government enhanced the Canada Child Benefit by increasing payments to families with children. In the 2017 Fall Economic Statement, the government announced that the payment amounts for the Canada Child Benefit would start increasing in proportion to inflation beginning in 2018—this was originally scheduled to begin in 2020.

Provincial Budgets

The following is an overview of the noteworthy personal income tax changes announced by the provinces, which will affect the computation of an individual's provincial income tax payable.

Ontario

The single but significant personal tax change announced in the Budget was the elimination of both the 20% and 36% surtaxes. Surtax is a tax on tax. Effective July 1, 2018, the Budget proposes to replace these surtaxes by adjusting the base tax brackets. As a result, Ontario will have seven personal income tax brackets with rates that reflect the tax rates that were effective prior to the elimination of the surtax. Thus, Ontario's top marginal rate will be 20.53%. The intent behind this change is to simplify the system, add transparency to the province's tax rates, and ensure that high income earners do not receive more tax relief than others by using personal income tax credits (which reduce surtax payable).

Most taxpayers will not see a change in their tax burden, but others will see their tax burdens increase or decrease depending on their income level and use of non-refundable tax credits.

This change is contingent on the upcoming provincial election.

Quebec

A new \$5,000 non-refundable first-time home buyers' tax credit is introduced, and is applicable to qualifying homes acquired after December 31, 2017.

The RénoVert tax credit is extended by one year so it applies to renovation agreements entered into before March 31, 2019.

Beginning in the 2018 tax year, the amount of eligible work that qualifies for the tax shield will increase from \$3,000 to \$4,000.

Beginning in the 2018 tax year, the age of eligibility for the tax credit for experienced workers is lowered to 61. Moreover, the maximum amount of eligible work for workers age 62 and over will be increased by \$1,000.

The caregiver respite services credit will be expanded for 2018 and later years to apply to caregivers who care for a relative, but do not reside with that relative. Taxpayers who qualify for this expanded credit are eligible for a non-refundable credit of \$533, which is phased out at a rate of 16% for each dollar that the dependant's income exceeds \$23,700.

The independent living tax credit for seniors is enhanced by reducing the minimum threshold for expenses from \$500 to \$250.

The limits for the child care credit for a disabled child and a child under 7 are increased to \$13,000 and \$9,500, respectively. All three annual limits will be indexed as of 2019 as well.

Nova Scotia

The provincial basic personal amount, spousal amount, and eligible dependant amount will all increase by \$3,000 (from \$8,481 to \$11,481), effective for 2018 and later years. Taxpayers with income below \$25,000 will receive the full enhancement, but where income exceeds \$25,000, the credit subject to a 6% phase-out and is fully phased out at \$75,000.

The maximum age amount will be increased from \$4,141 to \$5,606 for 2018 and later years. The maximum benefit is phased out at a 15% rate applicable to income exceeding \$25,000, and it is completely phased out once income reaches \$75,000.

Currently, a taxpayer can claim medical expenses with respect to a dependent relative up to \$10,000. This dollar maximum will be removed so taxpayers can claim medical expenses with no limit for dependent relatives, which is already possible where the expenses are for a spouse or minor child.

Although few details are available, the government intends to introduce a new Innovation Equity Tax Credit, beginning January 1, 2019. The current equity tax credit will be phased out over time.

Budget 2018 proposes to double the Poverty Reduction Credit from \$250 to \$500 per year. The credit is provided quarterly to Income Assistance clients without children, who have an annual income of \$12,000 or less. No further information was provided at this time.

Manitoba

Manitoba's basic personal amount will increase from \$9,382 to \$10,392 for the 2019 taxation year, with a further increase to \$11,402 in 2020.

The computation and administration of the Primary Caregiver Tax Credit will be simplified.

The labour-sponsored funds tax credit will be eliminated for shares acquired after 2018.

British Columbia

A new B.C. caregiver credit is introduced for 2018 and later years. The credit is available to B.C. residents who care for an eligible adult relative who is dependent due to mental or physical infirmity.

The education tax credit is eliminated for 2019 and later years.

The following tax credits have been extended:

- Mining flow-through share tax credit to the end of 2018;
- Farmers' food donation tax credit to the end of 2019;
- Interactive digital media tax credit to August 31, 2023; and
- Book publishing tax credit to March 31, 2021.

Prince Edward Island

The basic personal amount will increase by \$500 for the 2018 taxation year, with a further \$500 increase for the 2019 taxation year. In addition, the spouse or common-law partner amount and eligible dependant amount will each increase proportionately. Budget 2018 noted that this is the first step toward regional tax parity over the next five years.

Saskatchewan

Last year's Budget announced a half-point reduction in each of the personal income tax rates, effective July 1, 2017, with a further half-point rate reduction scheduled for July 1, 2019. Budget 2018 announced a temporary freeze on this tax reduction plan. Although the 2017 reduction has already been implemented, the reduction planned for 2019 will not take place, meaning that rates will remain at existing levels for the time being.

Other Provinces

No significant personal income tax changes were announced for provinces/territories other than those discussed above (New Brunswick, Northwest Territories, Alberta, Yukon, and Newfoundland and Labrador). Nunavut has yet to table a budget this year.