2016 PERSONAL INCOME TAX CHANGES

Outlined below are a number of tax items which may affect your 2016 personal income tax return:

1. **RRSP Contribution Limit:** Your RRSP contribution must be made by **March 1, 2017** to allow for a tax deduction on your 2016 tax return. The maximum RRSP deduction limit for 2016 is $25,370 (assuming maximum 2015 qualifying earnings) plus unused RRSP room carried forward from prior years. You should review your 2015 notice of assessment to verify your limit.

   The 2017 deduction limit is $26,010.

   A *non-deductible* over-contribution is also allowed up to $2,000. Monthly penalties and interest will apply if over-contributions exceed $2,000 so it is important that these limits are not exceeded *at any time during the year*.

2. **Tax-Free Savings Account ("TFSA"):** The contribution limit for 2016 was reduced back to $5,500. An individual who was at least 18 in 2009 has *cumulative* TFSA contribution room from 2009 to 2017 of $52,000 (assuming no contributions have been made).

3. **Sale of Principal Residence:** Prior to 2016, CRA's administrative position did not require reporting the sale of a principal residence when there was no gain to include in income. Starting in 2016, you are required to report on Schedule 3 of your personal income tax return the sale of your principal residence, even if the gain is fully exempt. Information to be reported includes the address of the property sold, the year acquired, and proceeds of disposition. Taxpayers failing to report this information may not be eligible to claim the principal residence exemption to offset the gain.

   You must also indicate if you designate the property as your principal residence for all years owned or for certain years only (in which case you will need to complete form T2091).

4. **Repayment of Old Age Security ("OAS"):** If your 2016 net income on line 236 of your personal tax return exceeds *$73,756*, you will be required to repay some or all of your OAS on your 2016 personal income tax return and you will receive a reduced amount of OAS in 2017. Full repayment of OAS is required when net income reaches $119,615.

   Also, the starting age for OAS payments has returned to 65. Plans to increase the eligibility age to 67 have been cancelled.

5. **2016 Personal Income Tax Rates:** For 2016, the Federal tax rate *decreased* by 1.5% on income between $45,283 and $90,563. There is a 4% *increase* on taxable income above $200,000.

   The top Ontario personal income tax rates for 2016 on income in excess of $220,000 are {$220,000 is the start of the top bracket for Ontario provincial tax}:
   - Salary, interest and other income taxed at regular rates 53.53%.
   - Capital gains 26.76%
   - Dividends 'eligible' for the enhanced tax credit 39.34%
   - Non-eligible dividends 45.30%

6. **Other 2016 Changes:**
   i. Elimination of the income splitting family tax cut which saved up to $2,000 for families with a child under 18.
   ii. A new school supplies tax credit for eligible educators.
   iii. A reduction in the children's fitness tax credit (from $1,000 to $500) and arts tax credit (from $500 to $250), with elimination of these credits in 2017.
   iv. The Universal Child Care Benefit ceased on July 1, 2016.
   v. Home accessibility tax credit for individuals age 65 or older or eligible for the disability tax credit. A 15% credit can be claimed on qualified expenditures up to $10,000. {This is similar to the credit offered by Ontario}.

7. **Foreign Reporting Form:** Although this is not new in 2016, given the significant penalties for failure to submit these forms on time, this is a reminder that separate tax forms must be filed with CRA if you own certain foreign property or foreign investments with a combined cost exceeding $100,000 *at any time during the year*.

   There are two reporting methods:
   - Simplified Reporting Method: A simplified check-the-box reporting if foreign property exceeds $100,000 but is less than $250,000 throughout the year.
   - Detailed Reporting Method: Other taxpayers must continue to use the detailed reporting method with the following options:
     - Provide details for each foreign property, or
     - Taxpayers with foreign property in an account with a Canadian registered securities dealer have the option of using the 'aggregate reporting method' reporting the aggregate *market value* on a country-by-country basis.

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Please contact Gary Aslett at (905) 465-3313 or gary@aslettca.ca if you require further information on the above.