
2017 PERSONAL INCOME TAX CHANGES

Outlined below are a number of tax items which may affect your 2017 personal income tax return:

1. **RRSP Contribution Limit:** Your RRSP contribution must be made by **March 1, 2018** to allow for a tax deduction on your 2017 tax return. The maximum RRSP deduction limit for 2017 is \$26,010 (assuming maximum 2016 qualifying earnings) plus, unused RRSP room carried forward from prior years. You should review your 2016 notice of assessment to verify your limit.

The 2018 deduction limit is \$26,230 which requires earned income of \$145,722 in 2017.

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 annual contribution limit for 2017 and 2018 is \$5,500. An individual who was at least 18 in 2009 (the year that TFSA were introduced) has *cumulative* TFSA contribution room from 2009 to 2018 of \$57,500 (assuming no contributions have been made).
3. **Repayment of Old Age Security (“OAS”):** If your 2017 net income on line 236 of your personal tax return exceeds \$74,788, you will be required to repay some or all of your OAS on your 2017 personal income tax return and you will receive a reduced amount of OAS in 2018. Full repayment of OAS is required when net income reaches \$121,314.
4. **Tuition and Education Credits:** A federal and provincial credit has been claimable for *tuition* fees paid for eligible programs and, an additional fixed *education and textbook* credit was allowed based on the number of months in full or part-time studies.
 - Effective January 1, 2017, the federal education and textbook credit has been eliminated. *The federal tuition credit has not been affected.*
 - Ontario has eliminated both the tuition and education/textbook credits effective September 2017.
 - Amounts carried forward from prior years can still be claimed.
5. **Other 2017 Changes:**
 - i. The children’s fitness credit, arts credit and activity tax credit are eliminated for 2017.
 - ii. The Public Transit Credit has been eliminated after June 30, 2017. However, Ontario has introduced a new public transit credit for taxpayers 65 and older, effective for transit costs incurred after June 30, 2017. The maximum credit is 15% of \$1,500 = \$225.
 - iii. A new ‘Canada Caregiver Credit’ for individuals dependent by reason of mental or physical infirmity replaces the former Infirm Dependent Credit and Caregiver Credit. The maximum credit is \$6,883 and is reduced when income exceeds \$16,163.

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6. **2017 Personal Income Tax Rates:** The top Ontario personal income tax rates for 2017 on income in excess of \$220,000 are unchanged from 2016 {\$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 26.77%
 - Dividends ‘eligible’ for the enhanced tax credit 39.34%
 - Non-eligible dividends 45.31%
7. **Automobile Limits:** The following limits are effective for 2018 for residents of Ontario:
- Automobile allowance rates: 55 cents/km for the first 5,000 km, then 49 cents.
 - Maximum capital cost for capital cost allowance: \$30,000.00 plus HST.
 - Deductible lease cost limit: \$800.00/month plus HST. {An additional restriction may apply where the value of the vehicle exceeds the \$30,000.00 ceiling.}
8. **Charitable Donations Credits:** For individuals resident in Ontario, the tax credit for charitable donations is as follows:
- 20.0% on the first \$200.
 - 46.4% on donations in excess of \$200.
 - 50.4% on donations in excess of \$200 to the extent there is taxable income exceeding \$202,800 (that is, the taxpayer has income subject to the top federal tax rate).
9. **Reminders:**
- i. **Foreign Reporting Form:** Although this is not new in 2017, 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 at the time of filing your tax return if you own certain foreign property or foreign investments with a combined cost exceeding \$100,000 CAD *at any time during the year*.
 - ii. **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. Taxpayers failing to report this information may not be eligible to claim the principal residence exemption to offset the gain. Commencing in 2017, certain information is also required to be reported on form T2091 (Designation of a Property as a Principal Residence by an Individual).
10. **Private Company Proposals:** A number of proposals affecting private companies and their shareholders were announced in July 2017 with subsequent changes and amendments issued in October and December 2017. The latest draft proposals focus on the following:
- i. Effective January 1, 2018, limitations on paying taxable dividends to shareholders of private companies (dividend sprinkling).
 - ii. Corporate taxation of investment income in excess of \$50,000 annually where the capital was generated from business income taxed at preferential active business corporate tax rates. Details regarding the timing and specifics of this proposal has yet to be finalized.

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

The material provided is believed to be accurate as of the date it is written. Tax laws are complex and are subject to continual change. Professional advice should always be sought before implementing any tax planning arrangements.

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