"Working together for inspired solutions."

inform

2014

A newsletter from Ritchie Shortt & Tully LLP Chartered Accountants

Congratulations to Kevin Bathe, CPA, CA and his wife, Amanda, on the birth of their daughter.

2014 Combined Federal and Ontario Tax Brackets for Individuals

Taxable Income	Regular Income %	Ineligible (Private Corporation) Dividends %	Eligible Canadian Dividends %	Capital Gains %
$ 0 to $ 40,120	20.05	5.35	0.00	10.03
$ 40,120 to $ 43,953	24.15	10.19	0.00	12.08
$ 43,953 to $ 70,648	31.15	18.45	9.63	15.58
$ 70,648 to $ 80,242	32.98	20.61	10.99	16.49
$ 80,242 to $ 83,238	35.39	23.45	14.31	17.70
$ 83,238 to $ 87,907	39.41	28.19	19.86	19.71
$ 87,907 to $136,270	43.41	32.91	25.38	21.71
$136,270 to $150,000	46.41	36.45	29.52	23.21
$150,000 to $220,000	47.97	38.29	31.67	23.99
$220,000 and over	49.53	40.13	33.82	24.77

(This table does not include the Ontario Health Premium)

Ontario high-income tax bracket changes

Effective for 2014 and subsequent taxation years there is a new income tax bracket that is applicable to taxable income between $150,000 and $220,000. Taxable income above $220,000 will be taxed at the top marginal tax rates. Income thresholds for these tax brackets will not be subject to indexation.

Foreign reporting (Form T1135)

Canadian residents must report specified foreign property costing more than CDN $100,000 in total on Form T1135. The 2013 transitional reporting method is extended for the 2014 and subsequent taxation years. This means the CRA will allow all specified foreign property held by a taxpayer with a Canadian-registered securities dealer or a Canadian trust company to report the aggregate value on a country-by-country basis. The highest fair market value (FMV) at year-end will be required as well as the highest FMV during the year (such maximum value may be based on the highest month-end FMV).

Tax on split income

For 2014, the definition of "split income" will now include income that is, directly or indirectly, paid or allocated to a minor from a trust or partnership if it is derived from a business or rental property, and a person related to the minor is actively engaged on a regular basis in the activities of the trust or partnership.

Estate donations

Donations made by will and designation donations (under a RRSP, RRIF, TFSA or insurance policy) will no longer be deemed to be made by an individual immediately before the individual's death. These donations will be deemed to have been made by the estate, at the time at which the property that is the subject of the donation is transferred to a qualified donee. The trustee of the individual's estate will be entitled to allocate the donation to the taxation year of the estate in which the donation is made, an earlier taxation year of the estate or the individual's last two taxation years. This new rule will be applicable to 2016 and subsequent years.

Testamentary trusts

For existing and new arrangements for 2016 and later taxation years, it is proposed that testamentary trusts will be subject to a flat tax rate equal to the top rate of combined federal and

provincial tax for individuals. Estates would also be subject to this flat top-rate taxation starting immediately after the 36 months following an individual's death. Estates could thus retain access to graduated rates for up to the first 36 months of their administration. Trusts with disabled beneficiaries will be exempt from this rule. Testamentary trusts that do not have a calendar year end will have a deemed taxation year end on December 31, 2015 or the year in which the first 36-month period ends).

2014 Federal and Ontario Combined Corporate Income Tax Rates

Canadian Controlled Private Corporations		Other Corporations	
Small Business Income (up to $500,000)	**Investment Income**	**General Manufacturing and Processing**	**General Active Business Income**
15.5%	46.17%*	25%	26.5%

*26.667% of investment income is eligible for refund at a rate of $1 for every $3 of dividends paid.

Ontario small business deduction for large businesses

The deduction will be reduced for CCPCs, or groups of associated corporations, with over $10 million of taxable capital employed in Canada for the previous year, and will be eliminated for corporations or corporate groups with taxable capital over $15 million in the previous year. This will be effective for taxation years ending after May 1, 2014, with proration for taxation years straddling this date.

Employer Health Tax (EHT)

Effective January 1, 2014, the EHT exemption (shared by a group of associated employers) will increase from $400,000 to $450,000 and will be adjusted for inflation every five years.

Remittance thresholds for employer source deductions

The following measures will apply in respect of amounts to be withheld after 2014: average monthly withholdings of $25,000 (up from $15,000) will be the threshold level giving rise to the requirement to remit up to two times per month and $100,000 (up from $50,000) will be the threshold level giving rise to the requirement to remit up to four times per month.

HST election for closely related persons

Effective January 1, 2015, the following changes have been proposed to the "nil consideration" election which is currently available to relieve HST that would otherwise apply to certain transactions between members of a closely related group (generally common ownership of at least 90%):

- The election availability will be expanded to include a new member of a related group that acquires assets from another member of the group and where, before that time, the new member had not yet acquired any other property.
- The parties to an election will be required to file it with the CRA by the earliest date when any of the parties are required to file a return. Where elections are already in place on January 1, 2015, parties will have until January 1, 2016 to file the election with the CRA.
- Parties to a new or existing election effective on or after January 1, 2015 will be subject to a new joint and several (or solidary) liability provision with respect to tax that may arise in relation to supplies made between them on or after that date.

Internet business activities

A corporation is now required to file *Schedule 88 – Internet Business Activities* for tax years where the filing due date is after December 31, 2014. Self-employed individuals must also complete and file information on internet business activities.