

Inform

2015

A newsletter from **Ritchie Shortt & Tully LLP Chartered Accountants**

We are growing and moving! **Our new office will be located at 500 Brock Street South, Whitby, effective January 2016.**

Congratulations to Taylor Prins on his successful completion of the CPA, CA exams. Well done!

2015 Combined Federal and Ontario Tax Brackets for Individuals

Taxable Income	Regular Income %	Ineligible (Private Corporation) Dividends %	Eligible Canadian Dividends %	Capital Gains %
\$ 0 to \$ 40,922	20.05	5.35	0.00	10.03
\$ 40,922 to \$ 44,701	24.15	10.19	0.00	12.08
\$ 44,701 to \$ 72,064	31.15	18.45	8.46	15.58
\$ 72,064 to \$ 81,847	32.98	20.61	10.99	16.49
\$ 81,847 to \$ 84,902	35.39	23.45	14.31	17.70
\$ 84,902 to \$ 89,401	39.41	28.19	19.86	19.70
\$ 89,401 to \$138,586	43.41	32.91	25.38	21.70
\$138,586 to \$150,000	46.41	36.45	29.52	23.20
\$150,000 to \$220,000	47.97	38.29	31.67	23.98
\$220,000 and over	49.53	40.13	33.82	24.76

(This table does not include the Ontario Health Premium.)

Registered Retirement Income Funds (RRIFs)

Under the current rules, individuals must withdraw a required minimum amount from their RRIF each year. For 2015 and subsequent years, the minimum RRIF withdrawals have been reduced to 5.28% at age 71 (from 7.38%) and to 18.79% at age 94 (from 20%). The reduced factors will permit individuals to keep more money in their RRIF for a longer period of time. Individuals who have withdrawn more than the reduced 2015 minimum amount will be permitted to re-contribute the excess to their RRIFs. Individuals can re-contribute amounts before March 1, 2016. The re-contribution will be deductible for the 2015 taxation year.

Tax-Free Savings Account (TFSA)

Effective for 2015 and subsequent years, the annual TFSA limit has been increased to \$10,000. However, unlike the current rules, the new annual limit will not be indexed to inflation.

Foreign reporting (Form T1135)

For years beginning in 2015 and later, a new simplified reporting system can be used if a taxpayer's total cost of specified foreign property is more than \$100,000 at any time in the year and less than \$250,000 throughout the year. If the total cost of foreign property is more than \$250,000 at any time in the year, the taxpayer will continue to use the current detailed reporting.

Failure to report income

For 2015 and subsequent years, the penalty for repeatedly failing to report income is proposed to apply only if a taxpayer fails to report at least \$500 of income in the year and in any of the three preceding years. The penalty will be the lesser of 10% of the unreported income and 50% of the difference between the resulting understatement of tax and the amount of any tax paid in respect of the unreported amount (e.g. by an employer as employee withholdings).

Home accessibility tax credit

This new federal non-refundable 15% credit will allow seniors (65 or older) and persons with disabilities relief on eligible expenditures up to \$10,000 per calendar year, per qualifying

individual. Eligible expenses (work performed or goods acquired after 2015) must allow the individual to be more mobile or functional within the dwelling or reduce the risk of harm within the dwelling. Note that Ontario already provides such a credit.

Charitable donations

Starting in 2017, when a taxpayer disposes of real estate or shares of a private corporation to an arm's length party, the budget has proposed that the resulting capital gain be tax exempt to the extent the cash proceeds from the sale are donated to a qualified donee within 30 days. This reduces the tax cost of disposing of private corporation shares or real estate, while the donor continues to benefit from a full donation tax credit for the donated proceeds.

Lifetime Capital Gains Exemption (CGE)

The 2015 CGE for capital gains of qualified small business corporation shares is \$813,600, which is indexed for inflation. The 2015 budget proposes to increase the CGE for dispositions of farm or fishing property after April 20, 2015 to \$1 million.

2015 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.

Small business tax rate

The federal small business tax rate will be reduced from 11% by one half of one percent per year, commencing January 1, 2016, over the next four years to 9% effective January 1, 2019. In conjunction with these reductions the non-eligible gross-up percentage and tax credit have been adjusted to maintain the integration of the corporate and personal tax systems.

Employment Insurance (EI)

Beginning in 2017, the government will implement the seven-year break-even EI premium rate-setting mechanism, which will ensure that EI premiums are no higher than needed to pay for the EI program over time. Any surplus collected during this time will be refunded to employers and employees through lower EI rates.

Ontario Retirement Pension Plan (ORPP)

The ORPP will be introduced in 2017. Employees and employers will contribute an equal amount, capped at 1.9% each (3.8% combined) on an employee's annual earnings up to \$90,000. Earnings above \$90,000 will be exempt from ORPP contributions. The ORPP's maximum earnings threshold will increase each year, consistent with the increase to the CPP's maximum earnings threshold. Employers and employees will enroll in the ORPP in stages, beginning with the largest employers. Contribution rates will be phased in over two years.

Apprenticeship Training Tax Credit (ATTC)

The Ontario ATTC provides a 35% refundable tax credit (45% for small businesses) on salaries and wages paid during the first 48 months of an apprenticeship program, to an annual limit of \$10,000 per apprentice. For eligible expenditures related to apprentices who start an apprenticeship program after April 23, 2015, the following changes have been made: the 35% general rate has decreased to 25%, the 45% rate for small businesses has decreased to 30%, the 48-month eligibility period has been reduced to 36 months, and the \$10,000 annual maximum tax credit per apprentice has decreased to \$5,000.



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