Federal Budget March 22, 2016 Highlights

For more information please contact the office of
Whitrod Leduc CPA Inc.
1 Holiday Avenue
West Tower, Suite 520
Pointe-Claire, QC H9R 5N3
Telephone: **(514) 426-2011**
Facsimile: **(514) 426-0559**
robin@rwhitrod.ca
julie@rwhitrod.ca

WHITROD LEDUC CPA INC.

Federal Finance Minister Bill Morneau brought down the first budget of the Liberal's mandate with the emphasis on deficit spending, $29.4 billion for 2016-2017.

Although the focus is on spending, there are several income tax related measures of note. Some of these are as follows:

Personal Taxes

- The current Canada Child Tax Benefit (CCTB) and the Universal Child Care Benefit (UCCB) will be replaced by a new non-taxable Canada Child Benefit. The new annual benefit will commence July 2016 at the rate of $6,400 per child under the age of 6 and $5,400 per child between the age of 6 and 17. The benefit will be progressively reduced as family net income exceeds $30,000 per year.
- Elimination of the Family Tax Cut as of 2016.
- Starting 2016, reinstatement of the 15% credit for labour-sponsored venture capital corporation (LSVCC) investments up to a maximum of $5,000 per year.
- Elimination of the education and textbook components of the federal tuition credit as of 2017.
- Reduction of the children's fitness and arts credit in 2016 by 50% and elimination in 2017.

Business & Corporate Taxes

- The small business tax rate will be kept at 10.5% on the first $500,000 of annual qualifying active business income for years after 2016 and expanded measures will be put into place to prevent the multiple use of the small business deduction amongst related corporations.

Look further for more highlights…

Business & Corporate Taxes (following)

- Replacement of the rules regarding capitalization of eligible capital property from 75% to 100%, and a reduction of the annual CCA rate from 7% to 5%, effective January 1, 2017. Existing pools of cumulative eligible capital (CEC) will be transferred to a new CCA class but will continue to be deductible at 7% per year for a period of 10 years. To eliminate small balances, a deduction can be the greater of 7% or $500 in the year. Amounts less than $3,000 will no longer need to be capitalized, but simply deducted as a current expense in the year.

- Creation of a new "Goodwill" CEC class where expenditures and receipts do not relate to specific intangible assets. Receipts that result in the goodwill class turning negative will be considered capital gains.

- Changes to the rules related to life insurance policies owned by private corporations to ensure the amount of proceeds added to the capital dividend account (CDA) balance respects the "insurance benefit limit" regardless of whether the company is a policyholder.

- For life insurance policies transferred to private corporations by their shareholders, the fair market value will be included in the company's adjusted cost base, where previously the cost base was the cash surrender value at the time of the transfer. This will generally result in a lower addition to the capital dividend account (CDA) balance when the corporation receives the proceeds, and a smaller tax-free distribution out of the CDA account.

As always, should you wish to discuss any of these measures in further detail, please give us a call.

Yours truly,

WHITROD LEDUC CPA INC.

Per:

Robin Whitrod, CPA, CA
(514) 426-2033

WHITROD LEDUC CPA INC.

Per:

Julie S. Leduc, CPA, CA

Julie S. Leduc, CPA, CA
514-426-2011