

## Issue #35 - "2014 Income Tax News"

### Interesting Links from Around the Web

Governance : [Norway's Lessons for Canada](#) : CBC  
Real Estate : [IMF Sounds Alarm over Cdn Housing](#) : Globe  
Education : [Investing Tuition Money or Getting Degree](#) : Post

*"A tax cut to compensate for a tax increase is not a cut - it's a con."*

- Tony Abbott

Every year politicians and bureaucrats tinker with the enormous tax code adding further to its complexity in hopes of winning the favour of their target voting demographic. With an election looming at the Federal level and the Liberals winning a majority in the province of Ontario, 2014 proved to a shifty year for the tax code. The aim of this month's IMI is to catch you up on the changes that may affect you to ensure that we, as your tax preparer, are equipped with all the information to maximize your tax return.

### The Changes

#### **New!** Family Tax Cut (FTC)

The most widely publicized tax change this year is the introduction of the Family Tax Cut (FTC) which targets two-parent families with children under the age of 16. This cut allows notional income splitting between spouses up to a maximum tax savings of \$2000 for the family.

To benefit from the income splitting, spouses must be in materially different tax brackets. This will prove particularly beneficial to those families with one stay-at-home parent. So long as we are filing for both spouses, we will automatically claim this credit for you, if eligible. For more information on this credit and to find out if you are eligible, click [here](#).

#### **Increased!** Ontario Income Tax Rates

As we discussed in our September 2014 issue of IMI, high income earners in the province of Ontario will be paying an increased amount of income tax since the Provincial Liberals passed their controversial budget after being given a majority by Ontario voters. Income earned between \$150,000 and \$220,000 will be subject to a new tax bracket of 47.97% on regular income and 31.67% on dividends, an increase of 1.56% and 2.15% respectively. Meanwhile, regular income earned above the \$220,000 mark will be taxed at a tear-inducing 49.53%, an increase of 3.12%. Dividends in that bracket will be taxed 4.3% higher for a total of 33.82%.

Our concern here is that not all employers and book-keepers will have updated their software and so may not have been withholding or remitting figurers reflecting the changes. This may result in additional tax owing for some individuals.

#### **Increased!** Children's Fitness Tax Credit

Another tax measure from the federal conservatives aimed at young families, this extension to the Children's Fitness Tax Credit allows parents to claim up to \$1000 in expenses relating to supervised, on-going physical activity for children under the age of 16. This federal credit is applied on a flat 15% basis, and so the additional \$500 in credit results in savings of a whopping \$75 per child.

On the provincial side, the fitness credit was increased with inflation to a maximum of \$541 per child while the children's art expense credit (Music, Arts, Acting, Scouts, etc.) was left at \$500 per child. For more information on what is eligible for the art credit, click [here](#).

Please be sure to include all your eligible fitness and art expenses so that we can claim them accordingly.

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In passing, there are discussions of increasing the child care expenses credit by an additional \$1000 per child for the 2015 tax year, though that has not yet gone into effect.

### **Increased!** *Universal Child Care Benefit*

Those receiving this government stipend will notice an increase effective January 1<sup>st</sup> that will see them benefit from an additional \$720 per year, per child aged between 0 and 6, along with the introduction of a new benefit of up to \$720 per child aged 6 through 17. Find out more about this increased benefit [here](#).

### **New!** *Search and Rescue Volunteer Credit*

An extension to the Volunteer Firefighter Tax Credit, the Search and Rescue Volunteer Credit can save volunteers up to \$450 on their tax return. For more information, click [here](#).

### **Other** *Super Donor Credit still active*

In an effort to promote charitable donations, the Federal government is offering a special incentive to individuals who have not made a charitable donation since 2007, allowing them to claim an additional 25% on their first \$1000 of donations until 2017.

If this is your first year with a charitable donation, please signal that to us so that we may reflect it in our preparation.

### **Other** *Tax Free Savings Accounts being reviewed by CRA*

According to [Ernst & Young](#), the Canada Revenue Agency is undergoing a thorough review of assets held inside TFSAs to ensure that they are compliant. In particular, they are targeting non-arms-length transactions and prohibited investments like options, futures and other derivatives. Further, they are screening for individuals carrying on as a business within the accounts through a high volume of transactions (day-trading). If successful in their argument, CRA will render these accounts non-eligible for tax preferred status.

Rest assured that the TFSAs we administer for you are all in good standing and will respond to CRA should your account be selected for review.

### **Summary**

If you are the primary bread winner of a conventional nuclear family with five children all under age of 16 and you spend your spare time as a search and rescue volunteer, when you aren't driving your children to sport and art activities, who earned less than \$150,000 and will be donating up to \$1000 for the first time in your life.... you hit the tax jackpot in the 2014 tax year! Otherwise, you probably won't notice much of a difference in your taxes this year.

#### Sources:

<sup>1</sup> Family Tax Cut : <http://www.cra-arc.gc.ca/gncy/bdgt/2014/qa10-eng.html>

<sup>2</sup> Children's Arts Credit : <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/nem-tx/rtrn/cmpltng/ddctns/lns360-390/370/prgrm-eng.html>

<sup>3</sup> UCCB : [http://www.budget.gc.ca/efp-peb/2014/uccb-puge-eng.html?utm\\_source=Priority&utm\\_medium=banner&utm\\_campaign=uccb](http://www.budget.gc.ca/efp-peb/2014/uccb-puge-eng.html?utm_source=Priority&utm_medium=banner&utm_campaign=uccb)

<sup>4</sup> CRA Targeting TFSAs: [http://www.ey.com/Publication/vwLUAssets/Tax\\_Alert\\_2015\\_No\\_13/\\$FILE/TaxAlert2015No13.pdf](http://www.ey.com/Publication/vwLUAssets/Tax_Alert_2015_No_13/$FILE/TaxAlert2015No13.pdf)

<sup>5</sup> 5 Things you need to know about your 2014 tax return : Global <http://globalnews.ca/news/1889287/5-things-you-need-to-know-about-your-2014-tax-return/>