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Helping Families Prosper

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The federal government's the proposed new measures announced on October 30, 2014 would provide about $4.6 billion in annual relief to about four million families with children. Families at all income levels would benefit from these new measures, with low- and middle-income Canadians receiving proportionately greater relief as a share of federal income tax paid. On average, families with children would receive about $1,140 in tax relief and benefits per year.

The Family Tax Cut
Under Canada's personal income tax system, a one-earner couple, or a two-earner couple in which one spouse earns significantly more than the other, often pays more federal personal income tax than a two-earner couple that has the same combined income, but where the spouses have equal earnings.

As a result of Canada's tax rate structure, a couple with two children in which spouses report a taxable income of $60,000 and $20,000, respectively, would pay about $1,210 more in federal income taxes in 2014 than a couple with two children in which both spouses report a taxable income of $40,000, even though their combined household income is the same at $80,000.

The proposed Family Tax Cut would allow the higher-income spouse to, in effect, transfer up to $50,000 of taxable income to a spouse in a lower income tax bracket for federal tax purposes, up to a maximum benefit of $2,000. Tax relief is calculated on the basis of the difference in tax before and after the effective transfer of income.

The new Family Tax Cut would apply for the 2014 and subsequent taxation years. Couples would be able to claim the credit when they file their 2014 tax returns. To benefit from the credit, each spouse must file a tax return. Either spouse may claim the credit. Since the Family Tax Cut is designed as a federal non-refundable credit, it would have no effect on provincial revenues.

Qualifying Relation
To be eligible for the credit for a taxation year, in general an individual must:

- ✓ be a Canadian resident at the end of the taxation year;
- ✓ have an eligible relation for the year;
- ✓ have a child under the age of 18 at the end of the year who ordinarily resides throughout the taxation year with the individual or the individual's eligible relation; and
- ✓ not be confined to a prison or similar institution for 90 days or more in the year.

Eligible Relation
An eligible relation of a particular individual would be an individual who is resident in Canada at the end of a taxation year and who is the spouse or common-law partner of the particular individual (and not, due to a breakdown in the marriage or common-law partnership, living separate and apart from the particular individual at the end of year and for a period of at least 90 days commencing the year).

When the Credit would be Claimable
The credit would not be available for a year that a qualifying individual or the individual's eligible relation:

- ✓does not file an income tax return;
- ✓elects to split pension income; or
- ✓becomes bankrupt.

The credit would be available in the year of birth, adoption or death of a child, and in the year of death of the individual or their eligible relation.

Calculation of the Credit
The value of the credit would generally be determined as the difference between

- ✓ the combined taxes payable (after non-refundable tax credits are claimed) by the qualifying individual and that individual's eligible relation, and
- ✓ the combined taxes that would be payable (after non-refundable tax credits are claimed) by them if the higher-income individual could have notionally transferred taxable income (up to $50,000) to the lower-income individual.

However, if this difference exceeds $2,000, the credit would be limited to this amount.

Universal Child Care Benefit and Child Tax Credit
The Government is enhancing the Universal Child Care Benefit by providing $160 per month for each child under the age of 6 – up from $100 per month, and introducing a new benefit of $60 per month for children aged 6 through 17. Over the course of a full year, parents will receive up to $1,920 for each child under the age of 6 and up to $720 for each child aged 6 through 17.

Enhanced payments for the Universal Child Care Benefit would take effect as of January 2015 and would begin to be reflected in monthly payments to recipients in July 2015.

The enhanced UCCB will replace the existing Child Tax Credit for the 2015 and subsequent taxation years.

Child Tax Credit -
Repeal of the Child Tax Credit
Introduced in Budget 2007, the Child Tax Credit is a non-refundable tax credit based on a fixed amount per child under the age of 18 years ($2,255 in 2014, which amounts to tax relief of up to $338 per child).

The enhanced Universal Child Care Benefit would replace the existing Child Tax Credit for the 2015 and subsequent taxation years. Therefore, it is proposed that the existing Child Tax Credit be repealed for the 2015 and subsequent taxation years.

Family Caregiver Tax Credit
This credit provides tax relief for caregivers of all types of infirm dependent relatives, including, for the first time, spouses, common-law partners and minor children. The way in which the Family Caregiver Tax Credit works is that caregivers claim an enhanced amount for an infirm dependant, such as a minor child, under another dependency-related credit (which would be the Child Tax Credit in the case of a minor child).

In the absence of legislative amendments, eliminating the Child Tax Credit would mean that the Family Caregiver Tax Credit in respect of infirm, minor children would no longer be available, starting in 2015. It is therefore proposed that the *Income Tax Act* be amended to ensure that a Family Caregiver Tax Credit amount would continue to be available in respect of an infirm, minor child when the Child Tax Credit is repealed for 2015 and subsequent taxation years.

Child Care Expense Deduction
To better reflect the cost of child care expenses, the Government proposes to increase the dollar limits of the Child Care Expense Deduction by $1,000 – i.e., to $8,000 from $7,000 per child under age 7, to $5,000 from $4,000 for each child aged 7 to 16 (and infirm dependent children over age 16), and to $11,000 from $10,000 for children who are eligible for the Disability Tax Credit.

These changes would apply for the 2015 and subsequent taxation years.

Doubling of the Children's Fitness Tax Credit
On October 9, 2014, the Government announced its intention to double the maximum amount of expenses that may be claimed under the Children's Fitness Tax Credit (CFTC) to $1,000 and make it refundable. Making the tax credit refundable would ensure that even those who do not earn enough to pay income taxes benefit from this measure.

Parents would be able to take advantage of the new $1,000 maximum limit in the spring of 2015 when they file their tax returns for 2014. Beginning in the 2015 taxation year, the credit would become refundable, increasing benefits to low-income families.

This and That

A big thank you to all of you who supported us in the JDRF Ride for Diabetes. It is because of you that we were able to raise a total of $6,705!

December Breakfast Seminar
We hope to see you at our upcoming breakfast seminar on December 10th. In conjunction with Laurentian Bank of Canada and the University of Ottawa Telfer School of Management, Logan Katz is pleased to welcome Sébastien Lavoie, Assistant Chief Economist of Laurentian Bank Securities who will offer an Economic perspective for 2015.

Register now by clicking here.

Logan Katz Food Drive
As the holiday season is approaching, we are reminded of those less fortunate than ourselves. We encourage all our clients to bring in a donation of non-perishable food on their next visit to our office.

We thank you for your support. Together, we can make a difference in our community!