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tax & business **Alert**

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NEW BUDGET HIGHLIGHTS:

- Increase the TFSA annual limit to $10,000, effective for the 2015 taxation year.
- Lower small business corporate income tax rates

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FEDERAL BUDGET 2015

The Minister of Finance, Joe Oliver, presented his second budget in the House of Commons this afternoon. The Budget is balanced for 2015-2016, which was achieved by the sale of the government's shares in General Motors. The 2014-2015 deficit is estimated at $2 billion and the 2015-2016 surplus is estimated at $1.4 billion.

The following is a summary of the tax highlights contained in the budget.

BUSINESSES

REDUCING TAXES FOR SMALL BUSINESSES

Budget 2015 proposes to reduce the small business tax rate to 9 per cent by 2019 to be phased in as follows:

- 10.5 per cent effective January 1, 2016;
- 10 per cent effective January 1, 2017;
- 9.5 per cent effective January 1, 2018;
- 9 per cent effective January 1, 2019.

TAX SUPPORT FOR MANUFACTURING INVESTMENT

Budget 2015 proposes to provide manufacturers with an accelerated CCA at a rate of 50 per cent on a declining-balance basis for eligible assets acquired after 2015 and before 2026. While the existing rate of 50% will continue to apply, and not the 30% rate which would otherwise be available under Class 43, CCA will be computed on a declining balance basis, rather than on the straight-line basis currently provided for under Class 29.

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INDIVIDUALS

REDUCING THE MINIMUM WITHDRAWAL FACTORS FOR RRIFS

A formula is used to determine the required minimum amount a person must withdraw each year from a RRIF. The formula is based on a percentage factor multiplied by the value of the assets in the RRIF. The percentage factors (the RRIF factors) are based on a particular rate of return and indexing assumption. Currently, a senior is required to withdraw 7.38 per cent of their RRIF in the year they become 71.

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A QUARTERLY REMITTER CATEGORY FOR NEW EMPLOYERS

Currently, new employers must remit withholdings monthly for at least one year. After that, they may be eligible to apply for quarterly remitting if they have an average monthly withholding amount of less than $3,000 and have demonstrated a perfect compliance record over the preceding 12 months.

Beginning in 2016, Budget 2015 proposes that new employers will be eligible for quarterly remitting if they have monthly withholdings of less than $1,000 and maintain a perfect compliance record in respect of their Canadian tax obligations.

STREAMLINING WITHHOLDING REQUIREMENTS FOR NON-RESIDENT EMPLOYERS

Budget 2015 proposes to streamline the Regulation 102 tax compliance requirements for non-resident employers in relation to non-resident employees working in Canada.

Specifically, it is proposed that qualifying non-resident employers be exempted from Regulation 102 tax compliance requirements for non-resident employees where a tax treaty applies and certain other conditions are met.

ANTI-AVOIDANCE MEASURES

The budget proposes to expand the scope of the anti-avoidance rule in section 55 of the Income Tax Act to prevent corporate taxpayers from using intercorporate dividends to create or increase unrealized capital losses that can be used to shelter capital gains on other properties. The rule will apply to dividends received on or after April 21, 2015, where one of the purposes of a dividend is to significantly reduce the fair market value of any share or significantly increase the total cost of properties of the recipient of the dividend. Certain other related anti-avoidance amendments are also proposed.

LOWER EMPLOYMENT INSURANCE PREMIUM RATE

The government has announced its intention to lower the Employment Insurance (EI) premium rate in 2017 via a seven-year break-even rate setting mechanism.

EXEMPTING DONATIONS INVOLVING PRIVATE SHARES AND REAL ESTATE FROM CAPITAL GAINS TAX

At present, donations of private shares and real estate to registered charities and other qualified donees can give rise to taxable capital gains.

To help Canadians provide more gifts, Budget 2015 proposes to exempt individual and corporate donors from tax on the sale of private shares or real estate to an arm's length party if the proceeds are donated within 30 days.

If a portion of the proceeds is donated, the exemption from capital gains tax would apply to that portion. This measure will apply to donations in respect of dispositions occurring after 2016.

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The RRIF factor increases each year until age 94 when the percentage that seniors are required to withdraw annually is capped at 20 per cent.

Budget 2015 proposes to adjust the RRIF minimum withdrawal factors that apply in respect of ages 71 to 94 to better reflect more recent long-term historical real rates of return and expected inflation. As a result, the new RRIF factors will be substantially lower than the existing factors.

The new RRIF factors will range from 5.28 per cent at age 71 to 18.79 per cent at age 94. The percentage that seniors will be required to withdraw from their RRIF will remain capped at 20 per cent at age 95 and above.

INCREASING THE LIFETIME CAPITAL GAINS EXEMPTION (LCGE) TO $1 MILLION FOR OWNERS OF FARM & FISHING BUSINESSES

Budget 2015 proposes to increase the LCGE applicable to capital gains realized on the disposition of qualified farm or fishing property to $1 million. This measure will apply to dispositions of qualified farm or fishing property that occur on or after Budget Day, 2015.

For taxation years after 2015, the LCGE for qualified farm or fishing property will be maintained at $1 million until the indexed LCGE applicable to capital gains realized on the disposition of qualified small business shares ($813,600 in 2015) exceeds $1 million. At that time, the same LCGE limit, indexed to inflation, will once again apply to the three types of property.

A HOME ACCESSIBILITY TAX CREDIT FOR SENIORS AND PERSONS WITH DISABILITIES

Budget 2015 proposes a new, permanent Home Accessibility Tax Credit. The proposed 15 per cent non-refundable income tax credit would apply on up to $10,000 of eligible home renovation expenditures per year, providing up to $1,500 in tax relief.

Eligible expenditures will be for improvements that allow a senior or a person who is eligible for the Disability Tax Credit to be more mobile, safe and functional within their home.

Examples of eligible expenditures include costs associated with the purchase and installation of wheelchair ramps, walk-in bathtubs, wheel-in showers and grab bars.

The Home Accessibility Tax Credit will apply in respect of eligible expenditures for work performed and paid for and/or goods acquired on or after January 1, 2016.

REPEATED FAILURE TO REPORT INCOME PENALTY

Budget 2015 proposes to amend the penalty for a repeated failure to report income to ensure that it retains its objective of deterring non-compliance, but is proportionate in relation to other penalties. It is proposed that the penalty apply in a taxation year only if a taxpayer fails to report at least $500 of income in the year and in any of the three preceding taxation years. The amount of the penalty will equal the lesser of:

- 10 per cent of the amount of unreported income; and
- an amount equal to 50 per cent of the amount by which the understatement of tax (or the overstatement of tax credits) related to the omission exceeds the amount of any tax paid in respect of the unreported amount (e.g., by an employer as employee withholdings).

No changes are proposed to the gross negligence penalty, which will continue to apply in cases where a taxpayer fails to report income intentionally or in circumstances amounting to gross negligence.

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Readers are reminded that while budget proposals are customarily given the effect of law immediately, the amending legislation, when ultimately adopted by Parliament, may be altered to some degree.

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PROVIDING CHARITIES WITH MORE FLEXIBILITY TO DIVERSIFY THEIR INVESTMENTS

Budget 2015 proposes to permit charities to invest in limited partnerships. This proposal will also apply to

FAMILY TAX CUT

The Family Tax Cut is a federal tax credit that will allow a higher-income spouse to transfer up to $50,000 of taxable income to a spouse in a lower tax bracket. The credit will provide tax relief – capped at $2,000 – for couples with children under the age of 18, effective for the 2014 tax year.

Families can claim the Family Tax Cut in the spring of 2015 when they file their 2014 tax returns.

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 (UCCB)

As of January 1, 2015, parents will receive a benefit of $160 per month for each child under the age of six – up from $100 per month. In a year, parents will receive up to $1,920 per child. As of January 1, 2015, under the expanded UCCB, parents will receive a benefit of $60 per month for children aged six through 17. In a year, parents will receive up to $720 per child. Families will begin to receive payments under the enhanced UCCB in July 2015. The July UCCB payment will include up to six months of benefits to cover the period from January through June 2015. The enhanced UCCB will replace the existing Child Tax Credit for the 2015 and subsequent taxation years.

CHILD CARE EXPENSE DEDUCTION

The Child Care Expense Deduction allows child care expenses incurred to earn employment or business income, pursue education or perform research, to be deducted from income for tax purposes. Generally, only the lower-income spouse can claim it. Currently, the maximum amount that can be claimed under the Child Care Expense Deduction each year is limited to the least of:

- the total amount spent on child care expenses;
- two-thirds of the lower-income taxpayer's earned income; and
- the total of the maximum dollar limits for all children, that is $7,000 per child under age 7, $4,000 for each child age 7 to 16 (and infirm dependent children over age 16), and $10,000 for children who are eligible for the Disability Tax Credit, regardless of their age.

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

Budget 2015 proposes to double the maximum amount of expenses that may be claimed under the credit from its current limit to $1,000 for the 2014 tax year and subsequent tax years, and the credit will be made refundable effective for the 2015 and subsequent tax years.

ALERT DATES

April 30, 2015	Deadline for filing personal income tax returns other than those permitted to file by June 15.
June 15, 2015	Second installment due for individuals required to make income tax installments.
	Filing date for individuals reporting business income including professional income and their spouses
September 15, 2015	Third installment due for individuals required to make income tax installments.
December 15, 2015	Fourth installment due for individuals required to make income tax installments.

ABOUT LEVI & LEVI

LEVI & LEVI is a firm of chartered professional accountants that traces its origin in Montreal to 1970. We pride ourselves on being more than just an accounting firm. We offer an effective blend of personalized service, experience and technological leadership, coupled with a steadfast commitment to consistently deliver excellence. Our Chartered Professional Accountants and Business Consultants provide advisory services on a broad range of issues to both our individual and corporate clients. The members of our firm possess unique talents, expertise and experience, giving our clients access to a knowledge base of considerable breadth and depth. Together with our support personnel, we share a commitment to developing practical solutions for the business challenges of today, and to devising strategies for tomorrow.

OUR SERVICES

LEVI & LEVI takes pride in adding value to every client that we serve through our extensive expertise and proactive approach to your financial needs. We match our dedication to adding value with experience and expertise: we have experience in servicing virtually every type of industry and professional practice.

TAXATION

LEVI & LEVI has a strong basis in federal and provincial tax issues. Our tax group is highly qualified and experienced. Our accountants work hard to minimize your taxes, yet make sure that you fulfill your tax requirements ethically while working to add value. We can fill a variety of tax needs, both domestic and international as well as corporate and personal. Our specialties lie in tax reporting and representation, tax planning (business, personal, divorce and litigation), tax structuring of entities and transactions and tax research.

FINANCIAL

LEVI & LEVI can meet all of your basic financial needs with our exemplary Accounting Services Group that can truly add value whether it's your business or your personal finances that we are reviewing. We work with business entities as well as non-profits and foundations. Our accounting services include; auditing and compilation review of financial statements, budgets and forecasts, and government reporting. We won't simply process your financial statements, our mission is to add value. We will go the extra mile to help you forecast or locate opportunities that you may be missing.

BUSINESS CONSULTING

LEVI & LEVI's Business Consulting unit has proven itself as a valuable resource to businesses of all kinds. We can help you plan your future, whether you see it coming or not. We can help you bring seminal business events to life; like mergers and acquisitions, business valuation, leases and contracts, or business development plans, all of which take a huge amount of planning and attention to detail. If there are no big events on your horizon, we can still be of service by helping you to anticipate the unexpected through our forecasting, real estate projections, risk management assessments, or our feasibility studies. We look at your business and all of its many facets, to find both issues and opportunities and bring that valuable insight to you.

LITIGATION SUPPORT AND DISPUTE RESOLUTION SERVICE AREAS

- **Civil and criminal Fraud Investigation**
- **Management and employee fraud and theft**
- **Identification of secret commissions and kickbacks**
- **Sarbanes-Oxley compliance audits**
- **Sarbanes-Oxley 404 audits**
- **Intellectual Property Litigation Support**
- **Training on fraud awareness and prevention**
- **Due Diligence Audits**
- **Business valuation**
- **Fairness opinions**
- **Insurance claim assistance**
- **Retail sales audits**
- **Contract dispute resolution**
- **Professional negligence litigation support**
- **Fraud prevention program design, implementation and evaluation**
- **Bank due diligence audits**
- **Employee background audits**
- **Financial discrepancy analysis**
- **Divorce litigation support**
- **Insurance claim quantification**
- **Breach of contract quantification**
- **Electronic Discovery and Data Recovery**
- **Computer forensics**

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