

December 7, 2015

tax & business Alert

HIGHLIGHTS:

- Decrease in the TFSA annual limit to \$5,500, effective for the 2016 taxation year.
- Introduction of a new top personal income tax rate of 33%.

INSIDE THIS ISSUE:

Donation Tax Credit 1

Tax Free Savings Account 1

Trusts and Estates 2

Investment Income of Private Corporations 2

Alert Dates 2

LEVI & LEVI,

SENCRL
LLP

A member firm of Integra International with offices worldwide

1303 Greene Avenue, Suite 400

Montreal, Quebec H3Z 2A7

Tel: (514) 931-7600 Fax: (514) 931-3600 alert@levifca.com

FEDERAL TAX CHANGES 2016



Today, the Honourable William Francis Morneau, P.C., M.P – Minister of Finance – tabled a Notice of Ways and Means Motion to amend the Income Tax Act.

Of significance to the changes, is the introduction of a new top personal income tax rate of 33%. This new rate will apply to taxable income exceeding \$200,000. In addition, the second income tax bracket – which is income greater than \$45,282, but less than \$90,563 – will see a decrease from 22% to 20.5%.

These amendments apply to the 2016 and subsequent taxation years.

DONATION TAX CREDIT

As a result of this new amendment, there has also been a change to the donation tax credit. A new tax credit rate of 33% will apply to gifts in excess of \$200 to the extent that an individual has income that is subject to the new 33% income tax rate. As a result of this amendment, the credit available is calculated as the total of:

- 15% on the first \$200 of total gifts,
- 33% on the lesser of
 - * The amount, if any, by which the individual's total gifts for the year exceeds \$200, and
 - * The amount, if any, by which the individual's taxable income exceeds the dollar threshold for the top personal tax rate, and
- 29% on the individual's total gifts for the year above \$200 that are not eligible for the 33% rate above.

This amendment will apply to gifts made after 2015. Gifts made in 2015 and previous years, but claimed in 2016 or a later year, will therefore not be eligible for the new 33% tax credit rate.

TAX PLANNING

If you anticipate having taxable income in excess of \$200,000 for the 2016 taxation year, you may want to consider realizing the income for the 2015 taxation year as much as possible to reduce the 2016 taxable income to \$200,000.

Furthermore, for individuals who will exceed \$200,000 of taxable income for the 2016 taxation year, you may want to consider postponing donations until 2016.

TAX FREE SAVINGS ACCOUNT

Effective January 1, 2016, the amount of contribution room allocated each year to a qualifying individual will be returned to its original level of \$5,000, indexed to inflation for each year after 2009 and rounded to the nearest \$500. On this basis, an individual's limit will be \$5,500 for 2016.



INVESTMENT INCOME OF PRIVATE CORPORATIONS

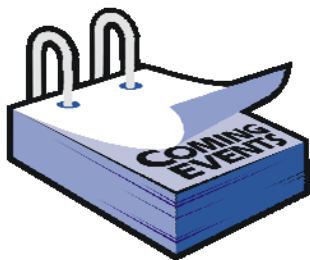
The Canadian tax theory of integration holds that the amount of income tax burden should be the same whether an activity is carried on through a corporation or by an individual personally. Consequential to the introduction of the new top personal income tax rate of 33%, integration will see the following changes to refundable taxes of private corporations as follows:

- The refundable additional Part I tax on investment income of Canadian-controlled private corporations (CCPCs) will be increased by 4% (6.67% to 10.67%).
- The refundable portion of Part I tax on investment income of CCPC will be increased by 4% (26.67% to 30.67%).
- The refundable Part IV tax on portfolio dividends received by private corporations will be increased by 5% (33.33% to 38.33%).
- The rate at which a private corporation will recover of refundable dividend tax on hand (RDTOH) when it pays dividends, will be increased by 5% (33.33% to 38.33%).

TRUSTS AND ESTATES

Under the current tax rules applicable for 2016, trusts (other than qualified disability trusts) and estates (other than graduated rate estates) pay tax at the top federal marginal tax rate applicable to individuals.

Effective for the 2016 and subsequent taxation years, trusts and estates will remain subject to flat top-rate taxation at the new rate of 33%. Qualified disability trusts and graduated rate estates will remain subject to the graduated personal income tax rate structure, including the 33% rate on taxable income in excess of \$200,000.



ALERT DATES

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|-------------------|--|
| December 15 2015 | Final 2015 installment due for individuals required to make income tax installments. |
| February 29, 2016 | Deadline for filing 2015 remuneration slips to employees (T4/RL-1) and independent sales representatives (T4A/RL-1), slips for payments of dividends and interest (T5/RL-3); including related summaries to the respective government agencies.

Deadline for 2015 contributions to an RRSP. |
| March 15, 2016 | First personal income tax installment for 2016 is due. |
| March 31, 2016 | Deadline for filing income tax returns for trusts with a December 31, 2015 year end.
Filing date for T5013 of partnerships. |

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**

CONTACT INFORMATION

LEVI & LEVI SENCRL
LLP

1303 Greene Avenue, Suite 400
Montreal, Quebec H3Z 2A7

Tel: (514) 931-7600 Fax: (514) 931-3600

Philip C. Levi, CFE, FCPA, FCA, CPA/CFF, FCA•IFA

plevi@levifca.com

Jeremy Levi, CPA, CGA

Jeremy@levifca.com

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