PERSONAL INCOME TAXATION - 2014
(February 2015)

General information:

The taxation year for individuals resident in Canada is from January 1st to December 31st of each calendar year.

The deadline for filing the T1 General – Income Tax and Benefit Return is generally April 30th of the following year. Each taxpayer files his or her own return (Canada does not have joint or spousal returns).

For individuals with self-employment income and their spouses, the filing deadline is extended until June 15th of the following year; however, any taxes owing are still payable by April 30th (with interest accruing after that date).

For deceased individuals, the deadline is usually the later of the normal deadline and six months after death.

Items to note:

Taxes can be reduced by various deductions and tax credits. Therefore, timely planning can be helpful. It is very important to keep adequate records and supporting documents. Because Canada has a graduated tax rate system (i.e. higher income, higher tax rates), planning and tax return optimization can also be helpful to reduce taxes.

Areas to consider:

- Income splitting where possible – watch out for income attribution rules.
- Deferral where possible.
- Consider registered plans to increase deferral and possible income splitting – RRSP including Spousal RRSP, RRIF, RESP, RDSP.
- Families – claim child care expenses, eligible dependant or child amounts, children's fitness amount, children's arts amount, adoption expenses and tuition, education and textbook amounts for post-secondary or certified occupational education; consider Canada Child Tax Benefit (income-tested),
- Seniors – possible age amount (income-tested), pension income amount; election to split pension income between spouses
- Persons with disabilities – consider disability amount, caregiver amount, medical expenses, registered disability savings plan (RDSP), Child Disability Benefit (income-tested), family caregiver amount.

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- The B.C. Seniors' Home Renovation Tax Credit, worth up to a $1,000 per year, is available to seniors 65 and over on eligible permanent home renovation expenditures. The maximum amount of credit is $1,000 per year and is calculated as 10% of the qualifying renovation expense (maximum $10,000 in expense). The credit is a refundable tax credit.

- Keep receipts and documents related to the following:
  - Medical expenses (combine family's expenses and claim by spouse with lower net income; choose optimal 12-month period ending in taxation year)
  - Donations (combine and claim in one spouse's return if combined total exceeds $200)
  - Purchase and sale of properties (including rental properties, securities)
  - Rental operations – leases and expense invoices
  - Business operations – sales and expenditure invoices

- Some recent changes:
  - The new Family Tax Cut, a non-refundable tax credit of up to $ 2,000 for eligible couples with children under 18 years of age, effective for 2014 and subsequent tax years. Please refer to our Family Tax Credit and Benefit publication dated November 2014 (in our website www.ayco.ca) for more details.
  - The revised T1135 Form must be used for the 2014 and subsequent taxation years. The new form calls for more detailed information requirements for each specified foreign property. Please refer to our T1135 publication dated October 2014 (in our website www.ayco.ca) for more details.
  - For disposition of qualified small business corporation shares and qualified farm and fishing property made in 2014, the lifetime capital gains exemption limit has increased to $800,000.

Residents, Citizens and Canadian Taxpayers

Canadian taxation applies on the world-wide income of Canadian residents and Canadian-sourced income of non-residents of Canada. Accordingly, residence is a key concept in Canadian taxation.

Citizenship is not the criteria used for Canadian taxation. Therefore, a Canadian citizen who is not resident in Canada and has no Canadian-sourced income would not be subject to Canadian taxation. A resident of Canada who is not a Canadian citizen would still be taxed on his or her world-wide income.

A taxpayer may be a "factual resident" or a "deemed resident".

A factual resident is someone who meets various tests. These tests involve significant residential ties (dwelling place, spouse, dependants), where any one test may be considered determinative by Canada Revenue Agency (CRA); and secondary residential ties (personal property, social ties, economic ties, immigrant status/work permits, medical insurance, driver's license, registered vehicle, seasonal dwelling, Canadian passport, memberships), which are looked at collectively to weigh the significance of ties to Canada.

A person may be a deemed resident because he or she has sojourned in Canada for 183 days or more in a year.

Foreign Property, Foreign Affiliates and Foreign Trusts

There are various reporting requirements for Canadian residents with respect to foreign property, investments and trusts.

A Form T1135 should be completed if the taxpayer has foreign property with an aggregate cost over C$100,000 (excluding foreign personal-use property, foreign property used exclusively in carrying on the taxpayer's active business, and foreign investments included in Canadian registered mutual funds, RRSPs, RRIFs and RPPs).

If a Canadian resident has 1% or more equity interest in a foreign company and total held by him or her and related persons is 10% or more, then the foreign company is a foreign affiliate. A controlled foreign affiliate is a foreign affiliate controlled by the taxpayer or by non-arm's length person(s) or jointly by the taxpayer and non-arm's length persons, OR by the taxpayer and not more than four other residents of Canada, OR by not more than four residents of Canada other than the taxpayer. The Form T1134 must be filed with a separate supplement for each foreign affiliate.

There are also reporting requirements when a Canadian resident has made transfers or loans to a foreign trust (Form T1141) or when a Canadian resident has received distributions from or was indebted to a foreign trust (Form T1142).

Significant penalties apply when a taxpayer has not complied with foreign reporting rules.

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Completion of T1 General Income Tax and Benefit Return

1. Identification:

The taxpayer provides personal information and indicates where he/she has foreign property with a cost of over $100,000.

2. Total income:

The taxpayer lists income from all sources that are subject to taxation to calculate total income. The most common sources of income are:

- Employment income (including most benefits)
- Pension income
- Dividend income
- Interest and other investment income
- Rental income
- Taxable capital gains
- Self-employment income (business and professional income, fishing and farming income)

3. Net income:

Net income is determined after certain allowable deductions are subtracted from total income. The most common of these deductions are:

- RPP and RRSP deductions
- Union or professional dues
- Child care expenses
- Carrying charges and interest

4. Taxable income:

Taxable income is determined after certain additional deductions are subtracted from net income. The most common of these deductions are:

- Losses of other years (non-capital, capital and limited partnership losses)
- Capital gains deduction for qualified small business corporation shares, or qualified farm or fishing property

5. Refund or Balance owing:

The federal tax and provincial tax of the taxpayer are aggregated to arrive at total taxes payable. Any taxes already withheld at source or paid by instalments are subtracted from taxes payable to arrive at the balance owing or refund due to the taxpayer.

The calculation of the federal tax based on the taxpayers' taxable income is done on Schedule 1, while the BC provincial tax is done on BC 428. Both federal and provincial taxes are charges at graduated rates, with higher tax rates charged on higher levels of income. The 2014 combined federal and BC tax rates for the different brackets of income are presented in the table below.

2014 Income Tax Rates for Residents of B.C.

Taxable Income			Ineligible Dividends	Eligible Dividends	Capital Gains	Other Income
0	-	37,606	7.61	0	10.03	20.06
37,607	-	43,953	10.73	0	11.35	22.70
43,954	-	75,213	18.99	6.46	14.85	29.70
75,214	-	86,354	22.29	10.32	16.25	32.50
86,355	-	87,907	24.40	12.79	17.15	34.29
87,908	-	104,858	29.12	18.31	19.15	38.29
104,859	-	136,270	31.97	21.64	20.35	40.70
136,271	-	150,000	35.51	25.78	21.85	43.70
Above 150,000			37.98	28.68	22.90	45.80

2014 Non-refundable tax credits

Taxpayers are allowed certain federal and provincial non-refundable tax credits, which reduce their federal and provincial taxes payable. The amounts of the major non-refundable tax credit items and their resulting tax credit (tax reduction) amounts are listed below:

	Federal			BC	
	Amount	Tax Credit		Amount	Tax Credit
Basic Personal	$ 11,138	$ 1,671		$ 9,869	$ 499
Age	6,916	1,037		4,426	224
Spouse or eligible dependant	11,138*	1,671		8,450	427
Dependant child under 18	2,255*	338		n/a	n/a

	Federal			**BC**	
	Amount	**Tax Credit**		**Amount**	**Tax Credit**
Infirm dependant 18 or over	$ 6,589	$ 988		$ 4,318	$ 218
CPP contributions	Amount contributed; max. $ 2,425	15% x amount		Amount contributed; max. $ 2,425	5.06% x amount
EI premiums	Amount contributed; max. $ 914	15% x amount		Amount contributed; max. $ 914	5.06% x amount
Disability	$ 7,766	$ 1,165		$ 7,402	$ 375
Additional disability for child under 18	4,530	680		4,318	218
Caregiver	4,530*	680		4,318	218
Pension	Pension amount; max. $ 2,000	Max. $ 300		Pension amount; max. $ 1,000	Max. $ 51
Medical expense	Expense in excess of 3% of net income or $ 2,171	15% x amount		Expense in excess of 3% of net income or $ 2,052	5.06% x amount
Tuition fees	Tuition fees	15% x amount		Tuition fees	5.06% x amount
Education	$ 400/month of full-time & $ 120/month of part-time	15% x amount		$ 200/month of full-time & $ 60/month of part-time	5.06% x amount
Textbook	$ 65/month of full-time & $ 20/month of part-time	15% x amount		n/a	n/a
Canada Employment Credit	15% of first $ 1,127	$ 169		n/a	n/a

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	Federal			BC	
	Amount	**Tax Credit**		**Amount**	**Tax Credit**
Charitable donations	Donations (up to 75% of net income)	15% of first $200; 29% of balance (extra 25% if First-time Donor's Super Credit for up to $1,000 of donations		Donations (up to 75% of net income)	5.06% of first $ 200; 14.7% of balance
Public transit	Amounts paid for eligible public transit passes (self, spouse, children under 19)	15% x amount		n/a	n/a
Children's fitness	Up to $1,000/child or $1,500/child under 18 who qualifies for disability tax credit	Max. $ 150 or $ 225 for child under 18 who qualifies for disability tax credit		Up to $ 500/child or $1,000/child under 18 who qualifies for disability tax credit	Max. $ 25 or $50 for child under 18 who qualifies for disability tax credit
Children's arts	Up to $ 500/child or $1,000/child under 18 who qualifies for disability tax credit	Max. $ 75 or $150 for child under 18 who qualifies for disability tax credit		Up to $ 500 / child	Max $ 25
Adoption expenses	Up to $ 15,000	Max. $ 2,250		Up to $ 15,000	Max. $ 759
Home buyers' tax credit	$ 5,000	$ 750		n/a	n/a
BC Seniors' Home Renovation tax credit	n/a	n/a		Up to $ 10,000 of qualifying expenses	10% x amount

* Additional amount of $2,058 if eligible for Family caregiver amount

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