



PERSONAL TAX CHANGES – 2016
(December 2015)

Personal Tax Rate Changes

On December 7, 2015, the federal government announced changes to personal tax rates for Canadian residents effective January 1, 2016:

- federal tax rate for income between \$45,283 and \$90,563 will be reduced by 1.5% from 22% to 20.5%; and
- federal tax rate for income over \$200,000 will be increased by 4% from 29% to 33%.

Due to provincial tax rate increases in some provinces and decreases in others like British Columbia (BC), the net increase for combined tax rates in 2016 will vary between each province.

The net increase in combined federal and BC top marginal tax rates by type of income are as follows:

	2015	2016	Increase
Salary	45.80%	47.70%	1.90%
Capital gains	22.90%	23.85%	0.95%
Eligible dividends	28.68%	31.30%	2.62%
Non-eligible dividends	37.98%	40.61%	2.63%

Individuals whose personal income level are at the top marginal tax rates may consider accelerating income into 2015 or deferring eligible expenses or deductions until 2016 to minimize personal taxes.

Other Personal Tax Matters To Note For 2016:

- Above changes will affect inter vivo trusts (e.g. family trusts, alter ego trusts) – tax rate increases as individual top tax rate increases;
- Income attribution to minor children (kiddie tax) are also affected – increase in top rate will increase tax rate for income split to minor children which is subject to top marginal individual tax rate;
- Testamentary trusts (except certain estates and qualified disability trusts) – no longer taxed at graduated rates as individuals but at top federal rate of 33%;
- Starting in 2016, the contribution limit for Tax-Free Savings Accounts will decrease from \$ 10,000 per year to \$ 5,500 per year;
- Charitable donations – federal tax credit for charitable donation over \$200 increases to 33% from 29%; however, tax credits for gifts made in 2015 and earlier claimed in 2016 and later will remain at 29%.

If you have any questions or would like further information, please contact our office and we will be happy to help.