



November 2014

### **Family Tax Cut**

On October 30, 2014, Prime Minister Stephen Harper announced a proposal of 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. This new tax credit will be effective for 2014 and subsequent tax years.

The Family Tax Cut credit is calculated based on the net reduction of federal tax that would be realized if up to \$ 50,000 of taxable income was notionally transferred from the higher-income spouse to the lower-income spouse. If the difference in tax is more than \$ 2,000, the tax credit would be limited to \$ 2,000. As there will not be any actual transfer of taxable income, this new credit will not impact other credits claimed by the lower income spouse.

To claim the Family Tax Cut, some conditions must be met, including:

- each spouse must file an income tax and benefit return for the year;
- the couple must be resident of Canada on December 31<sup>st</sup> of the year;
- the couple must have a child under 18 years of age at the end of the year who ordinarily lives with either spouse; and
- the couple cannot elect to split pension income in the year.

### **Changes to other child tax benefits**

In addition to the new Family Tax Cut, the government also announced proposed changes to the Child Care Expense Deduction, the Universal Child Care Benefit and the Child Tax Credit, starting in 2015.

The maximum deduction that can be claimed by the lower-income spouse under the Child Care Expense Deduction will increase by \$ 1,000, from \$ 7,000 to \$ 8,000 per child under age 7, from \$ 4,000 to \$ 5,000 for each child ages 7 to 16 (and infirm dependent children over age 16), and from \$ 10,000 to \$ 11,000 for children who are eligible for the Disability Tax Credit.

The Universal Child Care Benefit will increase from the current \$ 100 per month to \$ 160 per month for children under age 6. The government is also introducing a new benefit of \$ 60 per month for children ages 6 through 17. These changes will be effective January 1, 2015 but will be reflected in the monthly payments received starting July 1, 2015.

The existing Child Tax Credit will be eliminated the same time as the increase to the Universal Child Care Benefit becomes effective. The existing Child Tax Credit is a non-refundable tax credit of \$ 2,255 (2014 rate) for parents with children under 18 years of age.

If you have any questions and would like further information, please contact us and we would be happy to assist.