

Federal Budget Summary of Tax Measures February 11, 2014

Business Income Tax

Remittance Threshold for Employer Source Deductions

The Budget changes the source deduction thresholds to reduce the number of businesses with accelerated remittance requirements.

Consultation on Eligible Capital Property

The Budget announces a public consultation regarding a repeal of the eligible capital property (ECP) regime, which would be replaced by a new capital cost allowance class in the future. There would be a 100% inclusion rate (as compared to 75% currently) with a 5% annual depreciation rate on a declining balance basis. Any gains on sale of ECP would be taxed as a capital gain.

Personal Income Tax

Split Income

The Budget proposes to expand the definition of split income to include certain income derived from a source that is a business or a rental property through a trust or partnership.

Charitable Donations by Estates

The Budget proposes for more flexibility in the treatment of charitable donations made by an estate for deaths that occur after 2015. These changes will allow charitable donations made by an estate within its first 36 months to be claimed in the taxation year of the donation, an earlier taxation year of the estate, or the last two taxation years of the individual.

Adoption Expense Tax Credit

The Budget increases the Adoption Expense Tax Credit to \$15,000 per child (up from \$11,669). This amount will be indexed to inflation for subsequent years.

Mineral Exploration Tax Credit

The Budget extends the temporary 15% Mineral Exploration Tax Credit for an additional year (until March 31, 2015).

Search and Rescue Volunteers Tax Credit

The Budget introduces a \$450 non-refundable tax credit starting in 2014 for certain search and rescue volunteers.

Testamentary Trusts and Estates – Graduated Tax Rates

The Budget confirmed the government's intention to eliminate the tax benefits that arise from the graduated tax rates currently available to testamentary trusts and estates, and certain grandfathered inter vivos trusts. Graduated rates will only apply to an estate in its first 36 months and the highest marginal tax rate will apply in all other circumstances.

GST/HST Credit Administration

The Budget proposes to eliminate the need for an individual to apply for the GST/HST credit on their personal income tax return on an annual basis commencing with the 2014 taxation year.

Indirect Tax

GST/HST on Health Care Services

The Budget proposes to expand the GST exemption for acupuncturists, naturopathic doctors, and for eyewear specially designed to treat or correct vision by electronic means. These measures will apply to supplies made after February 11, 2014.

GST Elections

The Budget proposes new rules for the GST Election for Closely Related Persons including the requirement to file the election with the Canada Revenue Agency. The Budget also proposes to expand the ability of certain joint ventures to elect to report on a combined basis.

Disclaimer

This information is general in nature and may not be applicable to all taxpayers. Please contact your Johnsen Archer LLP advisor to discuss your specific situation.

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