

Federal Budget 2012 – Overview

- ❑ First Budget by Conservative majority in 20 years
- ❑ Tabled March 29, 2012
- ❑ No changes in tax rates
- ❑ Several personal and business changes

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Personal Tax Update

Group Sickness or Accident Insurance Plans (GSAIP)

- ❑ GSAIP payments by employer previously non-taxable
- ❑ Contributions made after 2012 - >taxable benefits
- ❑ Benefits under the plan taxable where no loss of employment income
- ❑ 2013 contribution in 2012 – still 2013 taxable benefit

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Personal Tax Update

Registered Disability Savings Plans (RDSPs)

- ❑ Certain family members of a disabled individual will be allowed to become RDSP plan holder
- ❑ Proportional repayment rule: only \$3.00 of any CDSGs or CDSBs received in the prior ten years will be repaid for every \$1.00 withdrawn from an RDSP
 - ❑ Small withdrawal from an RDSP would not necessarily require the full repayment of prior 10 years' assistance
- ❑ Increase in max annual limit for withdrawals

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Personal Tax Update

RDSPs cont'd

- ❑ Greater of the amount determined by the standard formula and 10% of the fair market value plan assets at the beginning of the year
 - ❑ Rollover of investment income earned in an RESP to a RDSP, where certain conditions are met, up to the beneficiary's available RDSP contribution room
 - ❑ Additional CDSGs cannot be earned as a result of the rollover of this RESP income
 - ❑ Contributions to the RESP returned tax-free to the RESP subscriber on a tax-free basis and can then be contributed to the RDSP in the future, potentially earning CDSGs
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Personal Tax Update

RDSP Election

- ❑ RDSP holder will be able to elect to extend the period during which the plan will remain open for four additional years
- ❑ MD must certify disability tax credit applicable for foreseeable future

Personal Tax Update

Overseas Employment Tax Credit (OETC)

- ❑ OETC for Canadian resident employees on up to 80% of qualifying foreign employment income, up to max of \$100,000
- ❑ Four year phase out:
 - ❑ 60% for 2013
 - ❑ 40% for 2014
 - ❑ 20% for 2015
 - ❑ 0% for 2016
- ❑ Limited grandfathering for pre-budget projects – 80% 2013 to 2015 then OETC still eliminated

Personal Tax Update

Medical Expense Tax Credit

- Add to medical expense tax credit: blood coagulation monitors, along with associated disposable peripherals such as prickling devices, lancets and test strips for anti-coagulation therapy
- Prescribed by a medical practitioner

Personal Tax Update

Mineral Exploration Credit

- ❑ For flow-through share investors
- ❑ 15% of specified and renounced Canadian mineral exploration expenses
- ❑ Credit due to expire in 2012 and expanded to include flow-through share agreements entered on/before March 31, 2013

Personal Tax Update

Scientific Research and Experimental Development (SR & ED) Program

- General 20% SR & ED tax credit rate will be reduced to 15% effective January 1, 2014, prorated
- Enhanced 35% SR & ED tax credit rate for eligible CCPCs will still be eligible on the first \$3 million of qualified expenditures annually
- Effective January 1, 2014, capital expenditures will be excluded for property acquired
- Prescribed proxy amount will be reduced from 65% to 60% for 2013, and to 55% after 2013
- On or after January 1, 2013 only 80% of payments made to arm's length contractors will qualify as SR & ED (rather than 100%)

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Personal Tax Update

Employee Profit Sharing Plans (EPSPs)

- ❑ New rules to deal with excess contributions to EPSPs for “specified employees”
- ❑ “Excess contribution”: amount in excess of 120% of the employee’s employment income from the employer
- ❑ Employee will be subject to a special tax on the excess, computed at the combined top federal and provincial marginal income tax rates
- ❑ Employee will exclude the excess amount from income and will not be able to claim any other deductions or credits

Personal Tax Update

Retirement Compensation Arrangements (RCAs)

- ❑ Employer can make a tax-deductible payment to an RCA
- ❑ Refundable 50% tax on the contributions RCA receives plus any income RCA earns
- ❑ Tax refundable when payments made from RCA to employee
- ❑ New prohibited investment and advantage rules that will impose significant tax penalties where an RCA engages in non-arm's length transactions

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Personal Tax Update

Eligible Dividends

- ❑ Payer corporation can now designate any portion of total dividend as eligible
- ❑ Eliminates the need to pay separate eligible and the other than eligible dividends
- ❑ Late designation of an eligible dividend possible within three years after designation was required to be made
 - ❑ Ministerial discretion –just and equitable

Business Tax Update

Clean Energy Generation Equipment

- ❑ Accelerated CCA rate of 50% regarding Class 43.2
- ❑ Expansion of Class 43.2 assets to include
 - ❑ Waste-fuelled thermal energy equipment
 - ❑ Equipment of a district energy system that uses thermal energy
 - ❑ Equipment that uses the residue of plants to generate electricity

Business Tax Update

Hiring Credit for Small Businesses

- ❑ Extension of 2011 budget measure into 2012
- ❑ One-time credit of up to \$1,000 against employer's increase in 2012 EI premiums over EI paid in 2011
- ❑ Eligible for small employers (EI premiums cannot exceed \$10,000)

Charities Update

Gift to Foreign Charitable Organizations

- ❑ Ministerial discretion to grant qualified done status to foreign charity
- ❑ Pursuit of:
 - ❑ Disaster relief
 - ❑ Urgent humanitarian aid, or
 - ❑ Activities of national interest
- ❑ Applications January 1, 2013

Charities Update

Enhancing Transparency and Accountability

- ❑ Increase the disclosure required by charities regarding political activities
- ❑ Grant CRA authority to suspend for one year the tax-receipting privileges of a charity which exceeds the limitations on political activities
- ❑ Similar penalties where charity provides inaccurate or incomplete information in its annual information return

International Update

Thin Capitalization

- ❑ Rules that restrict the deductibility of interest in Canadian corporation, on debts owing to certain “specified non-resident shareholders”
- ❑ Interest is not deductible on the portion of the debt (“tainted debt”) that exceeds 2 times the corporation's equity
- ❑ Budget decreases the debt ceiling to 1.5 times equity for taxation years that begin after 2012

International Update

Transfer Pricing

- ❑ Amount charged between Canadian Corporation and Foreign non-arm's length company
- ❑ If Canadian corporation conferred a benefit by virtue of non-arm's length intercompany transfer pricing arrangement
 - ❑ Amount of benefit is deemed divided; withholding tax applicable
- ❑ If foreign corporation pays benefit back, minister can reduce amount of deemed dividend

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Ontario Update

The 2% Surtax

- 2% surtax on taxable income in excess of \$500,000 as of July 1, 2012

Personal Tax Measures

2013 Taxable Income	2013 Marginal Tax Rates			
	Other Income	Capital Gains	Canadian Dividends	
			Eligible Dividends	Ineligible Dividends
First \$39,723	20.05%	10.03%	-1.89%	2.77%
Over \$39,723 to \$43,561	24.15%	12.08%	3.77%	7.90%
Over \$43,561 to \$69,963	31.15%	15.58%	13.43%	16.65%
Over \$69,963 to \$79,448	32.98%	16.49%	14.19%	17.81%
Over \$79,448 to \$82,422	35.39%	17.70%	17.52%	20.82%
Over \$82,422 to \$87,123	39.41%	19.70%	19.88%	23.82%
Over \$87,123 to \$135,054	43.41%	21.70%	25.40%	28.82%
Over \$135,054 to \$509,000	46.41%	23.20%	29.54%	32.57%
Over \$509,000	49.53%	24.76%	33.85%	36.47%

Ontario Update

Healthy Homes Renovation Tax Credit

- ❑ For senior home owners, tenants, people who share a home with a senior relative
- ❑ Refundable tax credit of up to \$1,500 per annum
- ❑ Permanent home modifications to improve access for seniors or help seniors' mobility or functionality at home
- ❑ 15% of eligible expenditures to maximum of \$10,000 per annum per household
- ❑ Expenditures after September 2011, effective for 2012

Ontario Tax Update

Corporate Income Tax Rates

- ❑ General corporate income tax rate is currently 11.5%
- ❑ Planned reductions to 11% July 1, 2012 and 10% July 1, 2013
- ❑ Ontario budget freezes rate at 11.5%

Ontario Tax Update

Corporate Income Tax Rates cont'd

	2012	2013
Federal General/ Invest/M&P	15.0	15.0
ON General/ Investment	11.5	11.50
Fed Small Business	11.0	11.0
ON Small Business	4.5	4.5
ON M&P	10.0	10.0

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