



SHAH FINANCIAL PLANNING INC.

Keeping You Informed on Tax & Investments

Greetings!

Below is an overview of how some of the budget items relate to investments and taxes.

2016 Federal Budget Highlights:

Prime Minister Justin Trudeau spent heavily in this budget, leading to a projected \$29.4-billion shortfall this year.

- **Corporate class mutual funds.** Tax-free switching within corporate class mutual funds is over: After September 2016, moving from one share class to another is a taxable event.
- **Small business tax rate.** The previous government introduced a plan to reduce the tax rate on the first \$500,000 of active business income from 11% to 9% by 2019. The Liberals are freezing the rate at its current level of 10.5%.
- **Donations of private company shares and real estate.** The previous government introduced a proposal that would have made donations involving the proceeds from the sale of private company shares or real estate exempt from capital gains tax, as long as the donation took place within 30 days of the sale. The Liberal government will not proceed with this proposal.
- **An end to income splitting for families with children under 18** (the Family Tax Cut, which allowed for savings of up to \$2,000 per year), and a phasing out of the **children's fitness tax credit** and the **children's arts tax credit**. The fitness and arts tax credits, worth up to \$150 and \$75 respectively for those who claim them, will be cut

in half for 2016 and eliminated for 2017.

- A new **Canada Child Benefit program** that replaces the current Canada Child Tax Benefit, National Child Benefit and Universal Child Care Benefit. The new program will pay up to \$6,400 per child under six and up to \$5,400 per child for those aged six through 17. However, the benefits begin to phase out starting at \$30,000 in net family income.
- The government is **eliminating the education and textbook tax credits effective next year** because it said they were not targeted based on income. The tuition tax credit will remain unchanged.
- To facilitate access to venture capital for small and medium-sized businesses and support saving by the middle class, the budget restores the **Labour-Sponsored Venture Capital Corporations (LSVCC) tax credit** to 15% for share purchases of provincially registered LSVCCs for 2016 and subsequent tax years.
- In their election campaign the Liberals said they would change the rules to allow people to **dip into their RRSPs more than once to buy a home**. This **was not in the budget**.

We are at your service. If you require further information/assistance, please do not hesitate to contact your [financial advisor](#) at Shah Financial Planning Inc.

Head Office's Extended Office Hours for "RRSP & Tax Season"

: February to April :

Monday to Friday ► 9:00 am to 5:00 pm

Thursday by Appt. ► 5:00 pm to 6:00 pm

Saturday ► 11:00 am to 5:00 pm

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