

TAX FACTS & FIGURES

April 2017

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FACTS AND FIGURES
FOR TAX PREPARATION AND PLANNING

April 2017

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CHAPTER 1 - PERSONAL INCOME TAX

1.1 Federal Tax Rates - Individuals

The following Federal tax rates apply for 2017:

<u>Taxable income</u> <u>in excess of</u>	<u>but not</u> <u>over</u>	<u>the tax</u>		<u>of the</u> <u>amount over</u>
\$0	\$45,916	\$0	+ 15%	\$0
45,916	91,831	6,887	+ 20.5%	45,916
91,831	142,353	16,300	+ 26%	91,831
142,353	202,800	29,436	+ 29%	142,353
202,800	n/a	46,965	+ 33%	202,800

1.2 Federal Personal Tax Credits

The personal credits listed below apply for 2017:

	<u>Gross</u>	<u>Credit</u> <u>(15%)</u>
Basic personal	\$11,635	\$1,745
Married or equivalent ⁽¹⁾	11,635	1,745
Dependents		
Under 18 ⁽²⁾	0	0
Over 18 and infirm ⁽³⁾	6,883	1032
Age ⁽⁴⁾	7,225	1,084
Disability	8,113	1,217

⁽¹⁾ Reduced by spouse's net income.

⁽²⁾ Replaced by the enhanced Universal Child Care Benefit.

⁽³⁾ Reduced by dependent's net income in excess of \$16,163.

⁽⁴⁾ The Age credit is reduced by an amount equal to 15% of an individual's net income exceeding \$36,430

1.3 Additional Federal Tax Credits

The following amounts are additional non-refundable tax credits applicable for 2017:

Pension income	- 15% of amount up to \$2,000 for a maximum credit of \$300
Medical expense	- 15% of amount in excess of lesser of: 3% of net income or \$2,268
Tuition fees	- 15% of amount paid in respect of attendance at a post-secondary institution
Charitable donations	- 15% for first \$200; - 29%/33% ⁽³⁾ of balance, limited to 75% of net income ⁽¹⁾⁽²⁾
Canada Pension	- 15% of contributions
Employment Insurance	- 15% of contributions

Canada Employment Credit	- 15% of the lesser of \$1,178 or individual's employment income for the year
Tax Credit for Public Transit Passes	- 15% of the total of amounts paid in respect of eligible public transit passes up to June 30, 2017

- (1) 100% in the year of death.
- (2) Increased by 25% of taxable capital gain arising from a gift of capital property and by 25% of recaptured capital cost allowance arising from a gift of depreciable capital property.
- (3) The 33% rate will apply to the extent that income is subject to the new 33% tax rate.

1.4 Refundable Medical Tax Credit

The refundable medical tax credit is equal to the lesser of \$1,203 and 25% of the medical expenses eligible for the medical credit reduced by 5% of family net income in excess of \$26,644. To be eligible for the credit, a person must be a resident of Canada throughout the year, be 18 years old or over at the end of the year and must have total employment and/or business income for the year of at least \$3,514.

1.5 Transferability of Tax Credits

Certain tax credits, if not fully utilized by a taxpayer, may be transferred to a spouse or a supporting person. The following chart shows the transfers available.

<u>Tax Credit</u>	<u>Transferable to</u>
Age	Spouse
Disability	Spouse or supporting person
Pension	Spouse or supporting person
Tuition tax credit ⁽¹⁾	Spouse or supporting person (transfer limited to \$750 of federal credit)

⁽¹⁾ Unused tuition and education credits and Textbook tax credit not transferred by the student may be carried forward indefinitely and applied to reduce the student's tax in subsequent years.

1.6 Ontario Tax Rates – Individuals

Ontario personal tax brackets and rates are set independently of the federal tax brackets and rates. The following Ontario tax rates apply for 2017:

<u>Taxable income</u>	<u>Tax</u>				
\$ 0 – \$ 42,201				5.05%	
42,201 – 84,404	\$2,131	+	9.15%	over	\$42,201
84,404 – 150,000	5,993	+	11.16%	over	84,404
150,000 – 220,000	13,314	+	12.16%	over	150,000
Over 220,000	21,826	+	13.16%	over	220,000

For 2017, the Fair Share Health Care Levy (FSHCL) is calculated as 20% of Ontario tax between \$4,556 and \$5,831, and an additional 36% of Ontario tax in excess of \$5,831 to a maximum of 56%. The first level FSHCL (20%) for 2017 arises at taxable income of approximately \$74,313 and the second level FSHCL (56%) arises at taxable income of approximately \$87,559 for a single taxpayer with only the basic personal tax credit.

1.7 Ontario Personal Tax Credits

The personal credits listed below apply for 2017:

	<u>Gross</u>	<u>Credit (5.05%)</u>
Basic personal	\$10,171	\$514
Married or equivalent ⁽¹⁾	8,636	436
Dependents Over 18 and infirm ⁽²⁾	4,794	242
Age ⁽³⁾	4,966	251
Disability	8,217	415

⁽¹⁾ Reduced by spouse's net income in excess of \$864.

⁽²⁾ Reduced by dependent's net income in excess of \$6,814.

⁽³⁾ The Age credit is reduced by an amount equal to 15% of an individual's net income exceeding \$36,969.

1.8 Additional Ontario Tax Credits

The following amounts are additional non-refundable tax credits applicable for 2017:

Pension income	- 5.05% of amount up to \$1,406 for a maximum credit of \$71
Medical expense	- 5.05% of amount in excess of lesser of: 3% of net income or \$2,302
Tuition fees ⁽³⁾	- 5.05% of amount paid in respect of attendance at a post-secondary institution
Education amount ⁽³⁾	- \$0
Charitable donations	- 5.05% for first \$200; - 11.16% of balance, limited to 75% of net income ⁽¹⁾⁽²⁾
Canada Pension	- 5.05% of contributions
Employment Insurance	- 5.05% of contributions

⁽¹⁾ 100% in the year of death.

⁽²⁾ Increased by 25% of taxable capital gain arising from a gift of capital property and by 25% of recaptured capital cost allowance arising from a gift of depreciable capital property.

⁽³⁾ The 2016 Ontario Budget announced the elimination of these credits for studies after September 4, 2017.

1.9 Dividends

The following actual amount of Canadian dividends can be received by an Ontario resident with **no federal tax, no provincial tax, and no minimum tax**, assuming no other income or deductions other than the personal and dividend tax credits.

	<u>2017</u>		<u>2016</u>	
	<u>Eligible</u>	<u>Ineligible</u>	<u>Eligible</u>	<u>Ineligible</u>
i) Single taxpayer	\$56,475	\$33,315	\$55,690	\$32,850
ii) Married taxpayer (with full married credit)	73,035	47,100	72,025	46,360

For federal tax purposes, the gross-up rate for eligible dividends remains 38% and the federal dividend tax credit remains 15.02% of the grossed-up amount (20.73% of the cash amount).

For non-eligible dividends, the dividend gross-up rate remains 17% and the federal dividend tax credit remains 10.522% of the grossed-up dividend (12.31% of the cash amount).

The 2016 Federal Budget eliminated the proposed reductions to the gross-up percentage and dividend tax credit rate for non-eligible dividends which would have applied in 2017 and subsequent years.

For Ontario tax purposes, the dividend tax credit on eligible dividends remains 10% of the grossed-up amount (13.80% of the cash amount). For non-eligible dividends, the dividend gross-up remains 17% and the dividend tax credit remains 4.29% of the grossed-up amount (5.02% of the cash amount).

Since January 1, 2014 the Fair Share Health Care Levy (FSHCL) is calculated before deducting dividend tax credits from Ontario tax.

1.10 Capital Gains

The capital gains inclusion rate is 50%.

The inclusion rate is 0% for capital gains resulting from donations of publicly-traded securities to certain registered charities.

1.11 Marginal Tax Rates - Individuals

The following **marginal rates** (in %) are in effect for **Ontario** income for 2017. This assumes: all federal and provincial taxes and surtaxes are included; and the taxpayer only qualifies for the basic personal tax credit.

<u>Taxable income</u>	<u>Salary, interest, etc....</u>			<u>Dividends Gains (eligible/non-eligible)</u>			<u>Capital</u>				
	<u>Federal</u>	<u>Ontario</u>	<u>Total</u>	<u>Federal</u>	<u>Ontario</u>	<u>Total</u>	<u>Federal</u>	<u>Ontario</u>	<u>Total</u>		
	%	%	%	%	%	%	%	%	%		
\$10,171	or less	0	0	0	0	0	0	0	0	0	
10,172	-	11,635	0	5.05	5.05	0	-6.83/0.89	-6.83/0.89	0	2.52	2.52
11,636	-	42,201	15.00	5.05	20.05	-0.03/5.24	-6.83/0.89	-6.86/6.13	7.50	2.52	10.02
42,202	-	45,916	15.00	9.15	24.15	-0.03/5.24	-1.17/5.69	-1.20/10.93	7.50	4.58	12.08
45,917	-	74,313	20.50	9.15	29.65	7.56/11.67	-1.17/5.69	6.39/17.37	10.25	4.58	14.83
74,314	-	84,404	20.50	10.98	31.48	7.56/11.67	1.36/7.84	8.92/19.51	10.25	5.49	15.74
84,405	-	87,559	20.50	13.39	33.89	7.56/11.67	4.68/10.66	12.24/22.33	10.25	6.70	16.95
87,560	-	91,831	20.50	17.41	37.91	7.56/11.67	10.23/15.35	17.79/27.03	10.25	8.70	18.95
91,832	-	142,353	26.00	17.41	43.41	15.15/18.11	10.23/15.35	25.38/33.46	13.00	8.70	21.70
142,354	-	150,000	29.00	17.41	46.41	19.29/21.62	10.23/15.35	29.52/36.97	14.50	8.70	23.20
150,001	-	202,800	29.00	18.97	47.97	19.29/21.62	12.38/17.18	31.67/38.80	14.50	9.48	23.98
202,801	-	220,000	33.00	18.97	51.97	24.81/26.30	12.38/17.18	37.19/43.48	16.50	9.48	25.98
Over	-	220,000	33.00	20.53	53.53	24.81/26.30	14.53/19.00	39.34/45.30	16.50	10.26	26.76

1.12 Old Age Security Benefits

	<u>2017</u>	<u>2016</u>
January - March	578.53	570.52
April - June	578.53	570.52
July - September	-	573.37
October - December	-	578.53

Benefits start in the month following 65th birthday and are paid in the month of death.

For 2017, benefits are repayable if net income exceeds \$74,788. The repayment is 15% of excess income to a maximum of the OAS received. Tax withholdings are deducted from the monthly OAS payment in respect of the clawback based upon the prior year=s net income. Non-residents are required to declare their world- wide income to qualify for OAS payments.

1.13 Canada Pension Plan Benefits – Maximums

	<u>Annual Total</u>	<u>2017</u>	<u>2016</u>
Death Benefit	n/a	\$2,500.00	\$2,500.00
Retirement benefit - per month	13,370.04	1,114.17	1,092.50
Disability pension - per month	15,763.92	1,313.66	1,290.81
Spouse pension - under 65, per month	7,251.84	604.32	593.62
- 65 and over, per month	8,022.00	668.50	655.50
Orphan pension - per month	2,892.24	241.02	237.69

These maximums assume collection of benefits starts at age 65 (i.e. no reduction/premium for early/late collection).

1.14 Employment Insurance Benefits

	<u>2017</u>	<u>2016</u>
Maximum, per week - 55% of insurable earnings	\$543.00	\$537.00

Benefits are repayable when net income exceeds \$64,125 (2016 - \$63,500).

1.15 Working Income Tax Benefit

Since 2007, low income persons with either employment or business income are entitled to a credit equal to 25% of earned income in excess of \$3,000 to a maximum of \$1,042 (\$1,894 for couples and single parents). For 2017, a reduction equivalent to 15% of net family income in excess of \$11,838 (\$16,348 for couples and single parents) will apply.

For disabled persons, an additional credit equal to 25% of earned income in excess of \$1,150 (maximum - \$521.00) will be allowed.

An individual will qualify for the credit if they are a Canadian resident throughout the year and have attained age 19 by the end of the year. Persons who are full-time students for more than 3 months will not qualify for the credit unless they have a dependent child.

1.16 Canada Child Benefit

The 2016 Federal Budget replaced the Canada Child Tax Benefit (CCTB) and the Universal Child Tax Benefit (UCTB) with a new Canada Child Benefit.

Starting July 2016, the new CCB provided a maximum annual benefit of:

- \$6,400 per child under the age of 6
- \$5,400 per child aged 6 to 17

The benefits will be phased out based on the adjusted family net income (see table below).

Number of children	-Phase out rates-	
	\$30,000 to \$65,000	Over \$65,000
1 child	7.0%	3.2%
2 children	13.5%	5.7%
3 children	19.0%	8.0%
4 or more	23.0%	9.5%

Benefits for the period of July 2016 to June 2017 will be based on the adjusted family net income for the 2015 tax year. For example, a family with adjusted family net income of \$80,000 and two children under the age of 6 would have their annual benefit of \$12,800 phased out based on the total of the following amounts:

- 13.5% of the adjusted family net income between \$30,000 and \$65,000 ($\$35,000 \times 13.5\% = \$4,725$); and
- 5.7% of the adjusted family net income over \$65,000 ($\$15,000 \times 5.7\% = \855)

As a result, the family would receive an annual Canada Child Benefit of \$7,220 ($\$12,800 - \$5,580$) or \$601.66 a month.

1.17 Ontario Child Benefit

The March 2007 Ontario budget announced the creation of the Ontario Child Benefit. This benefit was combined with the Ontario Child Care Supplement for Working Families and was phased in starting in July 2007.

Monthly payments for each child under 18 are issued. The maximum annual payment per child will be as follows:

July 2014	-	June 2015	\$	1,310
July 2015	-	June 2016		1,336
July 2016	-	June 2017		1,356

A reduction equal to 8% of family net income over \$20,400.

1.18 GST/HST Credit

For the period July 2016 to June 2017, the credit is calculated as follows:

All eligible taxpayers	\$276
Addition for single taxpayers ⁽¹⁾ - 2% of net income in excess of \$8,948 to a maximum of	145
Addition for spouse or equivalent	276
Addition for each qualifying child	145

Reduced by 5% of combined net income in excess of \$35,926.

⁽¹⁾ No reduction for single parents.

For the period July 2017 to June 2018, the credit will be calculated as follows:

All eligible taxpayers	\$280
Addition for single taxpayers ⁽¹⁾ - 2% of net income in excess of \$9,073 to a maximum of	147
Addition for spouse or equivalent	280
Addition for each qualifying child	147

Reduced by 5% of combined net income in excess of \$36,429.

⁽¹⁾ No reduction for single parents.

1.19 Pension Contribution Limits

	<u>RRSP</u>	<u>RPP</u>	<u>DPSP</u>
1994	\$13,500	\$14,500	\$7,250
1995	14,500	15,500	7,750
1996 - 2002	13,500	13,500	6,750
2003	14,500	15,500	7,750
2004	15,500	16,500	8,250
2005	16,500	18,000	9,000
2006	18,000	19,000	9,500
2007	19,000	20,000	10,000
2008	20,000	21,000	10,500
2009	21,000	22,000	11,000
2010	22,000	22,450	11,225
2011	22,450	22,970	11,485
2012	22,970	23,820	11,910
2013	23,820	24,270	12,135
2014	24,270	24,930	12,465
2015	24,930	25,370	12,685
2016	25,370	26,010	13,005
2017	26,010	26,230	13,115
2018	26,230	Indexed	Indexed

- the above limits include both employee and employer contributions.
- the maximum RRSP contribution is 18% of the prior year's "earned income" subject to adjustments for individuals who are members of RPPs and DPSPs.
- unused RRSP contribution room can be carried forward indefinitely.
- the RRSP over-contribution limit of \$8,000 was reduced to \$2,000 in 1996. Individuals who had an excess over-contribution at that time are allowed to use the amount over \$2,000 as a future deduction in lieu of an additional contribution rather than being required to withdraw the excess amount from the RRSP.

1.20 Exchange rates - per Bank of Canada

	<u>2016</u>	<u>2015</u>
Average rate for year - U.S. \$	1.3248	1.2787
- U.K. £	1.7962	1.9540

1.21 Prescribed Interest Rates – Federal

	<u>2017</u>	<u>2016</u>
January - March	1.0% **	1.0% **
April - June	1.0% **	1.0% **
July - September	-	1.0% **
October - December	-	1.0% **
 Average annual rates	2013 - 1.00%**	
	2014 - 1.25%**	
	2015 - 1.00%**	
	2016 - 1.00%**	

**The rate is increased 4% for calculating interest on unpaid taxes, instalments and source deductions and is increased 2% on overpayments of taxes, refunds, etc. (for individuals only)

1.22 Prescribed Interest Rates – Ontario

	<u>2017</u>		<u>2016</u>	
	<u>Over-due Tax</u>	<u>Refund</u>	<u>Over-due Tax</u>	<u>Refund</u>
January - March	6.0%	0%	6.0%	0%
April - June	6.0%	0%	6.0%	0%
July - September	-	-	6.0%	0%
October - December	-	-	6.0%	0%
 Average annual rates	2013 – 6.00%			
	2014 – 6.00%			
	2015 – 6.00%			
	2016 – 6.00%			

For purposes of taxable benefit calculations, the Ontario prescribed rate is the same as the federal prescribed rate.

1.23 Income Tax Instalments

- Quarterly tax instalment payments are required if net tax owing was more than \$3,000 in 2017 and in either 2016 or 2015.

CHAPTER 2 - CORPORATE INCOME TAX

2.1 Corporate Tax Rates - Combined Federal and Ontario

	<u>Federal</u>	<u>2017 Ontario</u>	<u>Total</u>	<u>2016 Total</u>
General rate	15.00%	11.50%	26.50%	26.50%
Manufacturing	15.00%	10.00%	25.00%	25.00%
Small business - below \$500,000	10.50% ⁽²⁾	4.50%	15.00%	15.00%
- over \$500,000	15.00%	11.50%	26.50%	26.50%
Investment Income	38.67% ⁽¹⁾	11.50%	50.17%	50.17%

The Federal small business deduction is "*clawed back*" where the taxable capital employed in Canada exceeds \$10,000,000, increasing on a pro rata basis and eliminated when taxable capital reaches \$15,000,000. The same reduction applies to the Ontario small business deduction.

⁽¹⁾ Effective January 1, 2016, the federal corporate tax rate on investment income was increased to 38.67% (from 34.67%) and the refundable portion of part I tax was increased to 30.67% (from 26.67%). The dividend refund rate was also increased to 38 ¹/₃% (from 33 ¹/₃% of taxable dividends paid. These rates will be prorated for taxable years that straddle January 1, 2016.

The refundable Part IV tax on portfolio dividend received by private corporations has increased to 38.33% (from 33.33%) effective January 1, 2016.

⁽²⁾ The 2016 Federal Budget announced that the small business rate will remain at 10.5% therefore eliminating the scheduled future decreases.

2.2 Corporate Integration - 2017 Combined Federal and Ontario Rates

The following charts show the after-tax dollars available for use by an individual of different types of income. The calculations first show the two layers of tax where the income is received by the corporation and then paid by dividend to the individual (Total of Amounts (A) and (B)). The second part shows the tax paid when the income is directly received by the individual (Amount (C)).

1- Individual with Taxable income below \$220,000

	Small Business Income <u><500,000</u>	Active Business Income <u>>500,000</u>
	\$ 1,000	\$ 1,000
(A) Corporation tax	(150)	(265)
Available for dividend	850	735
(B) Personal tax (maximum rate)	(370)	(273)
Net after tax cash	480	462
Income earned directly	1,000	1,000
(C) Personal tax (maximum rate)	(520)	(520)
Net after tax cash	480	480
(C -A) Deferral of tax	370	255
Deferral of tax as a percentage	37%	25.5%
(C -A -B) Savings (-cost)	0%	(18)
Savings (-cost) of tax as a percentage	0%	-1.8%

2.2 Corporate Integration – 2017 Combined Federal and Ontario Rates – cont'd

		<u>Investment Income</u>	<u>Dividend income</u>
	Income in corporation	\$1,000	\$1,000
(A)	Corporation tax	(502)	(383)
(A)	Dividend refund	307	383
	Available for dividend	805	1,000
(B)	Personal tax (maximum rate)	(350)	(372)
	Net after tax cash	455	628
	Income earned directly	1,000	1,000
(C)	Personal tax (maximum rate)	(520)	(372)
	Net after tax cash	480	628
(C -A)	Deferral of tax	18	(11)
	Deferral of tax as a percentage	1.8%	-1.1%
(C -A -B)	Savings (-cost)	(25)	0
	Savings (-cost) of tax as a percentage	-2.5%	0%

2 – Individual with Taxable Income Over \$220,000

	Small Business Income <500,000	Active Business Income >500,000
	Income in corporation	\$1,000
(A)	Corporation tax	(155)
	Available for dividend	845
(B)	Personal tax (maximum rate)	(383)
	Net after tax cash	462
	Income earned directly	1,000
(C)	Personal tax (maximum rate)	(535)
	Net after tax cash	465
(C - A)	Deferral of tax	380
	Deferral of tax as a percentage	38%
(C - A - B)	Savings (-cost)	(3)
	Savings (-cost) of tax as a percentage	-0.3%

	Investment Income	Dividend income
	Income in corporation	\$1,000
(A)	Corporation tax	(502)
(A)	Dividend refund	307
	Available for dividend	805
(B)	Personal tax (maximum rate)	(365)
	Net after tax cash	440
	Income earned directly	1,000
(C)	Personal tax (maximum rate)	(535)
	Net after tax cash	465
(C - A)	Deferral of tax	33
	Deferral of tax as a percentage	3.3%
(C - A - B)	Savings (- cost)	(25)
	Savings (- cost) of tax as a percentage	-2.5%

2.3 Large Corporations Tax (LCT)

The Large Corporations Tax was eliminated as of January 1, 2006; subject to proration for non-calendar taxation years.

For purposes of the reduction of the small business deduction, the taxable capital threshold remains at \$10,000,000. The reduction is calculated at a rate of 0.225% of the taxable capital of a corporation in excess of \$10,000,000. For associated corporations, the taxable capital of all corporations must be taken into account in the calculation of the reduction.

2.4 Capital Tax - Ontario

The Ontario Capital Tax was eliminated as of July 1, 2010.

2.5 Ontario Corporate Minimum Tax

The Ontario Corporate Minimum Tax (CMT) applies to corporations that either have Total Assets in excess of \$50,000,000 or Total Revenues in excess of \$100,000,000. The CMT rate is 2.7%.

Corporate Minimum Taxable income is a corporation's accounting income, adjusted for specific income inclusions and deductions. A corporation must pay the higher of the CMT and the regular income tax. Any excess of the CMT over the regular income tax can be carried forward and applied as a credit against regular income tax in subsequent years.

2.6 Income Tax Instalments

- Monthly federal instalments required if total taxes payable for 2016 or 2015 exceeded \$3,000. CCPC's qualify to make quarterly instalments instead of monthly if they are entitled to the small business deduction, the taxable income of the associated group must not exceed \$500,000 and the taxable capital of the associated group must not exceed \$10 million, all in either the current or previous year.
- Ontario monthly instalments required if total taxes payable for 2016 or 2015 exceeded \$3,000. Effective for taxation years commencing in 2002, Ontario reduced the frequency of corporate instalments from monthly to quarterly where taxes payable in the current or preceding year are at least \$2,000 but less than \$10,000.

2.7 Withholding Tax on Payments to Non-Residents

<u>Type of payment</u>	<u>United Kingdom</u>	<u>United States</u>
Interest	NIL ⁽¹⁾	NIL ⁽¹⁾
Estate or Trust Income	15%	15%
Copyright, etc.	NIL	NIL
Immovable Property	25%	25%
Alimony	NIL	NIL
Dividends		
- corporate shareholder owns (U.K. - controls) at least 10% of voting shares of payor	5%	5%
- other cases	15%	15%
Periodic Pension Payments	NIL	15%
Periodic Annuity Payments:		
- income averaging annuity contracts	25%	25%
- other	10%	15%
Lump Sum Pension, Annuity or similar type payments	25%	25%
Fees for services performed in Canada	15%	15%

⁽¹⁾ On December 14, 2007 the government enacted Bill C-28 into law. The Bill contained a measure from the 2007 Federal Budget that proposed to reduce the withholding tax rate on interest payments to non-residents to NIL.

CHAPTER 3 - PAYROLL AND EMPLOYEE BENEFITS

3.1 Canada Pension Plan Contributions

	<u>2017</u>	<u>2016</u>
Contributory earnings	55,300.00	54,900.00
Basic exemption	<u>3,500.00</u>	<u>3,500.00</u>
Maximum contributory earnings	51,800.00	51,400.00
Maximum contributions:		
employees - 4.95%	2,564.10	2,544.30
self-employed - 9.9%	5,128.20	5,088.60

One-half of the CPP contributions payable by self-employed individuals is deductible against income.

3.2 Employment Insurance Premiums

	<u>2017</u>	<u>2016</u>
Employee maximum: 1.63% x \$51,300 (2016 - 1.88% x \$50,800)	\$836.19	\$955.04
Employer maximum: 1.4 x \$836.19 (2016 - \$955.04)	1,170.67	1,337.06

Since January 31, 2010, self-employed individuals could enter into an agreement with the Canada Employment Insurance Commission and start paying EI premiums on their self-employment income. The premium rate will be the same that salaried employees currently pay. For 2017, the rate is 1.63% of insurable earnings. The payment of the premiums for individuals opting in during the 2017 calendar year will be made through their 2017 tax return.

3.3 Ontario Employer Health Tax

The Employer Health Tax (EHT) is remitted by employers based on their Ontario payroll. Since January 1, 2014 employers are exempt from tax on the first \$450,000 of Ontario payroll. The EHT is calculated as 1.950% of Ontario payroll in excess of the \$450,000 exemption.

Employers with annual Ontario payroll over \$5 million cannot claim this exemption. Only one annual exemption is available for an associated group of employers. When the combined total Ontario remuneration of all associated employers exceeds \$5 million, these employers are not eligible for the exemption.

Registered charities, including those with payrolls over \$5 million, remain eligible for the exemption.

Employers may be required to pay EHT instalments, as follows:

Annual Payroll:	\$0 - \$600,000	None
	600,001 and over	Monthly

3.4 Ontario Health Premium

The Ontario Health Premium is based on an individual's taxable income for a taxation year. Individuals with taxable income of \$20,000 or less will be exempt from this premium.

The rates for 2017 are as follows:

<u>Taxable Income</u>	<u>Premium</u>
\$0 - \$20,000	\$0
\$20,001 - \$24,999	6% over \$20,000
\$25,000 - \$36,000	\$300
\$36,001 - \$38,499	\$300 + 6% over \$36,000
\$38,500 - \$48,000	\$450
\$48,001 - \$48,599	\$450 + 25% over \$48,000
\$48,600 - \$72,000	\$600
\$72,001 - \$72,599	\$600 + 25% over \$72,000
\$72,600 - \$200,000	\$750
\$200,001 - \$200,599	\$750 + 25% over \$200,000
\$200,600 and Over	\$900

This health care premium is included in source deduction withholdings.

3.5 Source Deduction Remittances

The frequency of source deduction remittances by employers is based on the average monthly remittances made in the second preceding year. (i.e. 2017 frequency is based on average monthly remittances made in 2015). However, employers may choose to base the timing of their remittances on the prior year's average remittances, if beneficial.

The due dates for remittances are as follows:

<u>Average Monthly Remittance</u>	<u>Due Date</u>
Under \$25,000	15th day of month following month when the deduction was made
\$25,000 - \$99,999	10th and 25th of each month
\$100,000 and over	3rd, 10th, 17th and 24th of each

Employers with average monthly deductions of \$3,000 or less are permitted to remit quarterly.

Starting in 2016, new employers with total monthly withholdings of less than \$1,000 can automatically remit quarterly instead of monthly.

3.6 Automobiles Used in Business

1. Restrictions on deductibility of expenses for 2017:

Leasing costs	\$800/month (30-day period) (2016 - \$800)
Interest	\$300/month (2016 - \$300)
CCA	Depreciable cost limited to \$30,000 plus HST (2016 - \$30,000) (net of applicable input tax credits or rebates)
Allowance to employees	\$0.54/km for first 5000 km (\$0.54 - 2016) \$0.48/km for additional kms (\$0.48 - 2016) (Yukon, N.W.T. and Nunavut are \$0.58 and \$0.52 respectively) (2016 - \$0.58 and \$0.52)

2. Employee Benefits

Standby Charge:

Company owned car	2% x original cost (including HST) x number of months vehicle available for use
Company leased car	bx lease payments (including HST) x number of months vehicle available for use

Operating Cost Benefit: \$0.25/personal use kms (\$0.26 – 2016)

- A reduction of the standby charge is available if the automobile was used by the employee for more than 50% business use and the personal use kilometres per month are below 1,667.
- The employer must remit a portion of the standby charge and operating cost benefit as GST/HST. The remittance rates for 2017 are 12/112 of the standby charge and 9% of the operating cost benefit. (Please see table below if employer is a large business subject to restricted input tax credit).

Please note these rates are provided with respect to employment in Ontario. Further information on GST/HST rules can be found on our website at www.welchllp.com/publications/news/HST_update_June_2010.pdf.

The GST/HST remittance rates on standby charges and operating cost benefits for large businesses are as follows:

<u>Taxation Year(s)</u>	<u>Standby Charge</u>	<u>Operating Cost Benefit</u>
2011 – 2014	6%	4/104
2015	6.6%	6/106
2016	7.2%	8/108
2017	7.8%	10/110
2018	8.4%	12/112
2019 and subsequent Years	9%	12/112

CHAPTER 4 - GOODS & SERVICES TAX (GST)

4.1 GST/HST Registration

All persons engaged in a commercial activity in Canada, must register to collect and remit GST/HST in respect of all taxable supplies made in the course of that activity except if:

- The person is a small supplier;
- The commercial activity is the sale of real property other than in the normal course of business;
- The person is a non-resident who does not carry on any business in Canada.

To register use form RC1.

4.2 Small Supplier Threshold

<u>Type of Business</u>	<u>Threshold</u>
Charity or public institution	Gross revenue* in either of the two previous fiscal years of \$250,000 or less.
Public service bodies (including charities)	Revenue* from taxable supplies of \$50,000 or less in the preceding four calendar quarters.
All others	Revenue* from taxable supplies of \$30,000 or less in the preceding four calendar quarters.

* includes revenue of associates

4.3 Filing Frequency, Reporting Deadlines, and Payment Due Dates

<u>Frequency</u>	<u>Threshold</u>	<u>Due Date</u>
Monthly	Sales > \$6 million	Return and payment due one month after end of each month. Return must be filed electronically.
Quarterly	\$1,500,000 < Sales < \$6 Million	Return and payment due one month after end of each quarter. Return must be filed electronically.
Annually	Sales < \$1,500,000	Return due three months after year end with payment. Instalments required quarterly unless annual net GST/HST remittance is less than \$3,000 in the previous year. Instalments due at end of month following end of fiscal quarter.

Note: individuals who file on an annual basis, and have a December 31 year end have until June 15 to file their return but payment is due by April 30.

Need form GST 20, Election for Reporting Period to elect for a more frequent reporting period. Charities are exempt from filing electronic returns.

4.4 Fiscal Year

Normally a GST year is a fiscal year which corresponds to the taxation year. However a registrant can elect to have a GST fiscal year that corresponds to the calendar year.

Need form GST 70, Election/Revocation of Election for GST Fiscal Year

4.5 Penalties and Interest

Offence	Penalty	Interest
Failure to pay or remit an amount	-	T-Bill rate + 4%
Failure to pay, or late payment of instalment	-	T-Bill rate + 4%
Failure to file a return	1% of unpaid balance plus 3 of 1% per month for up to 12 months	-
Failure to answer demand for return	-	-
Failure to provide information	\$100 per failure	-
False statement or omission	Greater of \$250 or 25% of amount by which tax is understated or rebate overstated	-
Failure to collect tax from a registrant who would have been able to fully recover the tax	Lesser of penalty and interest owing and 4% of unremitted tax	-
Failure to file a return electronically if required	\$100 for first failure, \$250 for each subsequent failure	-

Neither interest nor penalties are deductible for income tax purposes.

4.6 Objection Period

Time frame	Action
90 days	Limit to file notice of objection.
60 days	Limit to comply with request for further information.
1 year	Limit to ask for an extension of 90 day time limit to file notice of objection, with adequate reason.

Note: If interest and/or penalties have been charged a fairness request can be made to the district tax office in order to waive or cancel them.

4.7 Quick Method

Eligibility

Sales of taxable supplies for four consecutive quarters out of five previous quarters cannot exceed \$400,000 (GST/HST included).

Remittance Rates

Will depend on where the business is located and in which province the supplies of the business are made. The rates provided below would apply to businesses operating out of a permanent establishment in Ontario selling goods or providing services in Ontario. Please see the Revenue Canada Guide RC4058 if you have a permanent establishment in any other province or if you sell goods or provide services in any other province.

	<u>Retail Businesses</u>	<u>Other Businesses</u>
	<u>Remittance Rates</u>	
Ontario business with Ontario customers only	3.4% on first \$30,000 4.4% on remainder	7.8% on first \$30,000 8.8% on remainder

(all amounts are GST/HST included)

If the Quick method is chosen the registrant must reassess its eligibility to continue using the method. In addition if the sales of taxable supplies exceed \$400,000 during the year the registrant must cease using the Quick method in the following year. To again be eligible for the Quick method, a registrant must meet the eligibility criteria set out above. When an election is made to use the Quick Method, it remains in effect for at least one year.

Form needed for regular business: GST 74, Simplified Accounting Methods for Small Business Form needed for Public Service Bodies: GST 287 Public Sector Bodies Election

4.8 Provincial Tax Rates

<u>Province</u>	<u>PST Rate</u>	<u>GST/HST Rate</u>
British Columbia	7%	5%
Alberta	-	5%
Saskatchewan	6%	5%
Manitoba	8%	5%
Ontario	-	13%
Quebec	9.975%	5%
New Brunswick	-	15%
Nova Scotia	-	15%
Prince Edward Island	-	15%
Newfoundland	-	15%

4.9 GST Rebates

4.9.1 New Housing Rebate and New Residential Rental Property Rebate – Federal Portion

<u>Price of new home</u>	<u>Rebate</u>
Price < \$350,000	36% of the 5% federal portion of the HST
\$350,000 < Price < \$450,000	Lesser of \$6,300 and 36% of the 5% federal portion of the HST paid multiplied by $(\$450,000 - \text{selling price})/\$100,000$
Price > \$450,000	No rebate

New Housing Rebate and New Residential Rental Property Rebate – Provincial Portion Ontario

<u>Price of new home</u>	<u>Rebate</u>
Price < \$400,000	75% of the 8% provincial portion of the HST
Price > \$400,000	\$24,000

4.9.2 Employee Rebate

Employees are allowed to claim a rebate equal to 13/113ths of the expenses on which HST was paid, that are eligible to reduce net employment income for tax purposes. The employer has to be a registrant (and cannot be a specified employer) for the employee to get this rebate.

4.9.3 Public Service Body Rebates

<u>Type</u>	<u>Federal Rebate*</u>	<u>Ontario Provincial Rebate</u>
Charities and public institutions	50%	82%
Qualifying non-profit organizations	50%	82%
Hospitals	83%	87%
Facility Operators	83%	87%
Schools	68%	93%
University or public college	67%	78%
Municipalities	100%	78%

* *eligibility criteria exist.*

Federal rebate applies to the 5% federal portion of the HST and provincial rebate applies to the 8% Ontario provincial portion of the HST. Ontario provincial rebate is available only if the entity has a permanent establishment in Ontario. Other rebates may be available for the provincial portion of the HST paid in other provinces. For further information please see our article entitled HST Update June 2010 at http://www.welchlp.com/publications/news/HST_Update_June_2010.pdf.

4.10 ITC Restrictions

General restriction: ITC's cannot be claimed on expenses related to goods or services provided on which no GST/HST would have been charged. In addition, the following restrictions exist for all registrants:

<u>Type of expense</u>	<u>Restriction</u>
Club memberships	No ITC is allowed
Home office expense	ITC disallowed if home office is neither the person's principle place of business nor used continuously to earn income and meet with clients.
Meals and entertainment	Maximum allowed ITC is 50% of the GST paid (Charities excluded).
Automobile purchase	Can claim the GST/HST paid up to a maximum of \$3,900. If purchase price is in excess of \$30,000, only the GST/HST that would be paid on a \$30,000 car can be claimed.

4.10.1 Employee Allowances

An allowance paid to an employee for a taxable supply, is deemed to be a taxable expense for which an ITC can be claimed. The ITC is calculated as 13/113 of the allowance, if it is reasonable to assume that the employee would have paid GST/HST on the underlying expense. In addition, the employer must be paying the allowance in respect of its commercial activities.

4.10.2 Reimbursements

A reimbursement paid to an employee for a taxable supply, is deemed to be the expense of the employer. An ITC can be claimed for either the actual GST paid or at a rate of 12/112 of the total expense paid. In addition, the employer must be paying the reimbursement in respect of its commercial activities.

4.10.3 Temporary ITC Restrictions for Large Businesses

Applicable to businesses with worldwide taxable sales greater than \$10 million (includes sales of associates) made from a permanent establishment in Canada. Restriction applies to the 8% provincial portion of the HST on energy, vehicles weighing less than 3,000 kg, fuel for aforementioned vehicles, telecommunications and meals and entertainment. The restriction will be in place until 2015 and then will be phased out during the following three years. The phase-out of the restriction commences on July 1, 2015. 25% of restricted amounts incurred between July 1, 2015 and June 30, 2016 will be deductible.

Further reductions to the restricted amounts will be implemented July 1, 2016 and the following two years. The restrictions will be fully phased out on July 1, 2018. For further information, please see our article entitled HST Update June 2010 at http://www.welchllp.com/publications/news/HST_Update_June_2010.pdf.

4.11 Place of Supply

GST registrants who deal with customers outside of Ontario will need to be familiar with the place of supply rules which came into effect on May 1, 2010. These rules dictate which rate of GST or HST applies to the supply of goods and services inside and outside of Canada. For further information, please see our article entitled HST Update June 2010 at http://www.welchllp.com/publications/news/HST_Update_June_2010.pdf.