FINANCIAL POST

Here are the new numbers you need to get a jumpstart on your 2017 taxes

JAMIE GOLOMBEK | January 1, 2017 3:24 PM ET
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The first of January brings with it not only a new calendar year, but also changes to various income tax and benefit amounts, most of which are indexed to inflation. Earlier this month, the Canada Revenue Agency announced that the inflation rate that will be used to index the 2017 brackets and amounts is 1.4 per cent. This rate was calculated by taking the percentage change in the average monthly Consumer Price Index (CPI) data as reported by Statistics Canada for the 12-month period ended Sept. 30, 2016 relative to the average CPI for the 12-month period ended on Sept. 30, 2015.

Increases to the tax bracket thresholds and various amounts relating to non-refundable credits take effect on Jan. 1, 2017. Increases in amounts for certain benefits, such as the GST/HST credit, however, only take effect on July 1, 2017. This coincides with the beginning of the program year for these benefit payments, which are income-tested and based on your prior year's net income as reported on your 2016 tax return, which most Canadians will have filed (and the CRA will have assessed) by July 1, 2017.

Tax brackets for 2017

For 2017, we have five federal tax brackets: zero to $45,916 (15 per cent), $45,916 to $91,831 (20.5 per cent), $91,831 to $142,353 (26 per cent), $142,353 to $202,800 (29 per cent), with anything above that being taxed at 33 per cent, the new high-income bracket introduced by the government in 2016.

Each province also has its own set of provincial tax brackets, most of which have also been indexed to inflation, but using the appropriate provincial indexation factors.

Basic personal amount

The federal basic personal amount for 2017 is $11,635. This amount, along with all other amounts, is eligible for a non-refundable tax credit. All non-refundable credit amounts (other than the newly, three-tiered donation credit) are calculated at the lowest federal bracket rate, which is 15 per cent. So, for example, the basic personal amount is worth $1,745 ($11,635 X 15 per cent) in reduced federal tax. This also means that if your income is less than $11,635, you won't pay any federal tax since the tax rate of 15 per cent is equal to the credit rate.

Canada Pension Plan contributions

While CPP rates aren't changing (4.95 per cent for employees and double that - 9.9 per cent - if you're self-employed), the maximum pensionable earnings for 2017 is set at $55,300, which is up from $54,900 in 2016. The ceiling is calculated according to a legislated formula that takes into account the growth in average weekly wages and salaries in Canada. If you earn more than $55,300 in 2017, no additional CPP contributions are required (or permitted.) Quebec employees contribute to the QPP at a slightly higher rate – 5.4 per cent (up slightly from 5.325 per cent in 2016).

As a result, the new maximum employer and employee contribution to the plan for 2017 is up slightly to $2,564 ($2,797 in Quebec) and the maximum self-employed contribution is double that, or $5,128.

EI premium rate and maximum

Employees must also pay employment insurance premiums. For 2017, the EI rate is dropping for the first time in a decade to 1.63 per cent (from 1.88 per cent for the past four years) of insurable earnings, up to a 2017 earnings maximum of $51,300. This translates to a maximum employee premium for 2017 of $836.19. For Quebec employees, the maximum employee premium for 2017 is $651.51. Your employer must contribute 1.4 times the amount of the employee's premiums.

2017 RRSP Limit

Your 2017 RRSP limit is based on 18 per cent of your 2016 earned income, up to a maximum of $26,010 (up from $25,370 in 2016), less any pension adjustment. To hit the maximum RRSP contribution for 2017, you would have had to have earned income in 2016 of at least $144,500.

2017 TFSA contribution limit

As I discussed in a prior column[1], the 2017 TFSA contribution limit will be frozen, once again, at $5,500. If you have yet to open your first TFSA, due to the unlimited carryforward associated with TFSA contribution room, you can now contribute a total of $52,000 to your TFSA, provided you were at least 18 years of age in 2009 and a resident of Canada since that time.

2017 RDSP Grant & Bond Limits

Finally, if there is someone in your family eligible for the disability tax credit (DTC), don't forget to consider the Registered Disability Savings Plan. RDSPs are tax-deferred plans open to Canadian residents eligible for the DTC, their parents and other eligible contributors. Up to $200,000 can be contributed to the plan until the beneficiary turns 59, with no annual contribution limit. While contributions are not tax deductible, all earnings and growth accrue on a tax-deferred basis.

Federal government assistance in the form of matching Canada Disability Savings Grants (CDSGs) and Canada Disability Savings Bonds (CDSBs) may be deposited directly into the plan up until the year the beneficiary turns 49. The government will contribute up to a maximum of $3,500 CDSGs and $1,000 CDSB per year of eligibility, depending on the net income of the beneficiary's family.

The government has announced that, for 2017, if the RDSP beneficiary's family income in 2015 (as the second preceding year's income is used in determining grant and bond payments) was below $91,831, the government will pay a 300 per cent CDSG on the first $500 in annual contributions and a 200 per cent CDSG on the next $1,000 in annual contributions. If the beneficiary's annual family income was greater than $91,831, only a 100 per cent matching CDSG will be paid on the first $1,000 in annual contributions.

The CDSB is an amount of up to $1,000 paid into an RDSP for a low-income beneficiary. Unlike CDSGs, no contribution is needed to attract the CDSB.

To receive the full $1,000 bond in 2017, the beneficiary's family income in 2015 must have been less than $30,000. For family income between $30,000 and $45,916, the CDSB is based on a legislative formula and once family income is over this amount, no CDSB is payable.

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References

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