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TAX MATTERS

This tax season is the last kick at the can for these savings

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You can't please all of the people all of the time. Or can you? A few years back, a number of parents whose children attended a suburban Japanese primary school started a relentless campaign of phoning and bullying the teachers into choosing not one, but 25 children to play the title role of Snow White in the school's production of *Snow White and the Seven Dwarfs*. After all, it wouldn't be fair to choose just one girl for the role. There were no dwarfs. No wicked witch either. But everyone was happy.
Pleasing all of the people just some of the time is about the best we can hope for when it comes to tax changes by the federal government. The problem is that the federal budget of March 22, 2016, didn't even accomplish that. With the election firmly behind them, the Liberals unveiled a budget that will see a number of tax measures disappear shortly. In fact, filing your tax return this tax season will represent the last kick at the can for many tax breaks – so don't miss out on them. Here's a list to consider.

Top marginal tax rate
For higher-income earners, your 2015 tax return will be the last where you'll face a highest marginal tax rate of 29 per cent federally on income over $200,000. Starting in 2016 the rate will be 33 per cent. So, you'll benefit from reporting more income in 2015 and less in 2016 or later if you're in that bracket. You might increase 2015 income by, for example, deferring your RRSP deduction for a year, or deferring the claim of capital cost allowance (depreciation for tax purposes) on certain assets.

Fitness and arts tax credit
The credits that have saved you tax in the past for your kids' sports and artistic activities can be claimed for 2015 as you file your return this year. Up to $1,000 for fitness activities and $500 for artistic activities can be claimed. But for 2016, these limits will be cut in half, and will disappear entirely in 2017. If you can accelerate payment for these activities so that you're cutting cheques in 2016 rather than 2017, you'll save tax dollars.

Education and textbook credits
These credits can be claimed for 2015 and 2016, but starting in 2017, they will disappear. These credits can save you as much as $558 federally for a full-time student, so it'll hurt to see these vanish. If you're thinking of cutting back to a part-time study load, 2017 would be the better year to make that happen. If you're studying full time in 2016, you'll maximize your tax credits in the last year you can claim them. Finally, any unused education and textbook credit amounts carried forward from prior years can still be claimed in 2017 or later years.

Corporate class mutual funds
If you own corporate-class funds (sometimes called "switch funds"), you're currently able to switch between funds within the same corporate family and not trigger a taxable disposition. This will end Oct. 1, 2016. So, plan to make any final switches before October. Your 2015 tax return will be the last return that can exclude reporting these dispositions.

Family tax cut
Your 2015 tax return will be the last where you'll be able to claim this income-splitting credit if you're a couple with at least one child under age 18. This credit allows a higher-income spouse to effectively

transfer up to $50,000 of taxable income to their spouse or common-law partner and can save you up to $2,000 in taxes. This is gone for 2016 and later years. There are many other ways to split income with family members, which you'll want to consider now. It's a topic for another day.

Small business deduction
If you own a small, incorporated, active business, chances are good that you've benefited from the lower rate of tax on the first $500,000 (federally) of active business income. You might have even managed, through good tax planning, to multiply the number of $500,000 "buckets" eligible for the lower rate of tax. The budget of March 22 shut down some of the methods by which Canadians multiplied the number of those buckets. The changes take effect for tax years of your business that begin after March 22. So, you may have a few months to sit down with your accountant and talk about changes to your tax planning to continue minimizing tax. Consider revising your compensation strategy (how you pay yourself and family members) as one way to deal with these changes.

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