



TAX MATTERS

A baker's dozen tax-filing changes for this year

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Are you wondering how your tax return for 2016 might look different than in prior years? Here's a summary of the key changes you'll notice when preparing or reviewing your 2016 personal tax return.

1. Tax-rate changes

The tax rate on income between \$45,282 and \$90,563 dropped to 20.5 per cent (from 22 per cent) for 2016. This will save you \$680 federally if your income is over \$90,563. On the flip side, any income over \$200,000 will face a new tax bracket, resulting in an additional 4-per-cent tax.

2. Children's fitness and arts amounts

Sorry, but the tax credits for children's fitness and arts activities are disappearing. For 2016, the credits will be cut in half, providing some tax relief on the first \$500 of eligible fitness costs and \$250 of eligible arts costs. In 2017, the tax credits will be gone.

3. Family tax cut

The income-splitting tax credit that saved up to \$2,000 for families with at least one child under 18 is gone for 2016. Sorry about that.

4. Principal residence reporting

New rules introduced last fall now require you to report the sale of a principal residence starting in 2016. So, if you sold a residence in 2016, you must report this on Schedule 3 of your tax return. Simply reporting the sale on Schedule 3 doesn't make it a tax-free sale. You must also designate the property as your principal residence using Form T2091 if you want the sale to be tax-free. If you fail to report a sale on Schedule 3, you won't be entitled to the principal-residence exemption – ouch. As for Form T2091, the taxman might accept a late designation, but penalties of \$100 a month that you're late (to a maximum of \$8,000) could apply.

5. Home-accessibility costs

If you've incurred expenses to improve the accessibility of, or your mobility within, your residence, and you were 65 or older at the end of 2016 or eligible for the disability tax credit, you may be entitled to a new tax credit. The credit is worth 15 per cent on up to \$10,000 of eligible renovation costs. Check out the instructions for line 398 of your tax return for more.

6. Northern residents deduction

If you live in a prescribed northern area, the basic and additional residency amounts used to calculate the northern residents deduction have increased to a total of \$22 (up from \$16.50) a day. Check out Form T2222 for more information.

7. Dividend tax credit

The tax rate that applies to "other than eligible dividends" has changed for 2016 and later years. Check out the instructions for lines 120 and 425 of your tax return for more.

8. Labour-sponsored funds

The tax credit for investment in the shares of provincially or territorially registered labour-sponsored venture capital corporations (LSVCCs) has been restored to 15 per cent for 2016 and later years. For federally registered LSVCCs, the tax credit has been reduced to 5 per cent for 2016 and will be eliminated in 2017.

9. Education and textbook credits

Your tax return for 2016 will be the last year you'll be able to claim a credit for the education and textbook amounts. Starting in 2017, only the tuition tax credit will remain.

10. School-supply tax credit

If you're an eligible educator, 2016 is the first year you can claim up to \$1,000 for eligible teaching-supplies costs. If you're eligible, this credit could save you 15 per cent of those costs.

11. Corporate-class mutual funds

The 2016 federal budget changed the rules around corporate-class mutual funds so that switches between classes of shares (which were tax-free before) will now be taxable. If you made any switches such as this in 2016 (but only after September, 2016), you may have to report a taxable disposition on Schedule 3 of your tax return for 2016.

12. Canada Child Benefit

Last July, the government eliminated the Canada Child Tax Benefit (CCTB) and Universal Child Care Benefit (UCCB) and replaced it with the new Canada Child Benefit (CCB). For eligible families, the CCB generally provides a higher benefit than under the old system, and the CCB is tax-free to boot (unlike the old UCCB). So, the amount of taxable income you'll have to report for 2016 for these benefits could be less this year.

13. Mobile and online access

The Canada Revenue Agency has released a new mobile application that will let you securely view your tax information in a snap. No need to wait for paper in the mail any more. Check out the "My Account" area on CRA's website for more.