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# What the Liberal budget means for high-income Canadians

By Jamie Golombek

*For Canadians making more than $200,000, the Liberal budget held little good news, including cutting tax credits and child benefits for families...*

No changes to capital gains inclusion rates. No changes to the taxation of employee stock options. And no major changes to private corporations, including professional corporations, and their ability to access the small business tax rate and continue to income-split with the owner's family members.

But the absence of these changes is where the good news pretty much ends for high-income taxpayers, who are already facing a federal tax hit in 2016 of an additional four per cent on income over $200,000, and will face an even higher tax burden in a number of other areas as a result of Tuesday's budget. Let's take a look at a few of the changes that will impact higher income Canadians.

**Canada Child Benefit**

As was widely reported, the budget has replaced the current Canada Child Tax Benefit (CCTB) and the Universal Child Care Benefit (UCCB) with the new Canada Child Benefit (CCB), which will begin in July 2016.

The new CCB is a non-taxable benefit that is paid monthly and is based on adjusted family net income and the number of children in your family. While the old CCTB was also tax-free and income-tested, the UCCB, which dates back to 2006, while taxable, was not income-tested.

As a result of Tuesday's budget, a high-income family whose income was too high to receive any CCTB but was still receiving a monthly UCCB amount - $160 (or $1,920 annually) for kids under age six and $60 per month (or $720 annually) for children aged six through 17 - will likely not see any benefits once the new regime takes effect.

For example, using the CCB calculator released on Tuesday[1] on the Department of Finance's website, we can see that a couple with two kids aged six to 17 and a total family income of $200,000 will receive no benefits at all come July 2016 as, to quote the website, "It looks like your family income is high enough to put you outside the range of benefits under the Canada Child Benefit."

In addition, the proposed elimination of both the children's fitness tax credit and the children's arts tax credit for children under 16 years of age will cost parents up to an additional $150 per year per child for fitness activities and $75 per year per child for arts programs.

**Elimination of family income splitting**

Tuesday's budget also cancelled the "Family Tax Cut" credit, which was introduced by the previous government in 2014, and provided a version of income splitting that allowed an individual to notionally transfer up to $50,000 of income to his or her lower-income spouse or common-law partner, provided they had a child who was under 18 at the end of the year. The credit was capped at $2,000 annually and was available for the 2014 and 2015 taxation years.

The good news is that pension income splitting won't be affected by this change. Other income splitting strategies that remain unaffected and that can substantially help higher-income couples with widely disparate incomes include the use of a spousal or common-law partner RRSPs for post-retirement income splitting and lending funds to lower-income family members at the CRA's prescribed interest rate (currently set at one per cent until at least June 30, 2016).

**Donations of real estate and private company shares**

Finally, in a surprise move, the budget reversed a proposal that would have been very beneficial for philanthropy in Canada. The budget announced that the Liberals will not be proceeding with the implementation of the previous government's measure that would have eliminated the capital gains tax on the sale of appreciated private company shares and real estate if the proceeds were donated to charity within 30 days. This change was scheduled to come into effect on Jan. 1, 2017.

On the positive side, however, no changes are being proposed to the rules governing the donation of publicly traded securities to charity. Since 2006, donations of publicly traded shares, mutual funds or segregated funds to a registered charity not only get you a tax receipt equal to the fair market value of the securities or funds being donated, but are also not subject to capital gains tax on any accrued gain on the shares or funds donated. Similarly, if you're an employee who has received stock options, you can choose to donate the shares acquired from an option exercise to charity within 30 days of exercise and eliminate the stock option benefit from tax.

*Illustration by Chloe Cushman/National Post*

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