SUMMARY OF RECENT TAX CHANGES

- **Principal Residence Exemption** On October 3, 2016, the Government announced an administrative change to Canada Revenue Agency's reporting requirements for the sale of a principal residence.

  When you sell your principal residence or when you are considered to have sold it, usually you do not have to report the sale on your income tax and benefit return and you do not have to pay tax on any gain from the sale. This is the case if you are eligible for the full income tax exemption (principal residence exemption) because the property was your principal residence for every year you owned it.

  Starting with the 2016 tax year, generally due by late April 2017, you will be required to report basic information (date of acquisition, proceeds of disposition and description of the property) on your income tax and benefit return when you sell your principal residence to claim the full principal residence exemption.

  For the sale of a principal residence in 2016 or later tax years, CRA will only allow the principal residence exemption if you report the sale and designation of principal residence in your income tax return. If you forget to make a designation of principal residence in the year of the sale, it is very important to ask the CRA to amend your income tax and benefit return for that year. Under proposed changes, the CRA will be able to accept a late designation in certain circumstances, but a penalty may apply.

  The penalty is the lesser of the following amounts:

  - $8,000; or
  - $100 for each complete month from the original due date to the date your request was made in a form satisfactory to the CRA.

  The CRA will gain the authority to assess taxpayers, beyond the normal assessment limitation period for a tax year, in respect of a disposition of real estate by the taxpayer (or a partnership of which the taxpayer is a member), in cases where the disposition is not reported in the taxpayer's tax return for the year in which the disposition occurs.

- **Canada Child Benefit** The old Canada Child Tax Benefit and the Universal Child Care Benefit will be replaced with a new system called the Canada Child Benefit effective July 1, 2016. Commencing July 2016 the new Canada Child Benefit will pay the following tax-free amounts:

  - $6,500 for children under the age of six;
  - $5,400 for children 6 to 17; and
  - $2,730 for children with the disability tax credit

  The benefits will be phased out as net family income exceeds $30,000.

- **Child Tax Incentives** The Family Tax Cut (often referred to as income splitting) has been repealed effective for the 2016 tax year.

  The Children's Fitness Credit and the Children's Arts Credit will be eliminated in 2017. For 2016 the credits will be reduced by 50%.

- **Labor Sponsored Venture Capital** The federal tax credit for investments in provincially registered LSVCC will be restored to 15% in 2016.

  The tax credit for investments in federally registered LSVCC will remain at 5% for 2016 and is scheduled to be eliminated in 2017.

- **School Supplies Tax Credit** A refundable tax credit of 15% of up to $1,000 of expenditures incurred on or before January 1, 2017 can be claimed by teachers or early childhood educators who are accredited and for use in an elementary or secondary school or regulated childcare facility.

  In order to make the claim the teacher must provide a certificate from the employer attesting to the eligible expenses of the teacher.

- **Education and Textbook Tax Credits** The education and textbook tax credits will be eliminated effective January 1, 2017.

  Students will still be able to carry forward unclaimed amounts at the end of 2016.

  The tuition tax credit has not changed.

  It is intended that students from low and middle-income families will qualify for increased grants under the Canada Student Loans Program.

- **Mutual Fund Corporations** Many mutual fund corporations are structured so that investors can switch funds within the Corporation by converting the shares from one class of shares to another class and avoid recognizing a capital gain.

  The budget will force recognition of the capital gain unless the switch is solely related to amount of management fees or other expenses borne by the investors.

  This change is effective for dispositions on or after January 1, 2017.