Federal Budget 2017: **Individual Tax Measures**

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There were relatively few broad-based individual tax measures included in the 2017-18 federal Budget brought down on March 22, 2017 by Minister of Finance Bill Morneau, as the Budget did not contain any changes to individual income tax rates or brackets, or the introduction of any new individual tax credits.

Most of the announcements made in the Budget which affect individuals were extensions or alterations of existing tax credits, although one individual tax credit of wide application has been eliminated.

Most the changes announced in the Budget will be effective for part or all of the current (2017) taxation year.

Changes affecting personal tax credits

Disability tax credi

Canadians who have a severe and prolonged disability which impairs their physical and/or mental functions, to the extent of restricting their ability to perform basic functions of day to day living, are entitled to claim a disability tax credit. That non-refundable credit reduces federal tax payable by $1,217, and can be claimed for each year during which the individual has the disability. A similar credit, in varying amounts, is claimable for provincial or territorial tax purposes.

In order for an individual to claim the disability tax credit, a medical practitioner must certify that the individual's disability meets the criteria outlined above. To do so, the medical practitioner must complete a lengthy and detailed prescribed form outlining the specific effects of the particular disability on the individual's daily life and activities. Generally, that medical practitioner is a physician, although other medical practitioners can also provide certification within their areas of specialty – for example, an optometrist can provide certification with respect to vision impairments.

The federal Budget proposes to expand the list of medical practitioners eligible to provide certification for purposes of the disability tax credit to include nurse practitioners. Nurse practitioners are registered nurses who have additional training which allows them to make diagnoses, interpret test results and prescribe medication. Effective for disability tax credit certifications which are made on or after March 22, 2017, nurse practitioners will be permitted to certify for all types of impairments that are within the scope of their practice.

Medical expense tax credit

Many medical expenses incurred by Canadians are not covered by government-sponsored health care plans, and not all Canadians have private health care insurance to cover those costs. Where such costs must be borne on an out-of-pocket basis, the individual who pays the cost may be able to claim a non-refundable medical expense tax credit to help offset that cost. The credit is equal to 15% of the eligible medical expense cost, and is available for qualifying medical expenses greater than $2,268 or 3% of the taxpayer's net income, whichever is less.

Many costs related to the use of reproductive technologies in the treatment of infertility are an eligible expense for purposes of the credit, and this year's Budget proposes to clarify claims for medical expenses relating to the use of such technology. Specifically, and effective as of the 2017 tax year, individuals who require medical intervention in order to conceive a child are eligible to claim the same expenses that would generally be eligible for individuals on account of medical infertility.

While the change will be effective as of the 2017 tax year, individuals may also elect to have the measure apply for any one of the ten preceding tax years.

Caregiver tax credits

Every year, millions of Canadians are called upon to act as caregivers, generally for a family member. Providing care, even part-time care, for another person has a number of costs – physical, emotional, and financial. Those who do so are entitled to claim one or more non-refundable tax credits to help offset at least some of the financial costs that must be incurred.

The Canadian tax system currently has three such credits – the infirm dependant credit, the caregiver credit, and the family caregiver credit. While all three credits are similar, the eligibility conditions and the amount of each varies, and the complexity that results can cause confusion for taxpayers who may be eligible to claim such credits.

To simplify the existing system and, therefore, avoid confusion, the Budget proposes to replace the three existing credits with a single Canada Caregiver Credit. The description of the new credit indicates

that the amounts involved will be consistent with those with respect to dependents under the current regime and that the new credit will extend tax relief to caregivers who may not currently qualify, owing the income level of their dependant.

The amounts claimable under the new Canada Caregiver Credit are as follows:

- $6,883 in respect of infirm dependants who are parents/grandparents, brothers/sisters, aunts/uncles, nieces/nephews, adult children of the claimant, or of the claimant's spouse of common-law partner; or
- $2,150 in respect of:
  - an infirm dependent spouse or common-law partner in respect of whom the individual claims the spouse or common-law partner amount;
  - an infirm dependant for whom the individual claims an eligible dependant credit, or
  - an infirm child who is under the age of 18 years at the end of the tax year.

Where the dependant in respect of whom the Canada Caregiver Credit is claimed has a net income of more than $16,163, the credit will be reduced on a dollar-for-dollar basis.

The Budget Papers also set out additional rules which will govern claims for the Canada Caregiver Credit, and those are as follows.

- The dependant will not be required to live with the caregiver in order for the caregiver to claim the Canada Caregiver Credit.
- The Canada Caregiver Credit will no longer be available in respect of non-infirm seniors who live with their adult children.
- Only one Canada Caregiver Credit amount will be available in respect of each infirm dependant. The Credit can, however, be shared by multiple caregivers who support the same dependant, provided that the total claim does not exceed the maximum annual amount for that dependant.
- Where a claim for an eligible dependant amount or spousal or common-law partner amount is made in respect of an infirm dependant, only the individual who has claimed that eligible dependant amount or spousal or common-law partner amount will be allowed to claim the Canada Caregiver Credit in respect of that dependant.
- In cases where an individual claims a spousal or common-law partner amount or an eligible dependant amount in respect of an infirm family member, the individual must claim the Canada Caregiver Credit at the lesser amount outlined above ($2,150 in 2017). Where this results in less tax relief than would be available if the higher amount ($6,883 in 2017) were claimed, an additional amount will be provided to offset that difference.
- An individual who pays support to a former spouse in respect of a particular person will not be able to claim the Canada Caregiver Credit in respect of that person.

The new Canada Caregiver Tax Credit will apply for the 2017 and subsequent taxation years.

Public transit tax credit

For several years, Canadians have been able to claim a federal tax credit for costs incurred in using public transit on a regular basis. Such credit was generally available for taxpayers who purchased weekly, monthly, or annual passes or electronic fare cards on most kinds of public transit. As well, eligible costs incurred by family members could be aggregated and claimed on a single return filed by a family member.

The federal government has proposed the elimination of the public transit tax credit, effective as of July 1, 2017. Taxpayers should be aware that, even if weekly, monthly, or annual transit passes or cards are purchased prior to that date, no credit will be claimable for costs incurred for public transit use that takes place after the end of June 2017.

Mineral exploration tax credit

Canadians who invest in flow-through shares of resource companies are entitled to claim a deduction for qualifying expenses incurred by such companies and "flowed-through" to individual shareholders.

Such investors can also claim a 15% federal tax credit – the mineral exploration tax credit – in respect of those flow-through expenses.

The mineral exploration tax credit was scheduled to expire as of March 31, 2017. The Budget proposes, however, to extend the credit for a further year, until March 31, 2018, meaning that the credit will be available with respect to flow-through share agreements entered into on or before that date.

Tuition tax credit

Where eligible tuition fees are paid to a university or college in Canada, a non-refundable federal tax credit of 15% of such fees can be claimed. That credit can be claimed by the student, or transferred to a spouse, parent, or grandparent. It can also be carried forward and claimed by the student in future tax years.

The Budget proposes to expand the kinds of tuition fees which are eligible for the tuition tax credit. Specifically, the credit will be claimable for tuition fees paid to an "eligible educational institution" (generally, a university or college or an institution certified as providing occupational skills courses) for occupational skills courses that are not at the post-secondary level. Such claim will be only be available, however, where the person taking the courses is over the age of 16 and the purpose of taking the course is to provide that person with skills in an occupation, or to improve existing skills.

The change is to be effective for tuition fees paid for courses taken after 2016, and so will be claimable for the first time on the return for the 2017 tax year.

Home relocation loan deduction to be eliminated

When an employee receives a loan from his or her employer interest-free or at below-market rates, the difference between the interest rate charged and the prescribed rate is treated as a taxable benefit to that employee. An exemption is, however, provided where such a loan qualifies as an "eligible home relocation loan".

Where the employee moves to be at least 40 kilometres closer to his or her place of employment and a loan is provided by the employer to enable the employee to acquire a house at that new location, a maximum of $25,000 in loaned funds will qualify as an eligible home relocation loan. Where those criteria are met, the employee is entitled to deduct from income any taxable benefit which would usually arise as a result of receiving that employer loan.

The Budget proposes to eliminate the deduction which is currently available in respect of eligible home relocation loans, effective for taxable benefits arising in the 2018 and subsequent taxation years.

Changes to rules governing ecological gifts

Both individuals and corporations which make gifts of ecologically sensitive lands benefit from favourable tax treatment. Individual donors may claim a charitable donation tax credit, while corporations can claim a charitable donation tax deduction. In both cases, the donation can be equal to up to 100% of the donor's net income for the year, and any unused tax credit or deduction can be carried forward and claimed for up to 10 years. As well, any capital gains which would normally arise on the disposition of the property are exempt from tax, unless the donation is made to a private foundation. In order for a donor to qualify for such favourable tax treatment, it is necessary that Environment and Climate Change Canada, which administers the program, certify that the property in question qualifies as an eco-gift, certify the fair market value of that property, and approve any registered charity which will receive it. The provisions governing the ecological gifts program include a number of anti-avoidance rules, and changes announced in the Budget will extend the application of those rules, in the following ways.

- The current rules that provide for a tax of 50% of the fair market value of ecologically sensitive land is imposed upon a recipient who, without the consent of the federal government, changes the use of that land or disposes of it. Those rules are extended to apply to situations in which transfers of such land take place between organizations, for value.
- In order to prevent potential conflicts of interest, private foundations will no longer be permitted to receive ecogifts.
- The rule requiring approval by Environment and Climate Change Canada of any registered charity which receives an ecogift will be extended to apply, on a gift-by-gift basis, to municipalities and public bodies performing a function of government. Under pre-Budget rules, such entities were automatically eligible recipients.
- Environment and Climate Change Canada will have the authority to determine whether proposed changes to the use of lands would degrade conservation protections.
- Changes will be made to permit certain donations of personal servitudes made

under civil law in the province of Quebec to qualify as ecogifts.

All of the measures listed above are effective as of the Budget date of March 22, 2017.

Changes affecting RESPs and RDSPs

Canadian taxpayers benefit from the ability to contribute to a number of different types of registered plans, which generally provide them with the opportunity to defer or minimize or avoid the payment of tax on contribution amounts made and/or on investment income earned by those contributions.

A number of tax avoidance rules are in place to prevent taxpayers from obtaining what the Budget Papers term "excessive tax advantages". Some of those rules limit the types of investments which may be made with funds held within registered plans and the manipulation of such investments to obtain such excessive tax advantages.

The Budget proposes to extend such rules to apply to Registered Education Savings Plans (RESPs) and Registered Disability Savings Plans (RDSPs), effective (with some transitional relief) for transactions undertaken after March 22, 2017. The rules will also apply to investment income generated after that date on previously acquired investments.

The Budget Papers note that the extension of these anti-avoidance rules is not expected to have an impact on the vast majority of RESP and RDSP holders, owing to the types of investments typically held by such planholders.

Changes affecting T4 distribution

Every Canadian employer is required to provide each employee, on or before the end of February, a summary of income and deductions earned and paid by that employee during the previous taxation year. That summary is provided on a T4 information slip.

Many, if not most, employers now provide the annual T4 slip in electronic format, but pre-Budget rules required employers to obtain the express consent of an employee to such electronic distribution. The Budget proposes, effective for T4s issued for 2017 and subsequent years, to remove that requirement for prior employee consent to electronic distribution.

Notwithstanding, employers will be required to provide paper T4s to employees who request them, and to employees (for instance, former employees or employees who are on leave) who do not have confidential access to view or print their T4s.

Changes affecting elected officials

The general rule governing the taxation of employee allowances provides that where an employee receives a non-accountable allowance – one for which the employee need not provide details or receipts – such allowance is a taxable benefit to that employee. Certain elected officials, however, can receive such a non-accountable allowance of up to 50% of their remuneration for the year without incurring a taxable benefit.

The classes of elected officials who are allowed an exemption from those taxable benefit rules are as follows:

- elected members of provincial and territorial legislative assemblies and officers of incorporated municipalities;
- elected officers of municipal utilities boards, commissions, corporations, or similar bodies; and
- members of public or separate school boards or of similar bodies governing a school district.

The Budget proposes that the exemption provided to such elected officials be eliminated, such that non-accountable allowances received will be included in income. For all taxpayers, the reimbursement of employment expenses will remain a non-taxable benefit to the recipient.

The change will apply to the 2019 and subsequent taxation years.

Changes affecting ride-sharing services

Taxi operators in Canada are required to register for GST/HST purposes and to charge tax on their fares. To date, the same requirements have not applied to commercial ride-sharing services.

To ensure consistent treatment of taxi and ride-sharing services, the Budget proposes that the definition of taxi business will be amended to require providers of ride-sharing services co-ordinated by an electronic platform, like a website or mobile app, to register for GST/HST and to charge tax on their fares.

The changes, which are effective as of July 1, 2017, will not apply to school transportation services for elementary or secondary students, or to sightseeing services.

The 2017 Federal Budget Papers, which include more detailed information on each of the measures outlined above, can be found on the Finance Canada website at www.budget.gc.ca/2017/home-accueil-en.html.