Year-end tax planner / November 19, 2015
From High Net Worth / Private Company Services

Helping individuals and owner-managed businesses save tax

The *Year-end tax planner* is designed primarily for individuals who have accumulated some wealth or own their own businesses (large or small). It includes year-end tax planning checklists for:

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Other features:

- integration tables – active business income and investment income (page 26)
- key personal and corporate income tax rates (pages 27 to 28)
- PwC contacts (page 29)

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What's new?

Federal

Canada's October 19, 2015 election resulted in a Liberal majority government. Key tax initiatives in the Liberal party platform would:

- increase the tax rate on income over $200,000 from 29% to 33% (pp. 4, 5, 27)
- cap how much can be claimed through the stock option deduction (pp. 7, 12)
- roll back the $10,000 Tax-Free Savings Account contribution limit to $5,500 (p. 14)
- reduce the small business rate from 11% to 9%, but ensure Canadian-controlled private corporation status is not used to reduce personal income tax for high-income earners (pp. 7, 28)

For more information, see our *Tax Insights* at **www.pwc.com/ca/taxinsights**:

- "Liberal party tax platform: What it could mean for you"
- "Expected changes for taxing stock options: Be prepared"

Small business rate – decreasing over four years from 11% to 9%, starting 2016 (pp. 7, 28)

Non-eligible dividends – personal taxes increasing over four years, starting 2016 (pp. 4, 27)

Tax-free savings account (TFSA) – contribution limit increased from $5,500 to $10,000 in 2015 (p. 14)

Trusts and estates – starting 2016 taxation years:

- generally, graduated tax rates will be eliminated and testamentary trusts must have calendar taxation years (p. 15)
- the tax on taxable capital gains that arise in spousal trusts, joint spousal trusts, alter ego trusts or self-benefit trusts on the death of certain individuals, will be payable by the deceased individual's estate because the taxable capital gain will be deemed payable to that estate; note that the Department of Finance will address the concerns raised by the tax community on this change (p. 16)

Foreign property reporting – taxpayers whose total cost of specified foreign property is less than $250,000 throughout the year can report the property using a simplified foreign asset reporting form, for taxation years beginning after 2014 (p. 21)

Capital cost allowance (CCA) – 50% declining-balance CCA rate will apply to eligible M&P machinery and equipment acquired after 2015 and before 2026 (after 2025, rate will be 30% declining-balance) (p. 8)

Withholding tax rate for non-resident employees – certain non-resident employers with non-resident employees in Canada will be exempt from payroll withholding requirements, effective January 1, 2016 (p. 22)

Avoidance of corporate capital gains – anti-avoidance rule in section 55 of the *Income Tax Act* is amended, for dividends received after April 20, 2015 (p. 8)

Provincial/territorial

General and M&P corporate rate (pp. 7, 28)

- Alberta – increased from 10% to 12% on July 1, 2015
- Quebec – decreasing from 11.9% to 11.5% over four years, starting 2017

Small business rates and thresholds (pp. 7, 28)

- Manitoba – threshold increasing from $425,000 to $450,000 on January 1, 2016
- New Brunswick – rate decreased from 4.5% to 4% on January 1, 2015, and will decrease further to 2.5% by 2018
- Quebec – M&P rate decreased from 6% to 4% on April 1, 2015; criteria to qualify for small business rates changing after 2016, which may increase rates above 8% (regular) and 4% (M&P)

Provincial/territorial (continued)

Personal income tax (pp. 4, 5, 27)

- Alberta – rates on income over $125,000 increasing in 2015 and 2016
- British Columbia – rate on income over $151,050 decreasing from 16.8% to 14.7% after 2015
- New Brunswick – rates on income over $150,000 and on non-eligible dividends increased in 2015
- Newfoundland and Labrador – rates on income over $125,000 increasing in 2015 and 2016
- Nova Scotia – rates on non-eligible dividends increased in 2015
- Yukon – tax on income of $500,000 or less decreased, and on income over $500,000 increased, in 2015

Other

- Newfoundland and Labrador – HST rate increasing from 13% to 15% on January 1, 2016 (p. 10)
- Ontario – Ontario retirement pension plan proposed, starting 2017 (pp. 7, 13)
- Quebec – many business tax credit rates revised and changes made (p. 11)
- Saskatchewan – R&D tax credit made non-refundable for all corporations and rate reduced from 15% to 10%, starting April 1, 2015 (p. 11)

Year-end tax planning checklists

Working with your PwC adviser is essential when considering the following year-end tax planning tactics.

In addition to tax, your financial plan should reflect investment philosophies, sound business practices and motivational considerations. Owner-managers should ensure that sufficient funds are retained to meet business objectives; given the uncertainty in the economic environment, cash flow management is especially important.

Owner-managed businesses

- [ ] **Salary/dividend mix** – Determine the preferred mix of salary and dividends for you and other family members for 2015.

  Consider all relevant factors, including the owner/manager's marginal tax rate, the corporation's tax rate, provincial health and/or payroll taxes, RRSP contribution room ($140,944 of earned income in 2015 is required to maximize RRSP contribution in 2016), CPP contributions and other deductions and credits (e.g. for child care expenses and donations).

  - [ ] Be aware that if you earn dividends (especially eligible dividends) your alternative minimum tax (AMT) exposure can increase.
  - [ ] If you do not need cash, consider retaining income in the corporation.
    - Tax is deferred if the corporation retains income when its tax rate is less than the individual owner-manager's rate. See Table 1 on page 26.
    - In times of economic uncertainty, retaining income in the corporation will help the corporation's cash flow and will allow the corporation to have income and pay corporate tax that may be recovered by possible future business losses.
    - Consider the effect of retaining income in the corporation on corporate share value for estate and shareholder agreement purposes, as well as possible exposure of retained funds to ongoing business risks.

- [ ] All provinces and territories –
  - Note that the new federal Liberal government has promised to increase taxes on taxable incomes over $200,000. Assuming this tax increase will apply starting in 2016, to take advantage of the presumed lower tax rates in 2015, consider accelerating taxable bonuses and discretionary dividends to 2015.*
  - Ensure that owner-manager remuneration strategies account for increases in non-eligible dividend tax rates after 2015 (from 2016 to 2019). See Table 3 on page 27.
  - Consider accelerating non-eligible dividends to 2015 to take advantage of lower non-eligible dividend tax rates in 2015 (except in British Columbia*).
  - Be aware that distributing dividends that trigger a refund of refundable tax on hand is not a cash-positive transaction, if you are subject to the top personal tax rate and live in:
    - Alberta (after 2015), British Columbia, Manitoba, Newfoundland and Labrador (after 2015), Prince Edward Island, Saskatchewan and Yukon – for non-eligible dividends*
    - New Brunswick, Nova Scotia, Ontario and Quebec – for eligible and non-eligible dividends*

    This is because the dividend refund rate (i.e. 33 1/3%) is less than or equal to the top personal tax rate on the dividends.
  - If you reside in a high-tax jurisdiction (see Table 3 on page 27), consider moving to a lower-tax jurisdiction by December 31, 2015.

> * These tactics are affected by tax rate changes planned by the federal Liberal government. Please contact your PwC adviser to discuss. Also, see our *Tax Insights* "Liberal party tax platform: What it could mean for you" at **www.pwc.com/ca/taxinsights**.

- [ ] Alberta and Newfoundland and Labrador residents – Be aware that personal income taxes on taxable income over $125,000 are increasing in 2016.
  - Ensure that your remuneration strategy accounts for these personal tax rate increases after 2015.
  - Consider accelerating taxable bonuses and discretionary dividends to 2015 to avoid the higher tax rates after 2015. Note that this strategy may increase your AMT exposure and will hasten the payment of tax.

- British Columbia residents – Be aware that in 2016, British Columbia's tax rate on taxable incomes over $151,050 will drop to 14.7% (from 16.8%).
  - Ensure that your remuneration strategy accounts for this rate decrease.
  - Consider delaying taxable bonuses and discretionary dividends until 2016.* This strategy will defer the payment of tax, but may increase your AMT exposure in 2016.
- New Brunswick residents – Ensure that your remuneration strategy accounts for New Brunswick's increase in personal income tax on taxable income exceeding $150,000, starting 2015, from 17.84% to:
  - 21% on taxable income between $150,000 and $250,000
  - 25.75% on taxable income over $250,000
- Nova Scotia residents – If Nova Scotia tables a budget surplus in its 2016-2017 fiscal year, for 2016 the top $150,000 personal tax bracket and 21% rate will be eliminated, but the 10% personal income tax surtax on provincial income tax exceeding $10,000 will be reinstated. (See Table 3, footnote 6 on page 27 for top 2016 rates if this situation occurs.) In that case, owner-managers should take into account that personal tax rates may decrease in 2016 and adjust their strategy on the payment of salary and/or dividends accordingly.*
- Yukon residents – Ensure that your remuneration strategy accounts for Yukon's tax rate changes. Starting 2015, Yukon's personal income tax on taxable income:
  - of $500,000 or less, is decreasing (due to tax rate reductions and/or the elimination of the 5% surtax, which applied on territorial tax exceeding $6,000)
  - over $500,000, is increasing (from 12.76% plus 5% surtax, to 15% with no surtax)

* These tactics (British Columbia and Nova Scotia residents) are affected by tax rate changes planned by the new federal Liberal government. Please contact your PwC adviser to discuss. Also, see our *Tax Insights* "Liberal party tax platform: What it could mean for you" at **www.pwc.com/ca/taxinsights**.

- Qualifying small business corporation share status –
  - Recognize that forgoing bonus and/or dividend payments and stockpiling passive investments could cast doubt on whether substantially all of the assets of a Canadian-controlled private corporation (CCPC) are used in an active business, in turn jeopardizing the ability to claim the $813,600 (indexed after 2015) lifetime capital gains exemption (LCGE), among other things. Consider restructuring to allow excess funds to be moved on a tax-deferred basis out of the operating company to preserve access to the capital gains exemption.
  - Note that the LCGE is $1,000,000 for dispositions of qualified farm or fishing property made after April 20, 2015, for federal tax purposes, and after 2014, for Quebec tax purposes.
  - Transfer of family business in Quebec – Be mindful that for share dispositions after 2016, to a corporation with which you are not dealing at arm's length, you can claim the LCGE if, among other things:
    - the shares are qualified small business corporation shares of a corporation in the primary (agriculture; forestry; fishing and hunting; mining, quarrying and oil and gas extraction) or manufacturing sector, and
    - the gain is treated as a deemed dividend under the federal integrity rules
- Scientific research and experimental development (SR&ED) – Be aware that if a CCPC's taxable income in 2015 exceeds $500,000, on an associated basis, the corporation may not be able to access the enhanced 35% SR&ED investment tax credit (ITC) rate, and the ITC may not be refundable, in 2016. Consider accruing (and paying, within 179 days after the CCPC's year end) bonuses to reduce taxable income.
- Salaries to family members – Pay a reasonable salary to a spouse or child who is in a lower tax bracket and provides services to your business. This also allows family members to have earned income for CPP, RRSP and child care expense purposes. You must be able to substantiate that the family member has actually performed services that are commensurate with his or her remuneration.
- Dividends to family members – Consider paying dividends to adult family members who are shareholders in your company and in a lower tax bracket. Individuals with no other income can receive about $9,000 to $50,000 in dividends without triggering any tax, depending on the individual's province or territory of residence and the ability of the corporation to pay eligible dividends.

Dividend tax regime – Be aware of how the dividend tax rules affect dividend distributions.

- To the extent possible, designate dividends (or any portion of a dividend) as eligible dividends. Private companies must designate at the same time as, or

before, payment of the eligible dividend. Late eligible dividend designations may be accepted in certain cases if made within three years after the day the designation was first required to be made.

- Consider electing to treat all or part of any excess eligible dividend designation as a separate non-eligible dividend, to avoid the 20% penalty tax on the excess.

- **Canadian-controlled private corporations (CCPCs)**
  - Determine the CCPC's ability to pay eligible dividends in the year by estimating its general rate income pool (GRIP) as at its year end.
  - Consider distributing dividends in the following order:[a]
    1. Eligible dividends that trigger a refundable dividend tax on hand (RDTOH) refund.[b]
    2. Non-eligible dividends that trigger a RDTOH refund.[b]
    3. Eligible dividends that do not trigger a RDTOH refund.
    4. Non-eligible dividends that do not trigger a RDTOH refund.

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    a. However, depending on the jurisdiction of residence, paying non-taxable capital dividends should be the first, second or third preference.

    b. Be aware that distributing dividends that trigger a refund of refundable tax on hand may not be a cash-positive transaction. See page 4 for more information.

  - Consider making the election that permits a CCPC to be treated as a non-CCPC for purposes of the dividend tax regime. For a newly incorporated CCPC that is expected to earn only active business income and will not benefit from the small business deduction, this would eliminate the need to calculate and monitor GRIP before paying eligible dividends. (If the election is made and the business starts earning passive income, i.e. after the sale of the business assets, consult your PwC adviser to help plan for and manage the build-up of the corporation's low rate income pool (LRIP). Dividends paid by a non-CCPC are first required to be paid from LRIP as a non-eligible dividend.)
  - A CCPC that will become a non-CCPC (i.e. planning to go public or become controlled by non-residents) should consider the effect of the federal dividend tax rules, as well as the deemed year-end rules.

- **Non-CCPCs**
  - Determine whether the non-CCPC must pay non-eligible dividends before it can pay eligible dividends, by computing its LRIP immediately before payment of the dividend.
  - A non-CCPC that will become a CCPC should consider the effect of the federal dividend tax rules, as well as the deemed year-end rules.

- **Cash flow management** – Recognize that managing your business cash flow is critical, especially in times of economic uncertainty. For example, to reduce working capital cash outflows, reduce or defer tax instalments (if lower taxable income is expected), maximize federal and provincial refundable and non-refundable tax credits (e.g. SR&ED ITCs and film, media and digital incentives), trigger capital losses to recover capital gains tax paid in previous years, and recover any income, sales or customs tax overpayments from previous years.

- **Remuneration accruals** – Accrue reasonable salary and bonuses before your business year end. Ensure accrued amounts are properly documented as being legally payable at the business' year end and are paid within 179 days after the business' year end, and that appropriate source deductions and payroll taxes are remitted on time.

- **Retirement compensation arrangements (RCAs)** – Consider setting up an RCA as an alternative to paying a bonus. However, take into account that:
  - anti-avoidance rules for RCAs engaged in non-arm's length transactions parallel the "prohibited investment" and "advantage" rules applicable to TFSAs, RRSPs and RRIFs
  - RCA tax refunds are restricted in certain cases when the RCA property, reasonably attributable to a prohibited investment or advantage, has declined in value

- **Employee profit sharing plans (EPSPs)** – Consider setting up an EPSP as an alternative to paying a bonus. However, take into account that a tax is imposed on the portion of an employer's EPSP contribution, allocated by the trustee to a "specified employee," that exceeds 20% of the employee's salary received in the year from the employer. A specified employee generally includes an employee who has a significant equity interest in, or does not deal at arm's length with, the employer.

- **Employee stock options**
  - Be aware that only the employer or employee (not both) can claim a tax deduction for cashed-out stock options. File an election if the company chooses to forgo the tax deduction.

- Note that the new federal Liberal government may cap how much can be claimed through the stock option deduction at $100,000 annually. Assuming any cap would not be effective until after 2015, consider exercising your stock option benefits in 2015 if you think the cap would apply to you. See our *Tax Insights* at **www.pwc.com/ca/taxinsights**:
  - "Liberal party tax platform: What it could mean for you"
  - "Expected changes for taxing stock options: Be prepared"

Donations – Make charitable donations and provincial political contributions (subject to certain limits) before year end.

Employment insurance (EI)

- EI premium rebate – Determine if your business qualifies for a reduction in the employer EI premium rate. To be eligible, the business must offer its employees a wage-loss replacement plan for short-term disability.
- Small business job credit – Recognize that if your total employer EI premiums in 2015 and/or 2016 are $15,000 or less, you will qualify for a partial refund of EI premiums. (Your annual payroll must be under $569,910 ($695,735 in Quebec) in 2015.)

Ontario retirement pension plan (ORPP) – Be aware that under the proposed ORPP, employers and employees that do not already participate in a comparable pension plan will each be required to contribute up to 1.9% on a maximum annual earnings of $90,000 (maximum annual contributions of about $1,643 each if the basic earnings exemption is $3,500, the same as for the CPP). Amounts are in 2014 dollars and would be indexed. Contributions would be phased-in, starting 2017, reaching 1.9% by 2021 (or earlier). The contribution rates for employers without registered workplace plans are as follows:

<table>
<tr><th></th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th></tr>
<tr><td>Small employer
(≤ 50 employees)</td><td colspan="2">0%</td><td>0.8%</td><td>1.6%</td><td>1.9%</td></tr>
<tr><td>Medium employer
(50 to 499 employees)</td><td>0%</td><td>0.8%</td><td>1.6%</td><td colspan="2">1.9%</td></tr>
<tr><td>Large employer
(≥ 500 employees)</td><td>0.8%</td><td>1.6%</td><td colspan="3">1.9%</td></tr>
</table>

Employers with a workplace pension plan that is not a comparable plan and employees who are not members of their employer's comparable plan would start contributions in 2020, at a rate of 1.9%.

- Review the definition of comparable plan to ensure your pension plan qualifies. The proposed definition could exclude many existing plans.

Corporate withdrawals – Make tax-effective withdrawals of cash from your corporation (e.g. by paying tax-effective dividends or non-taxable capital dividends, returning capital or repaying shareholder loans).

- Capital dividend account– If your company has a capital dividend account balance, consider paying non-taxable capital dividends, and pay them before triggering any accrued capital losses on the sale of assets.
- Consider strategies to reduce the effective rate of distribution on corporate withdrawals. Contact your PwC adviser to discuss these strategies.

Corporate income –

- General rate – If your company is subject to:
  - Alberta's general tax rate, consider accelerating income to 2015 by minimizing discretionary deductions (e.g. CCA); the general rate increased in Alberta from 10% to 12% on July 1, 2015
  - Quebec's general tax rate, be aware that the general rate will decrease from 11.9% to 11.5% over four years, starting 2017; consider deferring income to after 2016 by maximizing discretionary deductions
- Small business rate
  - All provinces and territories – CCPCs should consider deferring income to after 2015 by maximizing discretionary deductions; the federal small business rate is decreasing from 11% to 9% over four years, starting 2016. However, the timing of this rate reduction may be affected by the changes planned by the new federal Liberal government. In addition, note that New Brunswick's small business rate is expected to decrease to 2.5% by 2018, and Manitoba's small business threshold will increase from $425,000 to $450,000 in 2016.
  - Quebec CCPCs should consider:
    - deferring M&P income to after 2015 by maximizing discretionary deductions
    - structuring their operations to increase the percentage of activities attributable to M&P

    Quebec's small business M&P rate decreased from 6% to 4% on April 1, 2015. This rate applies to all active business income up to $500,000 if 50% or more of the CCPC's activities are attributable to M&P (based on M&P assets and labour). If this percentage is:

    - more than 25% and under 50%, the rate decrease is eliminated on a straight-line basis

- 25% or less, the rate will be 8%

- Quebec CCPCs should be aware that, for taxation years starting after 2016:
  - a CCPC must meet additional eligibility criteria to qualify for Quebec's regular CCPC rate of 8%
  - the regular CCPC rate of 8% will increase, in certain cases
  - the M&P CCPC rate is extended to the primary sector (agriculture; forestry; fishing and hunting; mining, quarrying, and oil and gas extraction)
  - the percentage of activities attributable to M&P and primary activities is determined based only on labour costs (assets are no longer a factor)

  Quebec CCPCs should review the new eligibility criteria to ensure that they continue to qualify for Quebec's CCPC tax rates and to consider how to minimize these rates.

- **Final corporate tax balances** – Pay final corporate income tax balances and all other corporate taxes imposed under the *Income Tax Act* within two months after year end (three months for certain CCPCs), to avoid non-deductible interest charges.

- **Remittance frequency for new employers** – Be aware that for withholding obligations arising after 2015, new employers:
  - with monthly withholdings under $1,000 can remit source deductions quarterly, rather than monthly
  - will remain eligible for quarterly remitting, as long as their required monthly withholdings are under $1,000

  Quebec will harmonize with these rules.

- **Withholding requirements for wage-loss replacement plans** – Be aware that payroll withholdings are required on wage-loss replacement plan benefits paid to your employees, whether or not the payments are subject to Canada pension plan (CPP) contributions or employment insurance (EI) premiums.

- **Mandatory e-filing of corporate income tax and information returns** – To avoid penalties, e-file:
  - corporate income tax returns if annual gross revenues exceed $1 million
  - information returns if more than 50 information returns are submitted annually

- **Partnership deferral** – If you are a corporate partner in a partnership that was subject to the rules that curtailed the deferral of partnership income, for corporate partners with taxation years ending after March 22, 2011, in respect of partnerships with misaligned year ends, you should determine whether a reserve continues to be available in respect of the additional income reported on the transition to the new rules.

- **Joint venture deferral** – If you are a corporate participant in a joint venture arrangement that was required to report its actual share of joint venture income or loss up to the end of its own year-end (starting with tax years ending after March 22, 2011), you should determine whether a reserve continues to be available in respect of the additional income reported on the transition to the new rules.

- **Avoidance transactions** – Be aware that:
  - an "avoidance transaction" meeting certain conditions is a "reportable transaction" that must be reported to the Canada Revenue Agency (CRA)
  - Ontario and Quebec require disclosure of certain aggressive tax avoidance transactions, and for Quebec, the scope of transactions that must be disclosed to the tax authorities has been broadened, generally for transactions carried out as of March 26, 2015

- **Avoidance of corporate capital gains** – Note that for dividends received after April 20, 2015, the anti-avoidance rule in section 55 of the *Income Tax Act,* which generally taxes as capital gains certain otherwise tax-deductible inter-corporate dividends in certain situations, is proposed to be amended to address various matters including to ensure it applies when one of the purposes of a dividend is to effect a significant:
  - reduction in the fair market value of any share, or
  - increase in the total cost of properties of the dividend recipient

  The proposed changes can also affect the treatment of stock dividends for purposes of this rule.

- **Depreciable assets**
  - Accelerate purchases of depreciable assets. Ensure assets are available for use at year end.
  - Purchase eligible M&P machinery and equipment. The CCA deduction is enhanced from 30% declining-balance to:
    - 50% straight-line, for purchases made before 2016
    - 50% declining-balance, for purchases made after 2015 and before 2026
  - Consider delaying the sale of a depreciable asset that will result in recaptured depreciation until after your 2015 taxation year end.

- [ ] Consider making a special election to treat leased fixed assets as purchased under a financing arrangement.

- [ ] **Reserves** – Identify and claim specific reserves for doubtful accounts receivable or inventory obsolescence.

- [ ] **Business income reserve** – If you sold goods or real property inventory in 2015 and proceeds are payable after the end of the year, you may be able to defer tax on related profits by claiming a reserve over a maximum of three years.

- [ ] **Dispositions** – Defer, until after year end, planned dispositions that will result in income.

- [ ] **Accounting method** – Consider changing the corporation's method of accounting in respect of the timing of income inclusions. This may require the Minister's approval. Alternatively, consider using a different method for tax than for accounting purposes, if permitted for tax purposes. For example, for short-term construction projects, if the percentage of completion method is used for accounting purposes, use the completed contract method for tax purposes to provide a tax deferral.

- [ ] **Costs of doing business** – Compare costs of doing business in different jurisdictions.

- [ ] **Intercompany charges**
  - [ ] Ensure charges are reasonable given changes in the economy and in the facts or circumstances related to the transactions.
  - [ ] Consider adjustments to intercompany charges to reduce overall taxes paid by the related group. For example, charge reasonable mark-ups for services provided by related corporations.

- [ ] **Capital gains reserve** – If you sold or will sell capital property in 2015 in exchange for debt, you may be able to defer tax on part of the capital gain by claiming a capital gains reserve over a maximum of four years, which results in the capital gain being included in income over a maximum of five years.

- [ ] **Foreign exchange** – Consider triggering a foreign exchange loss that is on account of capital before year end to offset capital gains in the current or previous three years.

- [ ] **Retirement income** – Consider setting up an individual pension plan (IPP) as a means of enhancing retirement income. However, take into account that minimum withdrawal requirements apply for IPP members over 71 and include distributing a portion of any surplus in the IPP, and that funding of benefits for past service contributions must first be satisfied by transfers from the IPP member's RRSP assets (or by a reduction in the RRSP contribution room) before new past service contributions are permitted, among other things.

- [ ] **Shareholder loans to your corporation** – Determine whether your corporation would benefit from deductible interest on shareholder loans made to the corporation, rather than additional salary or bonus payments that may be subject to payroll taxes.

- [ ] **Shareholder loans from your corporation** – Repay shareholder loans from your corporation no later than the end of the corporation's tax year after the one in which the amount was borrowed (exceptions apply), to avoid a personal income inclusion.

- [ ] **Taxable capital** – If your CCPC's taxable capital for federal tax purposes in 2015 exceeds $10 million, on an associated basis, it will start losing access to the small business deduction and the enhanced 35% SR&ED ITC rate in 2016. Monitor your taxable capital and discuss with your PwC adviser ways to reduce taxable capital before your company's year end.

- [ ] **Protect your investment in your business assets** – Consider:
  - [ ] transferring assets (e.g. real estate, intellectual property and surplus cash) from an operating company to a separate company on a tax-deferred basis
  - [ ] arranging to secure existing, or additional, loans from a shareholder

- [ ] **Capital gains rollover** – If you sold or will sell eligible small business corporation shares in 2015, invest the proceeds in other eligible small business corporation shares by April 29, 2016, to be eligible to defer all or part of the capital gain. (Applies to individuals only.)

- [ ] **Exemption for qualified small business corporation shares**
  - [ ] Structure the business so that corporate shares become or remain eligible for the $813,600 (indexed after 2015) lifetime capital gains exemption (LCGE). Note that the LCGE is $1,000,000 for dispositions of qualified farm or fishing property made after April 20, 2015, for federal tax purposes, and after 2014, for Quebec tax purposes.
  - [ ] Consider crystallizing the LCGE and/or restructuring to multiply access to this exemption with other family members. This may be of particular interest if your business is expanding and becoming successful outside of Canada.
  - [ ] A cumulative net investment loss (CNIL) may reduce your ability to use your remaining LCGE. To reduce or

eliminate any CNIL, consider receiving dividends and interest income, instead of salary, from your company.

☐ **SR&ED**

- ☐ Ensure claims in respect of SR&ED expenditures or ITCs are filed by the deadline, which is 18 months after the corporation's year end.
- ☐ If you have an interest in a partnership that includes a corporation, file SR&ED claims (Form T661) with the partnership information return no later than 12 months after the earliest of all filing-due dates for the return of income of the members for the tax years in which the partnership's fiscal period ends. ITCs allocated to corporations by the partnership must be supported by a partnership information slip (T5013).

☐ **Life insurers and policyholders** – Be aware that changes affecting the taxation of life insurance policies generally issued after 2016, amend the determination of:

- ☐ whether a life insurance policy is an exempt policy
- ☐ what types of transactions give rise to a disposition of an interest in a policy
- ☐ the tax treatment of a disposition of an interest in a policy (having regard to both the "adjusted cost basis" of the interest and the "proceeds of disposition")
- ☐ the tax treatment of disability or other benefits paid from the policy's cash values

Although the rules are effective for policies issued after 2016, extensive grandfathering provisions are available for existing policies. Review your insurance needs and existing coverage to determine if you should purchase a new policy or change your existing policy within the grandfathered period.

☐ **GST/HST**

- ☐ Recaptured input tax credits – Determine if your business is required to report recaptured input tax credits in Ontario and Prince Edward Island. This generally applies to large businesses (annual sales of $10 million or more on an associated group basis), including financial institutions. However, be aware that the requirement for certain businesses to recapture the provincial portion of Ontario HST claimed as input tax credits in respect of specified property and services is being phased out over three years, starting July 1, 2015, with a zero percent recapture rate by July 1, 2018. See our *Tax Insights* "July 1, 2015: Ontario phases out recapture rate for recaptured input tax credits" at **www.pwc.com/ca/taxinsights**.
- ☐ Newfoundland and Labrador – Be aware that Newfoundland and Labrador will increase its HST rate from 13% to 15% on January 1, 2016 (i.e. the provincial portion of the HST will increase from 8% to 10%). Consider accelerating to 2015 large purchases for which input tax credits might not be recoverable.

☐ **QST** – Determine if your business is required to restrict input tax refunds. This generally applies to large businesses.

☐ **GST/HST and QST**

- ☐ Filing of closely related election – Take into account that the GST/HST and QST closely related elections must now be filed with the CRA or Revenu Quebec by:
  - ○ new elections made after 2014 – the due date of the first reporting period in which the election is to be effective for one of the members of the group
  - ○ elections that were made before 2015 – December 31, 2015 (if the election is to remain effective after December 31, 2014)

  Previously, there was no filing requirement; the registrant had to retain the election in case of potential audit activity. This election allows members of closely related groups to elect to treat certain taxable supplies made between them as being made for nil consideration, if certain conditions are met. It generally gives the group a cash flow benefit.
- ☐ Ensure that GST/HST and QST have been correctly collected and remitted on taxable supplies and that input tax credits/input tax refunds have been claimed on eligible expenses throughout the year.
- ☐ Electronic filing requirement – To avoid penalties, file your company's GST/HST and QST returns electronically if certain criteria are met (e.g. annual taxable supplies on an associated basis exceed $1.5 million).
- ☐ Pooled registered pension plans (PRPPs) – If you provide a PRPP for your employees, ensure you comply with legislation enacted December 16, 2014, concerning the application of GST/HST to PRPPs. (Quebec has harmonized with these changes.)
- ☐ Determine if the following common GST/HST and QST traps apply to your business:
  - ○ Management/intercompany fees – Ensure that GST/HST and/or QST is charged on management and inter-company fees within your corporate group. Determine if it is possible to make a special election to avoid having to charge GST/HST and/or QST (see "Filing of closely related election" above for filing requirement changes).

- Place of supply rules – If your company sells to different Canadian jurisdictions, understand the provincial place of supply rules to ensure that it is collecting the correct rate of tax.
- Input tax credit documentation – Ensure your company has obtained the required written documentation to support input tax credit claims. You can check the CRA (or Revenu Quebec) website to verify the GST/HST (or QST) registration number of the supplier from which you made the purchase.
- Taxable benefits – Determine if your company is required to remit GST/HST and/or QST on amounts reported as taxable benefits for employees.

☐ **Provincial or territorial tax incentives** – Benefit from provincial or territorial tax incentives and enhancements to these incentives. For example, determine whether your company qualifies for:

- ☐ Manufacturing and processing (M&P) investment tax credits – available in Manitoba, Nova Scotia (program changed), Prince Edward Island, Quebec (extended, but program to be restricted after 2016) and Saskatchewan.
- ☐ SR&ED tax credits – available in all provinces (except Prince Edward Island) and the Yukon. For recent SR&ED tax credit changes in Manitoba, Quebec and Saskatchewan, see our *SR&ED Tax clip* "Provincial and territorial R&D tax credits – 2015" at **www.pwc.com/ca/sred**.
- ☐ Media (film and digital) tax incentives – available in all provinces and territories. For recent changes in British Columbia (digital animation or visual effects), New Brunswick (new production incentive), Newfoundland and Labrador (new interactive digital media tax credit), Nova Scotia (new film program, digital media), Ontario (interactive digital media, production services, computer animation and special effects) and Quebec (film, film dubbing, multimedia titles), see our:
  - publications at **www.pwc.com/ca/bigtable**:
    - *The big table of film and video incentives in Canada*
    - *The big table of digital media and animation incentives in Canada*
  - *Tax Insights* "Ontario's Interactive Digital Media Tax Credit: What has changed" at **www.pwc.com/ca/taxinsights**
- ☐ Apprenticeship tax credits – extended in British Columbia (training tax credits), enhanced in Manitoba (paid work experience tax credit) and reduced in Ontario (apprenticeship training tax credit).
- ☐ Alberta job creation incentive program – employers that create net new employment after January 1, 2016, can qualify for grants worth up to $5,000 for each new job (maximum of $500,000). Details on application requirements and procedures are forthcoming.
- ☐ Manitoba small business venture capital tax credit – for eligible shares issued after April 30, 2015, enhancements increase the maximum number of employees from 50 to 100, and broaden the list of eligible businesses to include non-traditional farming ventures and brew pubs.
- ☐ Manitoba data processing investment tax credit – extended three years to December 31, 2018, and retroactive to January 1, 2014, the credit is broadened to include more types of new data processing centres.
- ☐ Quebec additional deduction for manufacturing small- and medium-sized enterprises (SMEs) located in remote areas – for taxation years beginning after 2014, the deduction is available to all manufacturing SMEs and will increase to up to 7% of gross income, and associated corporations must share the regional cap.
- ☐ Quebec health services fund (HSF) reductions – the 2.7% minimum HSF rate will decline for SMEs in the:
  - primary and manufacturing sectors to 1.6%, starting 2015
  - service and construction sectors in stages, starting 2017, to 2.25% after 2018
- ☐ Quebec business tax credits – Be aware that many of Quebec's business tax credits have changed. For example:
  - Refundable tax credit for the integration of information technologies in M&P – for applications submitted by manufacturing SMEs after March 26, 2015, for which a certificate is issued, the credit is extended to eligible expenditures incurred before 2020, and to SMEs in the primary sector, and the highest credit rate is reduced to 20% (from 25%)
  - Tax credit for the development of e-business – changes extend the credit indefinitely, make labour expenditures relating to government contracts ineligible, ensure that only activities primarily related to e-business qualify for the credit, and add a non-refundable credit equal to 6% of eligible wages
- ☐ Saskatchewan manufacturing and processing (M&P) exporter tax incentive – new non-refundable tax credit for the 2015 to 2019 taxation years is available for manufacturers that export to the rest of Canada or internationally at least 25% of their manufactured goods and employ more M&P-related full-time

employees than in 2014. The annual credit equals $3,000 for each incremental full-time employee, and $10,000 for each incremental full-time "head office" employee. Additional criteria apply.

Employees

- **Income timing** – Defer the receipt of certain employment income if your marginal personal tax rate will be lower in 2016 than in 2015, or accelerate receipts if your marginal personal tax rate will be higher in 2016 than in 2015.
- **Job-related courses** – Ask your employer to pay for job-related courses directly, rather than paying you additional remuneration.
- **Scholarship programs** – Ask your employer to set up a program that provides non-taxable scholarships for education that may benefit your and other employees' children. Funds allocated to the program cannot replace salary, wages or other remuneration.
- **Employee gifts and awards** – Ask your employer to provide you with non-cash gifts and/or awards. These will not be taxable to you if you receive non-cash gifts and non-cash awards with a total value to you of $500 or less annually. Exceptions apply.
- **Employee loans** – Ensure that any interest you intend to pay relating to employee loans for 2015 is paid on or before January 30, 2016.
- **Home office** – If you work out of your home, try to arrange your employment terms so that you can deduct certain expenses related to your home office.
- **Moving expenses** – If you moved to be closer to work, your moving expenses may be deductible.
- **Employee home purchase loans** – Take out or replace an employee home purchase loan before January 1, 2016, to take advantage of the current prescribed rate (1% for the fourth quarter of 2015).
- **Employee stock options**
  - If there is a possibility of claiming the lifetime capital gains exemption ($813,600 for 2015; indexed thereafter; higher for qualified farm or fishing property), consider exercising your CCPC stock options. A taxpayer must own shares (not options) for at least 24 months to qualify for a capital gains exemption claim.
  - Note that the new federal Liberal government may cap how much can be claimed through the stock option deduction at $100,000 annually. Assuming any cap would not be effective until after 2015, consider exercising your stock option benefits in 2015 if you think the cap would apply to you. See our *Tax Insights* at **www.pwc.com/ca/taxinsights**:
    - "Liberal party tax platform: What it could mean for you"
    - "Expected changes for taxing stock options: Be prepared"
- **Stock option benefits of public companies**
  - If you settled stock options for cash rather than receiving shares, ask your employer to elect to forgo the tax deduction so that you may claim a deduction for 50% of the benefit, if you would otherwise qualify.
  - Recognize that an exemption for withholdings on stock option benefits will not be granted solely because the benefit is not paid in cash; withholdings are required unless there are other reasons for exemption.
- **Reduce income tax deductions at source** – If you will have excess tax deductions or non-refundable tax credits in 2016, request reductions in your payroll income tax withholdings early in 2016 (federal form T1213; Quebec form TP-1016-V).
- **Public transit pass tax credit** – Claim this federal non-refundable tax credit for the cost of public transit passes (monthly or longer) and certain weekly and electronic payment cards. Yukon has a parallel credit. Retain passes or receipts to support claims.
- **Overseas employment tax credit** – If you claim this credit, be aware that it will be eliminated in 2016 for all employees. For 2015, the maximum credit is equal to 80% (20%, if your employer committed in writing to the project or activity after March 28, 2012) of your Canadian tax on $100,000 of qualifying overseas employment income.
- **Company car**
  - Try to reduce or eliminate your operating cost benefit and/or your standby charge benefit if you have a company car. Regarding the operating cost benefit:
    - reimburse your employer for some or all of the personal use portion of the actual operating costs
    - reduce your personal driving (to under 50% of total driving, if possible)

    To reduce or eliminate your standby charge benefit:

    - reduce the number of days the car is available to you
    - have your employer sell the automobile and repurchase it or lease it back
    - do not use the automobile for personal driving

- choose a less expensive vehicle
- Tracking motor vehicle use – Keep an automobile logbook to support motor vehicle expense and taxable benefit calculations.

For more information, and for a paper or electronic employee log, refer to our booklet, *Car expenses and benefits – A tax guide (2015)* at **www.pwc.com/ca/carexpenses**.

Retirement savings plans, profit-sharing plans and RRIFs

- Take advantage of higher contribution limits:

	Registered retirement savings plans (RRSPs)	Defined contribution registered pension plans (RPPs)	Deferred profit-sharing plans (DPSPs)
2015	$24,930	$25,370	$12,685
2016	$25,370	Indexed	

- If your taxable income is below the highest tax bracket, consider maximizing your RRSP contributions each year and not claiming the amount as a deduction until a future year when your taxable income is in a higher tax bracket.
- Pooled registered pension plan (PRPP) – If you do not have access to an employer-sponsored pension plan, consider joining a PRPP, a voluntary savings plan that is similar to a defined contribution RPP (or a group RRSP plan).
- Ontario retirement pension plan (ORPP) – Be aware of the proposed ORPP, which would require employees to make matching contributions (see "Ontario retirement pension plan (ORPP)" on page 7 for details).

GST/HST rebate – Determine whether you can claim a GST/HST rebate to recover GST/HST included in employment expenses you have deducted (e.g. home office expenses, supplies and automobile expenses).

Quebec union, professional or other dues tax credit – Be aware that the tax credit rate for this non-refundable tax credit is 10% (down from 20%), starting 2015.

Self-employed individuals

Private health services plan (PHSP) premiums – Determine whether PHSP premiums you paid can be deducted from your self-employment income. Premiums that are not deductible may be claimed as a medical expense (except in Quebec).

Pooled registered pension plan (PRPP) – Consider joining a PRPP, a voluntary savings plan that is similar to a defined contribution RPP (or a group RRSP plan).

Employment insurance (EI) special benefits – Assess whether you want to opt-in to the EI program to be eligible for maternity, parental, sickness or compassionate care benefits (exceptions apply for Quebec residents).

Tracking motor vehicle use – Keep an automobile logbook to support motor vehicle expense and taxable benefit calculations. Except in Quebec, a logbook maintained for a sample period will be sufficient to support these calculations if:

- you maintain a full logbook for a 12-month "base" period (starting in 2009 or later)
- you complete a sample logbook for a continuous three-month period in each subsequent year
- business use in the sample logbook is within 10% of the results for the same three-month period in the base year
- business use for the entire year as extrapolated from the subsequent sample log is within 10% of the base-year result

For a paper or electronic employee log, see our booklet, *Car expenses and benefits – A tax guide (2015)* at **www.pwc.com/ca/carexpenses**.

Ontario retirement pension plan (ORPP) – Stay apprised of developments affecting the proposed ORPP. Ontario is exploring options to enable the self-employed to participate in the ORPP.

Incorporating a proprietorship – Consider incorporating your unincorporated business. Discuss with your PwC adviser the additional commercial and tax benefits that incorporation could offer.

Investors

Investment portfolio mix – Because several types of investments are taxed differently, determine the optimal mix of investments in your portfolio and ensure that you are getting the best after-tax returns. Consider whether it is more beneficial to hold investments that yield eligible dividends rather than capital gains. This will depend on your marginal tax rate and province or territory of residence.

“Eligible” dividends – Be aware that:

- eligible dividends can trigger an alternative minimum tax (AMT) liability
- for individuals in lower tax brackets, eligible dividends could be tax-free or reduce tax on other income

Tax-free savings account (TFSA) – If you are a Canadian resident age 18 or older, contribute to a TFSA. Contributions will not be deductible, but withdrawals and income earned in the TFSA will not be taxed. In addition:

- ensure you contribute the maximum amount to your TFSA; starting 2015, the annual TFSA contribution limit increased from $5,500 to $10,000 (but will no longer be indexed); however, note that the new federal Liberal government may rollback the $10,000 TFSA contribution limit to $5,500, so contribute $10,000 to your TFSA for 2015 to ensure you will not be affected by the rollback with respect to your 2015 contribution (see our *Tax Insights* “Liberal party tax platform: What it could mean for you” at **www.pwc.com/ca/taxinsights**)
- if you are planning a withdrawal from your TFSA, consider doing so before the end of 2015 instead of early 2016 – amounts withdrawn are not added to your TFSA contribution room until the beginning of the following year after the withdrawal
- be aware that taxpayers who use TFSAs in tax-planning schemes may be penalized (e.g. income attributable to deliberate overcontributions or prohibited investments is subject to a 100% tax)
- consider holding investments that produce income subject to higher tax rates (i.e. interest) in your TFSA

For more information on TFSAs, see our *Tax memo* “Tax-free savings accounts (TFSAs): Making the most of them” at **www.pwc.com/ca/taxmemo**.

RRSP investment portfolio mix – Determine the optimal mix of investments within your RRSP. Consider holding investments intended for capital growth outside your RRSP (to benefit from lower tax rates on capital gains and eligible dividends) and holding interest-generating investments inside your RRSP.

Labour-sponsored venture capital corporations (LSVCCs) tax credit – If you have an interest in an LSVCC, be aware that the 10% federal credit will decrease to 5% in 2016 and nil after 2016. In addition, new federal registrations of LSVCCs has ceased, and provincially registered LSVCCs can no longer be prescribed for the federal LSVCC. However, note that the new federal Liberal government promises to restore the LSVCC tax credit.

Investment holding company

- Ontario residents who earn investment income from portfolio investments that is subject to Ontario’s high-earner income tax (i.e. on incomes exceeding $220,000, in 2015) or lower income tax rates, in certain cases, should consider holding these investments in a corporation (see Table 2 on page 26). Discuss the merits with your PwC adviser before setting up an investment holding company.
- Residents of other provinces or territories in the top marginal income tax rate (see Table 3 on page 27) or lower marginal income tax rate, in certain cases, may benefit by using an investment holding company, depending on the jurisdiction and type of income earned (see Table 2 on page 26). Consult your PwC adviser to see if an investment holding company makes sense for you.

Stock exchange cut-off – Consult your stockbroker to determine the last day on which a sale executed through a stock exchange will be considered a 2015 transaction for tax purposes (likely December 24, for Canadian exchanges and December 28, for US exchanges).

Interest deductibility

- If possible, repay non-deductible debt before deductible debt (or debt for which the interest qualifies for a non-refundable credit, i.e. interest on student loans). Borrow for investment or business purposes, and use cash for personal purchases.
- Remember that you can continue to deduct interest on an investment loan even after you sell the investment at a loss, provided that you reinvest the proceeds from the sale in a new investment.
- Consider rules that limit the deductibility of investment expenses for Quebec tax purposes to the investment income earned in the taxation year. This limit does not apply to expenses incurred to earn active business income or to trusts, other than personal trusts.

Accrued capital losses

- Sell securities with accrued losses before year end to offset capital gains realized in the current or previous three years. Be aware of the superficial loss rules, which limit the recognition of a loss.
- Close out option contracts with inherent capital losses in 2015, rather than 2016, to shelter taxable capital gains.

Accrued capital gains – Delay selling securities or other assets with accrued gains until 2016.

- **Capital gains deferral** – If you sell capital property in 2015, you may be able to defer tax on part of the capital gain by having the purchaser defer payment of the proceeds. This may allow you to claim a capital gains reserve over a maximum of four years, which results in the capital gain being included in income over a maximum of five years.
- **Mutual funds**
  - Delay mutual fund purchases to January 2016 or consider selling mutual funds before year end to minimize your allocation of taxable income for 2015. Be careful if you acquire a mutual fund during the year; you may be allocated income that was earned by the fund before your purchase.
  - If you are a non-resident investor in Canadian mutual funds, determine whether you can recover any excess Canadian withholding tax paid.
- **Life insurers and policyholders** – Be aware of changes affecting the taxation of life insurance policies generally issued after 2016. See page 10 for further details.
- **Charitable donations**
  - Donating securities – Consider the tax benefits of donating publicly listed securities with an accrued capital gain.
  - First-time donor's super credit – If you are a first-time charitable donor, claim this additional 25% credit on up to $1,000 of donations made after March 20, 2013. The credit can be claimed only once, after 2012 and before 2018.
  - If you dispose of certain private corporation shares or Canadian real estate after 2016, an exemption from all or a portion of the capital gains tax will be available when:
    - cash proceeds received from the disposition are donated to a qualified donee within 30 days after the disposition, and
    - the disposition was to a purchaser that dealt at arm's length with both the donor and the donee
  - Donor advised funds (DAFs) – Consider using a DAF account at a public foundation to realize your charitable giving objectives. A DAF is a charitable giving vehicle that is accessible to a broad cross-section of donors and is simple and cost-efficient. See our article "Donor advised funds: A practical charitable giving strategy" in *Wealth and tax matters* 2014 Issue 1 (page 26) at **www.pwc.com/ca/wtm**.
  - Quebec cultural donation incentives – If you make donations to support Quebec art and culture, claim Quebec's enhanced incentives for certain cultural donations made after July 3, 2013:
    - Large donations to cultural organizations – an additional 25% non-refundable tax credit can be claimed by individuals for an initial cultural donation of at least $5,000 (up to $25,000) made before January 1, 2018.
    - Cultural patronage – a 30% non-refundable tax credit can be claimed by individuals on donations of at least $250,000 (or at least $25,000 annually over no more than 10 years) to a cultural organization.
    - Public artwork – individuals and corporations that donate public artwork can claim:
      - 125% of the fair market value (FMV) of the artwork, for artwork installed in certain places accessible to the public, or
      - 150% of the FMV, for artwork installed in certain educational places accessible to students
    - Studio space – individuals and corporations that donate buildings that can house artists' studios or cultural organizations can claim 125% of the FMV of the buildings.
- **Foreign exchange gains and losses** – Consider changes in foreign exchange rates when selling foreign securities. Depreciation in the Canadian dollar relative to US currency may reduce the capital loss or add to the capital gain that will be triggered on the disposal of these securities, and vice versa when the Canadian dollar appreciates relative to US currency.
- **Transactions involving trusts**
  - Be aware that, starting for 2016 taxation years, a flat top-rate tax (instead of graduated tax rates) will apply to testamentary trusts, estates and grandfathered inter vivos trusts, and an estate that is a testamentary trust will be required to have taxation years ending on December 31 (starting with a deemed taxation year ending on December 31, 2015, or after the first 36 months after death, if this is later).

    Graduated tax rates will continue to apply for testamentary trusts that:

    - arise as a consequence of an individual's death (the first 36 months of the estate only), or
    - have beneficiaries who qualify for the disability tax credit

    See our *Tax Insights* "New tax rules for trusts apply January 1, 2016: It's time to start planning" at **www.pwc.com/ca/taxinsights**.

- [ ] Also, be aware that starting for 2016 taxation years:
    - the amount that a trust can designate as not having been paid or payable to a beneficiary will be limited
    - the tax on taxable capital gains that arise in spousal trusts (testamentary or inter vivos), joint spousal trusts, alter ego trusts or self-benefit trusts on the death of certain individuals, will be payable by the deceased individual's estate because the taxable capital gain will be deemed payable to that estate. Consequently, those who benefit from the deceased's estate may bear the tax on capital gains on property that may be inherited by the surviving beneficiaries of the trust. To date, no grandfathering provisions have been provided for trusts that currently exist. Note that the Department of Finance has released a letter stating that it will address the concerns raised by the tax community on this change.

  See our *Tax Insights* at **www.pwc.com/ca/taxinsights**:

    - "New tax rules for testamentary trusts: The bad and the good (and some surprises)"
    - "New tax rules for spousal, common-law, alter ego and joint partner trusts: Finance has heard our concerns"

- [ ] If you were or will be involved in transfers to or from trusts, contact your PwC adviser for an evaluation of the tax implications. The transfers may trigger a taxable event or a reporting requirement.

- [ ] If the trust has non-resident beneficiaries, contact your PwC adviser to assess the tax implications. Having a non-resident beneficiary may trigger Canadian and foreign taxes. See our article "Baby, please don't go: when trust beneficiaries give up Canadian residency" in *Wealth and tax matters* 2013 Issue 1 (page 22) at **www.pwc.com/ca/wtm**.

- [ ] You should not make a loan to, or incur debts on behalf of, a testamentary trust. This could cause the trust to lose that status.

- [ ] If the trust's 21st anniversary occurs in 2016, consider planning to avoid the deemed disposition of assets at fair market value on that date.

- [ ] **Non-resident trusts (NRTs)** – Consider rules that will generally deem an NRT to be resident for Canadian tax purposes if (i) it has Canadian resident contributors or (ii) certain former Canadian residents have contributed to an NRT that has Canadian resident beneficiaries. Think about whether elections available in the NRT rules should be made, such as, for relief to NRTs that have property contributed by non-residents.

- [ ] **Foreign accrual property income (FAPI)** – If you or your corporation owns, alone or together with other persons, directly or indirectly, more than 50% of the voting rights in a foreign company, be aware of the obligation to include FAPI in income on an accrual basis with a possible deduction for foreign income or profits taxes, and of the related compliance requirements.

- [ ] **Home buyers' incentives** – If you are a first-time home buyer:
    - [ ] consider withdrawing tax free up to $25,000 from your RRSP, under the Home Buyers' Plan to acquire a home (also applies to a spousal RRSP). Amounts withdrawn must be repaid to your RRSP. (Note that the new federal Liberal government promises to enhance the flexibility of this plan.)
    - [ ] claim these first-time home buyers' incentives if you purchased a qualifying home to be used as your principal place of residence:
        - Federal first-time home buyers' tax credit – maximum credit is $750
        - Saskatchewan first-time homebuyers' tax credit – maximum credit is $1,100

- [ ] **Provincial or territorial tax incentives** – Ensure you benefit from provincial and territorial tax incentives and changes to these incentives. For example, determine whether you qualify for:
    - [ ] British Columbia mining flow-through share tax credit – extended by one year to December 31, 2015.
    - [ ] Manitoba community enterprise development tax credit – the eligible investment period for this credit is extended to the first 60 days following the end of the calendar year, commencing January 1, 2015, with respect to 2014.
    - [ ] New Brunswick small business investor tax credit – for investments made after March 31, 2015, the tax credit rate for individuals will increase from 30% to 50% (maximum annual tax credit will increase from $75,000 to $125,000).

Parents and spouses

- [ ] **Estate planning arrangements**
  - [ ] Review these arrangements annually to ensure they meet your objectives.
  - [ ] Consider strategies to minimize probate fees (for example, owning assets in a holding company, combined with a dual will strategy, may reduce probate fees). Before acting, talk with your tax and legal advisers because the best plan for you will depend on your province or territory of residence, and your personal circumstances.
- [ ] **Donations made by will and designated gifts** – For deaths occurring after 2015, donations made under a will by a "graduated rate estate" (GRE), and those made by designation under a RRSP, RRIF, TFSA or life insurance policy, will be deemed to have been made by the individual's estate at the time the property that is the subject of the donation is transferred to a qualified donee and, if the transfer occurs within 36 months after death, the trustee of the estate will have the flexibility to allocate the donation tax credit among:
  - [ ] the taxation year of the GRE in which the donation is made
  - [ ] any of the five following taxation years of the GRE
  - [ ] the individual's last two taxation years
- [ ] **Income splitting**
  - [ ] Family tax cut credit – Claim this annual non-refundable tax credit, if you qualify. The credit is equal to the federal tax reduction that would result on the transfer of up to $50,000 of taxable income from the high-earner spouse to the low-earner spouse, to a maximum credit of $2,000. See our *Tax Insights* "Income-splitting and other tax measures for families introduced" at **www.pwc.com/ca/taxinsights**. However, note that the new federal Liberal government intends to cancel this credit.
  - [ ] If you have cash to invest and a spouse or children in a lower tax bracket, consider an income-splitting plan. Income-splitting arrangements requiring a loan to a family member should be set up before January 1, 2016, to take advantage of the current prescribed rate (1% for the fourth quarter of 2015).
  - [ ] Interest on intra-family loans must be paid on or before January 30, 2016, to avoid attribution of income.
  - [ ] Income earned by discretionary inter vivos family trusts must be paid or made payable to beneficiaries by December 31, 2015, to be included in the beneficiary's income.
  - [ ] If you own shares in a private corporation, discuss with your PwC adviser the use of a trust to split income with your adult children.
  - [ ] Give money or make an interest-free loan to your spouse or adult child to contribute to their TFSA. Because the income earned is tax-free, the attribution rules do not apply (while the funds are invested in the TFSA).
- [ ] **Registered education savings plan (RESP)**
  - [ ] Contribute to an RESP for your child or grandchild.
  - [ ] Plan for the RESP to receive the maximum lifetime Canada education savings grant of $7,200, which depends on the amount of annual RESP contributions and the beneficiary's age.
  - [ ] If your child's RESP is eligible, claim the:
    - British Columbia RESP grant ($1,200 for a RESP beneficiary born after 2006)
    - Quebec education savings incentive (lifetime maximum of $3,600)
    - Saskatchewan advantage grant for education savings (lifetime maximum of $4,500)
  - [ ] Discuss with your PwC adviser the tax consequences of withdrawing funds from an RESP, especially if your children who are the beneficiaries of the RESP do not pursue post-secondary education or do not require all the funds in the RESP for their education.

  For more information on RESPs, see our *Tax memo* "RESPs: A user's guide" at **www.pwc.com/ca/taxmemo**.
- [ ] **Child care expenses**
  - [ ] Be aware that starting 2015, the maximum annual child care expenses that can be claimed has increased by $1,000 to:
    - under age seven – $8,000
    - age seven to 16 (and infirm dependent children over age 16) – $5,000
    - children eligible for the disability tax credit – $11,000
  - [ ] Pay child care expenses for 2015 by December 31, 2015, and get receipts.
  - [ ] Remember that boarding school and camp fees qualify for the child care deduction (limits may apply), as does

the cost to advertise or use a placement agency to find a child care provider.

- ☐ If you reside in Newfoundland and Labrador, claim the province's child care tax credit; the non-refundable tax credit amount equals the child care expenses that are deductible from the parents' income.
- ☐ If you reside in Quebec, note that starting 2015, the maximum annual child care expenses that can be claimed for Quebec's refundable tax credit for childcare expenses has increased by $1,000 to:
  - age seven to 16 (and infirm dependent children over 16) – $5,000
  - children eligible for the disability tax credit – $11,000

  The maximum annual child care expenses for children under age seven, remains $9,000.

☐ **Universal child care benefit (UCCB) and Canada child tax benefit (CCTB)**

- ☐ Be aware that starting 2015, the UCCB payments increased for each child under six, to $160 per month (from $100), and a new $60 per month benefit is available for children age six to 17. (Because of these enhancements, the child tax credit was repealed in 2015.) If you are eligible and are not receiving the UCCB, file the Canada Child Benefits Application (Form RC66). However, note that the new federal Liberal government may replace the UCCB, CCTB and National Child Benefit Supplement with a new Canada Child Benefit that is income-tested and tax-free.
- ☐ If you receive these benefits, invest the funds in a separate account in trust for your children. Investment income on these funds will not be taxable to you.
- ☐ If you are a single parent and receive the UCCB, include the UCCB in the income of a dependant for whom an eligible dependant credit is claimed or, if the credit cannot be claimed, of a child for whom the UCCB was paid.

☐ **Registered disability savings plan (RDSP)** – If your child qualifies for the disability tax credit and if RDSP assets or income will not disqualify your child from receiving provincial or territorial income support, you should:

- ☐ set up an RDSP to qualify for Canada disability savings bond (CDSB) payments (lifetime maximum of $20,000 per child)
- ☐ contribute to an RDSP to qualify for Canada disability savings grant (CDSG) payments (lifetime maximum of $70,000 per child)
- ☐ plan to optimize the lifetime CDSG paid to an RDSP by taking into account annual CDSG limits, which depend on net family income

☐ **Children's fitness and arts tax credits** – If your child is enrolled in eligible programs of fitness and non-fitness activities, claim the:

- ☐ **Federal children's fitness tax credit** – a refundable (before 2015, non-refundable) tax credit on up to $1,000 of fees paid per child under 17, for enrollment in an eligible physical activity program.
- ☐ **Federal children's arts tax credit** – a non-refundable tax credit on up to $500 of fees paid per child under 17, for enrollment in an eligible program of artistic, cultural, recreational or developmental activities.

For both federal credits, different rules apply for children with disabilities.

- ☐ **Provincial or territorial fitness and arts tax credits** – If your child is eligible, don't forget to also claim the following:
  - British Columbia children's fitness tax credit
  - British Columbia children's fitness equipment tax credit – new, starting 2015
  - British Columbia children's arts tax credit
  - Manitoba fitness tax credit
  - Manitoba children's arts and cultural activity tax credit
  - Ontario children's activity tax credit
  - Quebec youth activities tax credit – maximum refundable credit increased from $40 in 2014 to $60 for each child in 2015 and will further increase annually to 2017, when it will be $100 per child
  - Saskatchewan active family benefit – this benefit will be income-tested, starting 2015
  - Yukon children's fitness tax credit – the credit is refundable, starting 2015
  - Yukon children's arts tax credit

Pay the expenses by December 31, 2015, and retain receipts.

☐ **Employment leave by spouse** – If your spouse is leaving the workforce, consider timing contributions to, and withdrawals from, a spousal RRSP to provide your family with extra disposable income.

☐ **Children abroad** – Consider whether your will and estate plan need to be updated for children who no longer reside in Canada. If your children live in the US, see our *Estate tax update* publications at **www.pwc.com/ca/taxinsights**.

- [ ] **Quebec refundable tax credit for the treatment of infertility** – Note that expenses related to in vitro fertilization that are eligible for medical credits will be revised. Also, starting 2015, changes:
  - [ ] allow from 20% to 80%, depending on income, (instead of 50%) of up to $20,000 of eligible expenses to qualify
  - [ ] introduce additional eligibility conditions
  - [ ] restrict expenses that qualify as eligible expenses

Students

- [ ] **Education, tuition and textbook tax credits** – Claim these credits if you attend post-secondary school. Remember that certain fees for exams qualify for the tuition tax credit.
- [ ] **Scholarships and other amounts** – Exclude from your income the full scholarship, fellowship or bursary for attending an elementary or secondary educational program or for a program that entitles you to the education tax credit. Exceptions apply.
- [ ] **Unused and unclaimed tax credits**
  - [ ] If you are unable to use your education, tuition or textbook tax credits, you may transfer them to your spouse, parent or grandparent (subject to limitations).
  - [ ] Remember that the carry-forward period is generally:
    - indefinite for unclaimed education, tuition and textbook credits
    - five years for unclaimed student loan interest
- [ ] **Lifelong Learning Plan (LPP)** – Consider making a tax-free withdrawal from your RRSP to finance the full-time training or education (part-time for students who meet one of the disability conditions) for yourself, your spouse or your common-law partner. You may withdraw up to $10,000 in a calendar year and up to $20,000 in total. Amounts withdrawn must be repaid to your RRSP, to avoid future income inclusions.
- [ ] **Moving expenses** – If you moved to attend school or moved from school to work or home, your moving expenses may be deductible.
- [ ] **Post-secondary students in Canada** – If you are enrolled as a student in an educational program at a post-secondary educational institution in Canada, request educational assistance payments from your RESP.
- [ ] **Foreign university** – If you are a full-time student at an educational institution outside Canada in a course leading to a degree that is at least three consecutive weeks:
  - [ ] claim the tuition, education and textbook tax credits
  - [ ] request educational assistance payments from your RESP
- [ ] **Graduates** – If you graduate from an eligible post-secondary program and live and work in the following provinces, determine if you are eligible for the:
  - [ ] Manitoba tuition income tax rebate
  - [ ] New Brunswick tuition tax rebate – eliminated in 2015 (applications for 2014 must be made before 2016)
  - [ ] Quebec tax credit for recent graduates working in remote resource regions
  - [ ] Saskatchewan graduate retention program – made fully non-refundable, starting 2015

Seniors

- [ ] **Inter vivos trust** – If you are over the age of 64 and live in a province with a high probate fee, consider establishing an inter vivos trust as part of your estate plan.
- [ ] **Old Age Security (OAS)**
  - [ ] If you no longer receive OAS benefits because your income is too high, consider ways to reduce or defer income so that you can continue to receive this government pension.
  - [ ] Consider whether the allocation of pension income from a spouse or receipt of "eligible" dividends (subject to a 38% gross-up) will trigger an OAS clawback. Instead of receiving eligible dividends, consider earning capital gains. Only 50% of the gain is included in income for OAS purposes.
  - [ ] Note that you can defer starting your OAS benefit for up to 60 months after your date of eligibility (i.e. age 65 years). This will permanently increase your monthly payment by 0.6% for every month of deferral.
- [ ] **Canada pension plan (CPP)/Quebec pension plan (QPP)**
  - [ ] If you receive CPP or QPP payments:
    - consider splitting the CPP or QPP income with your spouse by requesting to share the payments
    - be aware that if you are employed or self-employed, and are age 60 to 70, you must contribute to the CPP (however, if you are age 65

to 70, you can elect to stop these contributions; the election can be revoked in the following year)

- ☐ If you do not receive CPP payments and are age 60 to 70, determine the best time to start collecting CPP benefits. If you start before 65, benefits are reduced (for example, in 2016 and later years, your CPP retirement pension will be reduced by 0.6% for each month before age 65 that you began receiving CPP benefits); if you start after 65, benefits are increased.

☐ **Your RRSP** – If you turn 71 in 2015, you must wind up your RRSP by the end of the year. This means that you can:

- ☐ contribute to your RRSP only until December 31, 2015
- ☐ contribute (before the normal February 29, 2016 deadline) to your spouse's RRSP until the end of the year your spouse reaches age 71, if you have unused RRSP contribution room or earned income in the previous year
- ☐ defer taxes on all or a portion of the amount in your RRSP by transferring the funds to a RRIF or a life income fund
- ☐ make a contribution for 2016 by December 31, 2015, and pay any applicable penalty

For more information, see "Retirement savings plans, profit-sharing plans and RRIFs" on page 13.

☐ **Pension income**

- ☐ If you receive pension income (e.g. from an RPP, RRSP or RRIF), consider allocating up to half of this income to your spouse or common-law partner. Consider if it is beneficial to withdraw additional amounts from your RRIF to allocate up to half of this withdrawal to your spouse or common-law partner.
- ☐ Have $2,000 of pension income if you are age 65 or older so that you can claim the maximum pension credit.
- ☐ Quebec – Note that you can split retirement income with your spouse for income tax purposes only if you turned 65 before the year end, or on the date you ceased to be resident in Canada or died.

☐ **Your RRIF** –

- ☐ Be aware that commencing 2015, the minimum annual withdrawal amount for RRIF holders age 71 to 94 has been reduced. RRIF holders who have already withdrawn more than the 2015 minimum amount can recontribute the excess until February 29, 2016, and deduct it in 2015.
- ☐ If your RRIF investments declined in value and you think that the investments will rebound, consider an "in-kind" withdrawal (e.g. transfer to a non-registered investment account at your financial institution or a TFSA, subject to the contribution room available) to satisfy the RRIF's minimum withdrawal requirements. Income tax must still be paid on the fair value of the withdrawal.

☐ **Individual pension plans** – Be aware that if you have a defined benefit RPP that was created primarily for you and you are over 71, you must make minimum withdrawals.

☐ **Home accessibility tax credits** – If you incur eligible expenditures of up to $10,000, to make certain home renovations or alterations that increase the mobility or safety of a senior, determine if you can claim the:

- ☐ Federal home accessibility tax credit – starting 2016, this non-refundable tax credit is valued at up to $1,500 (also applies to renovations made to help an individual who qualifies for the disability tax credit)
- ☐ following refundable provincial seniors' home renovation tax credits:
  - ○ British Columbia seniors' home renovation tax credit
  - ○ New Brunswick seniors' home renovation tax credit — new, starting 2015
  - ○ Ontario healthy homes renovation tax credit

☐ **Provincial/territorial incentives** – Ensure you benefit from provincial/territorial incentives and changes to incentives aimed at seniors. For example:

- ☐ Quebec's tax credit for experienced workers – changes:
  - ○ reduce the tax credit if the individual's eligible work income exceeds a threshold, starting 2016
  - ○ reduce the minimum age to qualify for this credit from 65 in 2015 to 63 in 2017
  - ○ increase the maximum eligible work income that can qualify for this credit from $4,000 in 2015 to $10,000 in 2018
- ☐ Quebec's age tax credit – the age to qualify for this credit is increasing gradually from 65 in 2015 to 70 in 2020

☑ *Individuals and businesses with international connections*

☐ **Foreign reporting requirements** – Review your foreign holdings to determine if you have a reporting obligation.

- ☐ Canadian-resident individuals, corporations, trusts and certain partnerships that own specified foreign property with a total cost exceeding $100,000 at any time in the year are required to file form T1135.

However, for taxation years beginning after 2014, taxpayers whose total cost of specified foreign property is less than $250,000 throughout the year can report the property using the streamlined information reporting requirements to be on form T1135.

- ☐ Taxpayers resident in Canada that own shares of a non-resident corporation that is a foreign affiliate at any time in the year, as well as certain partnerships, must file an information return (form T1134).

Other forms may also be required.

☐ **Non-resident trusts (NRTs)** – Don't ignore the rules for NRTs. See page 16 for further details.

☐ **Sale of property by non-residents** – If you purchase taxable Canadian property from a non-resident vendor, withhold tax from the amount paid and remit the tax within 30 days from the end of the month in which the purchase occurred, unless:

- ☐ the non-resident vendor has obtained a clearance certificate, or
- ☐ after reasonable inquiry, there was no reason to believe that the vendor was not a resident of Canada

Canadian tax can be reduced or eliminated if Canada has a tax treaty with the non-resident's country of residence. Relief from certificate requirements may also be available for gains that, due to a tax treaty, are not taxed.

☐ **Electronic commerce** – Ensure that your electronic presence in a foreign jurisdiction does not trigger an unexpected foreign tax bill.

☐ **Accounts receivable and other debts owing from non-residents** – Ensure amounts outstanding for more than one year bear interest at reasonable rates. Exceptions apply.

☐ **Loans from foreign subsidiaries** – Be aware that there are tax complexities associated with loans from foreign affiliates to Canadian corporate shareholders or to certain non-arm's length persons. Contact your PwC adviser to discuss. See our *In Prints* on **www.pwc.com/ca/inprint**:

- ☐ "Recommended Amendments to the Upstream Loan Rules"
- ☐ "Are you ready for the upstream loan rules?"

☐ **Shareholder loans** – Note that non-resident controlled Canadian corporations are permitted to make certain loans to foreign parent companies or related non-resident companies without being subject to the deemed dividend withholding tax if appropriate elections are filed. To benefit from this elective relief, the Canadian corporation must include in income interest at a prescribed rate (currently approximately 5%). The rules also apply to loans made by, or to, certain partnerships.

☐ **Thin capitalization** – If your corporation has debt owing to a foreign lender that is a significant shareholder or related to a significant shareholder, consider whether the thin capitalization rules limit the deduction of interest on the debt and possibly trigger a withholding tax burden. The rules limit the permitted debt/equity ratio to 1.5:1 and also apply to debts of a partnership in which a Canadian-resident corporation is a member. The rules also apply to Canadian-resident trusts and to non-resident corporations and trusts that operate in Canada, including when these are members of partnerships.

☐ **Back-to-back-loans** – If your corporation is involved in a back-to-back loan arrangement that uses an interposed third party, be aware that:

- ☐ a specific anti-avoidance rule relating to withholding tax on interest payments was introduced, for amounts paid or credited after 2014
- ☐ an existing anti-avoidance provision in the thin capitalization rules was amended, for taxation years that begin after 2014

☐ **Transfer pricing** – If your corporation has transactions with a related party in a foreign country, ensure your transfer-pricing documentation meets the requirements imposed by the Canadian transfer-pricing rules and by the rules of the foreign country. Non-compliance can result in penalties.

☐ **Tax Information Exchange Agreement (TIEA)** – Be aware that Canada is negotiating and signing TIEAs with non-treaty countries and has implemented tax measures to encourage non-treaty countries to enter into TIEAs. Canada is currently negotiating seven TIEAs; one has been signed and awaits entry into force; twenty-two others have already entered into force (one on behalf of five jurisdictions).

☐ **Treaty shopping** – Note that on September 16, 2014, the Organisation of Economic Cooperation and Development (OECD) released "Action 6: 2014 Deliverable, Preventing the Granting of Treaty Benefits in Inappropriate Circumstances," largely adopting a treaty-based approach to address treaty abuse. With respect to Action 6, the OECD also released a discussion draft on November 21, 2014, identifying various issues for consideration, and a revised discussion draft on May 22, 2015, with proposals. On October 5, 2015, the OECD released final measures, which include, in respect of Action 6, a limitation-on-benefits rule and a general anti-abuse rule based on the principal purposes of transactions and arrangements, both of which will be added to the OECD Model Tax Convention.

Canada's February 11, 2014 federal budget announced the federal government was conducting a consultation on a proposed domestic rule to prevent treaty shopping. However, on August 29, 2014, the Department of Finance stated that it had instead decided to await further work by the OECD and the Group of 20 (G20) in relation to the Base Erosion and Profit Shifting (BEPS) initiative. Canada's April 21, 2015 budget did not include a recommendation for a specific approach to deal with abusive treaty shopping. With the release of the final OECD reports, a response from the federal government is expected in due course.

See our:

- *In Print* "Treaty Shopping and Base Erosion and Profit Shifting Action 6" at **www.pwc.com/ca/inprint**.
- *Tax Policy Bulletins* at **www.pwc.com**:
  - "BEPS Action 6: The (not quite) final report on preventing treaty benefits in inappropriate cases"
  - "Multinationals receive OECD recommendations on BEPS proposals for G20 and wider take-up"
  - "OECD releases revised discussion draft on BEPS Action 6: Prevention of Treaty Abuse"
  - "Discussion Draft published covering follow up work on BEPS Action 6: Preventing Treaty Abuse"
  - "OECD's agreed recommendations on BEPS 2014 deliverables: Few surprises – but no let up"

Base erosion and profit shifting (BEPS) – Be aware that the OECD presented its final package of measures on October 5, 2015, as part of the OECD/G20 BEPS initiative. Your PwC tax adviser can help you understand and deal with the changing tax environment. For more on BEPS, see:

- "Treaty shopping" above
- our webpage, **www.pwc.com/beps**

Captive insurance – If your corporation is involved in a tax planning arrangement that is intended to achieve tax benefits similar to those previously achieved through "insurance swaps," be aware that an anti-avoidance rule in the foreign accrual property income (FAPI) regime, intended to prevent Canadian taxpayers from shifting income from the insurance of Canadian risks offshore, is further amended to curtail alternate arrangements, for taxation years beginning after April 20, 2015.

Payments to non-residents – Be aware that:

- you may be required to withhold 15% of payments made to a non-resident that relate to fees, commissions or other amounts in respect of services rendered in Canada (excludes remuneration that is subject to payroll withholding requirements); a provincial withholding equivalent may also apply
- non-residents generally file CRA Form NR301 (individual, corporation, trust), NR302 (partnership) or NR303 (hybrid entity) to support reducing withholding tax rates on payments from Canadians to reflect treaty benefits
- non-resident employees could obtain a waiver from Canadian withholding requirements if remuneration is expected to be exempt in Canada under a treaty (submit a waiver application to the CRA on Form R102-R or R102-J)
- certain non-resident employers with non-resident employees working temporarily in Canada will be exempt from payroll withholding requirements, effective January 1, 2016 (see our *Tax Insights,* "Canadian payroll relief clarified for foreign employers with frequent business travelers to Canada" at **www.pwc.com/ca/taxinsights**)

Immigration reforms

- Administrative Monetary Penalties (AMPs) – If you employ foreign nationals in Canada under the Temporary Foreign Worker Program or the International Mobility Program, be aware that a new system of AMPs will come into effect on December 1, 2015. The new AMP regime will impose harsh new fines and penalties on employers who are found to be immigration non-compliant.
- Immigration policy under the new Liberal government – Note that the Liberal Party has pledged to implement immigration reforms with an emphasis on family reunification and creating new pathways to citizenship. However, little change is expected in the near-term with respect to the foreign worker regime or the employer compliance program.
- New Employer Portal website – Know that you must use Citizenship and Immigration Canada's new Employer Portal website to submit all "offers of employment" in support of Labour Market Impact Assessment-exempt (LMIA-exempt) work permits; this information can no longer be submitted by e-mail.
- Electronic Travel Authorization (eTA) – Be aware that under Canada's new eTA system, all foreign nationals (except US citizens) will be required to complete a pre-screening process before travelling to Canada by air; this new eTA system becomes mandatory on March 1, 2016.
- Increased government investigative actions – Note that there has been an increase in government

investigative actions aimed at uncovering employer non-compliance with immigration laws, especially those relating to LMIA-exempt work permits.

For more information, go to **www.pwc.com/ca/en/law/immigration-law.html** and see our *Immigration Alerts* or contact us.

- [ ] **Sales taxes/value added tax and customs duty**
  - [ ] If your company has activities (e.g. selling, importing or exporting goods or supplying services) in foreign countries, determine whether it is required to register for sales tax/value added tax (VAT) or pay custom duties or other levies.
  - [ ] Ensure that documentation of your foreign transactions meets local requirements. Check whether the structure of your transactions is optimal for sales tax/VAT and customs purposes.
  - [ ] If you are a non-resident of Canada that makes a taxable supply in Canada and "carries on a business" in Canada, you may be required to register for GST/HST, PST or QST. Once registered, you must collect and remit the tax as well as file periodic GST/HST, PST or QST returns.
  - [ ] If your business imports goods that are on the Canada Border Services Agency's (CBSA's) audit priorities list or imports goods from related parties, it is likely to be audited by the CBSA. If the audit uncovers non-compliance and results in a negative audit finding, your business can be charged punitive interest and assessed penalties. To avoid these potential customs risks, contact your PwC adviser to plan and implement appropriate compliance measures before you are audited. See our *Tax Insights* at **www.pwc.com/ca/taxinsights**:
    - "CBSA announced Phase 1 2015 audit priorities: What they mean for importers"
    - "CBSA announces Phase 2 2015 audit priorities: What they mean for importers"
    - "Valuation adjustments after importation: Bad and good news for importers"

    Similarly, if your business exports goods from Canada, it may be also be subject to certain risks. Contact your PwC adviser for help on business exports.

Individuals and businesses with US connections

(This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding US federal, state or local tax penalties that may be imposed on the taxpayer.)

- [ ] **US income tax** – If you are a US citizen, green card holder or US-resident alien in 2015, consider US compliance obligations and determine if you have fulfilled all of the US reporting requirements. If you have not, contact your PwC adviser to see if you qualify for the offshore voluntary disclosure programs offered by the Internal Revenue Service (IRS). See our:
  - [ ] *Tax Insights* "New IRS relief for US citizens living outside the US" at **www.pwc.com/ca/taxinsights**
  - [ ] webpage, **www.pwc.com/ca/USdisclosure**
- [ ] **US estate tax** – If you are:
  - [ ] a US citizen who is a Canadian resident, determine your possible exposure to both US estate tax and Canadian deemed disposition on death tax and how to minimize the double taxation
  - [ ] not a US citizen or resident, determine whether you hold any US property, including: shares in US corporations (including stock options to acquire such shares), US real estate, debt obligations issued by US residents, interests in US partnerships, or any tangible personal property that is located in the United States, among other things; if so, determine your possible exposure to US estate tax and how to minimize it

  See our *Estate tax update* series at **www.pwc.com/ca/taxinsights**.
- [ ] **US gift tax** – If you are a US citizen or green card holder, consider your exposure to US gift tax. For 2015, a US citizen has an annual exclusion amount for a gift up to US$147,000 to a non-US spouse and up to US$14,000 to a child or any other donee.
- [ ] **Canadian snowbirds** – If you are a "snowbird" – a Canadian who spends a significant amount of time in the United States, during the winter – ensure that you do not meet the US "substantial presence test," which may make you liable for US income tax. See our *Tax Insights* "Travelling to the United States? Time to start counting your days" at **www.pwc.com/ca/taxinsights**.

- [ ] **US citizenship status** – If there is a possibility that you may be a US citizen, determine your status. See our article "You could be a US citizen and it could be trouble (not that we want to scare you)" in *Wealth and tax matters* 2014 Issue 1 (page 2) at **www.pwc.com/ca/wtm**.

- [ ] **US Net Investment Income Tax (NIIT)** – If you are a US citizen, green card holder or US-resident alien with net investment income that is subject to both the 3.8% NIIT and foreign income tax, be aware that a foreign tax credit cannot be claimed to reduce the NIIT payable. As a result, your net investment income may be subject to double income taxation. The 3.8% NIIT (also known as the Medicare Contribution Tax) applies generally on capital gains, dividends, interest, rents and royalties. See our article "Alert for US taxpayers: New 3.8% Net Investment Income Tax (NIIT)" in *Wealth and tax matters* 2013 Issue 2 (page 34) at **www.pwc.com/ca/wtm**.

- [ ] **Canadian RRSPs, RRIFs, RPPs and DPSPs**
  - [ ] If you are a US citizen, green card holder or US-resident alien in 2015, and are the beneficiary of a Canadian RRSP, RRIF, RPP and/or DPSP, determine:
    - what information you need to provide to the Internal Revenue Service (IRS)
    - the format for reporting this information
    - the reporting deadlines
  - [ ] Be aware that US citizens and resident aliens who hold interests in Canadian RRSPs or RRIFs and meet certain other conditions can automatically qualify for a tax deferral. However, you must now disclose your RRSP and RRIF accounts on Form 8938. See our *Tax Insights* "Good news for US taxpayers with RRSPs or RRIFs" at **www.pwc.com/ca/taxinsights**.

- [ ] **US retirement plans** – If you are a Canadian resident who has investments in US 401(k) or IRA plans, discuss with a PwC adviser whether you can transfer them on a tax-deferred basis to an RRSP.

- [ ] **Canadian RESPs** – If you are a US citizen, green card holder or US-resident alien in 2015, consult with your PwC adviser if you have an RESP or before contributing to an RESP.

- [ ] **Canadian TFSAs** – If you are or became a US citizen, green card holder or US-resident alien in 2015, contact your PwC adviser about your TFSA or before setting up a TFSA. Investment income earned in a TFSA may be taxable for US purposes in the year it is earned. In addition, if the TFSA is considered to be a trust, both you and the trust may have to report additional information to the IRS annually.

- [ ] **Canadian mutual funds** – If you are a US citizen, green card holder or US-resident alien in 2015 and own Canadian mutual funds, ensure that your investment adviser knows this. You must file an annual information return to the IRS in respect of these mutual funds.

- [ ] **US source income** – If you received income in 2015 from US sources that may be subject to US federal and/or state tax (e.g. employment and self-employment income earned in the United States, income and losses from participation in US limited partnerships, and rent from US real estate, including short-term rentals of vacation homes):
  - [ ] determine whether the income should be reported on a US non-resident return
  - [ ] if US tax was deducted at source on the income during 2015, determine whether:
    - the tax withheld was appropriate or if a reduction in the withholding tax rate is available under the Canada-US tax treaty
    - you should file a US non-resident return to obtain a full or partial refund
    - the US tax can be claimed as a credit on your Canadian tax return

  You may be required to provide form W-8BEN, W-8IMY or W-8ECI for any US source payments that you receive to have the appropriate non-resident withholding tax rates applied to the income.

- [ ] **US investments** – If you invest or are considering investing in alternative-type US investments (e.g. a US LLC), contact your PwC adviser to ensure that you meet all Canadian and US tax requirements.

- [ ] **US taxpayers with Canadian shareholdings or investments** – If you are a US citizen, green card holder or resident, or plan to become a US resident, and own shares of a Canadian private corporation or units of a Canadian partnership, or if you have a Canadian bank account or investments, determine how to minimize any additional US income tax reporting requirements or exposure to US income tax or double taxation. Penalties apply to certain late-filed information returns on foreign investments and foreign financial accounts reporting. US persons who are US shareholders of controlled foreign corporations (CFCs), US partners of controlled foreign partnerships (CFPs) or US beneficiaries receiving distribution from foreign trusts must file certain annual information returns. In addition, US persons who have investments in passive foreign investment companies (PFICs) are also required to file annual information returns. See our *Tax Insights* "New regulations for passive foreign investment companies: What they mean for Canadian mutual fund owners" at **www.pwc.com/ca/taxinsights**.

- **US family members** – If you have a US citizen or US-resident family member who is a direct shareholder in your company or a beneficiary under a family trust, contact your PwC adviser to discuss possible exposure to punitive US tax regimes and how to minimize it.
- **US federal income tax return/treaty-based tax return** – Determine whether you are conducting activities in the United States that require you to file US federal income tax returns or US treaty-based tax information disclosure returns.
- **US real estate** – If you sold US real estate (including certain shares of a US company having 50% or more of its value attributable to US real estate) in 2015, or may sell US real estate, determine your US income tax reporting requirements and how to minimize any exposure you might have to US real property withholding tax and US federal and state income taxes under the US *Foreign Investment in Real Property Tax Act* (FIRPTA). US tax laws may require you to obtain a US taxpayer identification number to comply with FIRPTA withholding tax and/or income tax reporting requirements. State income tax withholding and/or income tax reporting requirements may also apply.
- **US exit tax** – If you are considering renouncing your US citizenship or relinquishing your green card, ask your PwC adviser how you are affected by US rules that may impose a US exit or "mark-to-market" tax on certain types of properties, and other potential future US tax implications.
- **US federal tax changes** – Be aware that:
  - recently enacted legislation significantly changes the taxation of partnerships, generally effective for partnership returns filed for taxation years beginning after December 31, 2017, for example, by:
    - introducing new partnership audit examination procedures
    - requiring audit adjustments to be made at the partnership level, which would require the partnership (and not the partners) to pay the tax, interest and any penalty in the adjustment year, unless an irrevocable election is made

    See our:
    - *Tax Insights* "House approves Bipartisan Budget Act with new large partnership audit rules; Ways and Means Chairman Ryan set to become House Speaker" at **www.pwc.com/us**
    - *PTP NewsBytes Alert* "New Law Makes Significant Changes to Partnership Audit and Adjustment Procedures" at **www.pwcmlp.com**
  - the US congress did not address the so-called "tax-extenders" (i.e. the research credit and more than 50 other business and individual tax provisions) that expired on December 31, 2014, but likely will address the future of these expired provisions (possibly retroactively) before the year end
  - recently enacted legislation changes tax return filing dates for corporate, partnership, and certain other returns filed for tax years beginning after December 31, 2015. See our *Tax Insights* "Return filing deadlines revised for corporations, partnerships, others" at **www.pwc.com/us**
- **State and municipal taxes** – Ensure you are complying with all state and municipal laws and taxes. Even if a Canadian business is exempt from US federal income tax under the Canada-US tax treaty, it may be subject to state income, franchise, sales and use, property and other taxes. Contact your PwC adviser for help with multi-state taxation and filing requirements.

Table 1: Integration – Active business income ($)

(twelve-month taxation year ended December 31, 2015, and $10,000 of active business income)

This table shows:[1]

- the income tax deferral if active business income is earned and retained in a corporation as opposed to being paid out of the corporation as salary to the shareholder
- the tax saving (cost) if instead of being paid out of the corporation as salary, the after-tax corporate income is paid out as a dividend to the shareholder in the same year

		Eligible for small business deduction[3]		No small business deduction[3]	
		Deferral	Saving/(cost)	Deferral	Saving/(cost)
Alberta[4]		2,625	(27)	1,424	(131)
British Columbia		3,230	(56)	1,980	(142)
Manitoba		3,652	23	2,052	(303)
New Brunswick[5]		3,975	(10)	2,775	(19)
Newfoundland and Labrador	General	3,041	181	1,541	(701)
	M&P			2,441	(85)
Northwest Territories		3,005	394	1,855	178
Nova Scotia		3,600	(1)	1,900	(588)
Nunavut		2,750	99	1,550	(462)
Ontario[6]	General	3,499	108	2,399	(87)
	M&P			2,549	12
Prince Edward Island		3,187	(87)	1,637	(344)
Quebec	General	3,301	78	2,511	(64)
	M&P	3.652[7]	290[7]		
Saskatchewan	General	3,100	63	1,700	(111)
	M&P			1,900	39
Yukon[8]	General	3,000	(25)	1,400	50
	M&P	3,150	72	2,650	1,058

Table 2: Integration – Investment income ($)

(twelve-month taxation year ended December 31, 2015, and $10,000 of investment income)

This table shows:[2]

- the income tax deferral (prepayment) if investment income is earned and retained in a corporation as opposed to being earned directly by an individual
- the tax saving (cost) if the after-tax corporate income is paid out as a dividend to the shareholder in the same year

	Portfolio dividends		Capital gains		Interest	
	Deferral/ (prepayment)	(Cost)	Deferral/ (prepayment)	(Cost)	Deferral/ (prepayment)	(Cost)
Alberta[4]	(1,231)	Nil	(271)	(187)	(542)	(373)
British Columbia	(465)	Nil	7	(199)	13	(397)
Manitoba	(107)	Nil	(13)	(311)	(27)	(622)
New Brunswick[5]	494	Nil	405	(137)	808	(276)
Newfoundland and Labrador	(176)	Nil	(268)	(232)	(537)	(464)
Northwest Territories	(1,052)	Nil	(155)	(58)	(312)	(118)
Nova Scotia	273	Nil	(33)	(291)	(67)	(582)
Nunavut	(577)	Nil	(308)	(223)	(617)	(445)
Ontario[6]	49	Nil	168	(114)	336	(228)
Prince Edward Island	(463)	Nil	(164)	(303)	(330)	(607)
Quebec	189	Nil	170	(90)	340	(180)
Saskatchewan	(852)	Nil	(133)	(196)	(267)	(393)
Yukon[8]	(1,404)	Nil	(283)	(304)	(567)	(609)

Notes to Tables 1 and 2:

1. Table 1 assumes that:
   - the individual is taxed at the top marginal income tax rate (only federal and provincial/territorial income tax, the employer portion of provincial health tax and the employee portion of Northwest Territories and Nunavut payroll taxes are considered)
   - when there is no small business deduction, the after-tax corporate income is paid out as an eligible dividend

   Different results may arise in special circumstances (e.g. for credit unions).
2. Table 2 assumes that:
   - the individual is taxed at the top marginal income tax rate
   - portfolio dividends received are designated as eligible dividends
   - no capital gains deductions are available
   - the non-taxable portion of the capital gain is distributed as a tax-free capital dividend
   - the taxable dividend paid (eligible for portfolio dividends, non-eligible for capital gains and interest) is sufficient to generate a full refund of refundable tax
3. The federal small business threshold of $500,000 applies in all provinces and territories, except for:
   - Manitoba, where the threshold is $425,000
   - Nova Scotia, where the threshold is $350,000
4. For Alberta, the figures assume that the individual is taxed at Alberta's personal income tax rate on incomes over $300,000. If the individual's income is $300,000 or less, but over $200,000, the figures are as follows:
   - Table 1: Eligible for small business deduction [deferral: 2,600, cost: (27)]; No small business deduction [deferral: 1,399, cost: (131)]
   - Table 2: Portfolio dividends [prepayment: (1,266), cost: nil]; Capital gains [prepayment: (284), cost: (188)]; Interest [prepayment: (567), cost: (374)]
5. For New Brunswick, the figures assume that the individual is taxed at New Brunswick's personal income tax rate on incomes over $250,000. If the individual's income is $250,000 or less, but over $150,000, the figures are as follows:

- Table 1: Eligible for small business deduction [deferral: 3,500, cost: (9)]; No small business deduction [deferral: 2,300, cost: (15)]
- Table 2: Portfolio dividends [prepayment: (162), cost: nil]; Capital gains [deferral: 167, cost: (151)]; Interest [deferral: 333, cost: (302)]

6. For Ontario, the figures assume that the individual is taxed at Ontario's personal income tax rate on incomes over $220,000. If the individual's income is $220,000 or less, but over $150,000, the figures are as follows:
   - Table 1: Eligible for small business deduction [deferral: 3,346, saving: 110]; No small business deduction [General – deferral: 2,246, cost: (82); M&P – deferral: 2,396, saving: 21]
   - Table 2: Portfolio dividends [prepayment: (166), cost: nil]; Capital gains [deferral: 90, cost: (118)]; Interest [deferral: 180, cost: (236)]
7. For Quebec, the figures assume that the income is eligible for Quebec's small business M&P income tax rate of 4.49% for 2015, which is the case if 50% or more of the corporation's activities are attributable to M&P (based on M&P assets and labour). If this percentage is under 50% and more than 25%, the M&P rate will increase proportionately (straight line) from 4.49% to 8% for 2015.
8. For Yukon, the figures assume that the individual is taxed at Yukon's personal income tax rate on incomes over $500,000. If the individual's income is $500,000 or less, but over $138,586, the figures are as follows:
   - Table 1: Eligible for small business deduction [No M&P – deferral: 2,780, cost: (22); M&P – deferral: 2,930, saving: 79]; No small business deduction* [General – deferral: 1,180, saving: 42; M&P – deferral: 2,430, saving: 1,089]
   - Table 2: Portfolio dividends* [prepayment: (1,707), cost: nil]; Capital gains [prepayment: (393), cost: (314)]; Interest [prepayment: (787), cost: (629)]

     * The figures assume that the combined federal/Yukon eligible dividend tax rate is 16.257% (federal of 19.293% plus Yukon of -3.036%), and that the taxpayer has other income that can be sheltered by Yukon's negative eligible dividend tax rate. If the taxpayer has no other income, the combined federal/Yukon eligible dividend tax rate will be 19.293% (federal of 19.293% plus nil for Yukon).

Table 3: Top combined federal and provincial/territorial marginal personal income tax rates (%)

In 2015, top rates apply to income above $138,586 in all jurisdictions except:
- $300,000 in Alberta
- $151,050 in British Columbia
- $250,000 in New Brunswick
- $175,000 in Newfoundland and Labrador
- $150,000 in Nova Scotia
- $220,000 in Ontario
- $500,000 in Yukon

	Interest & ordinary income 2015	Interest & ordinary income 2016[1]	Capital gains 2015	Capital gains 2016[1]	Canadian dividends (eligible) 2015	Canadian dividends (eligible) 2016[1]	Canadian dividends (non-eligible)[2] 2015	Canadian dividends (non-eligible)[2] 2016[1]
Federal only	**29.00**		14.50		19.29		21.22	21.62
Alberta[3]	**40.25**	**44.00**	20.13	22.00	21.02	26.19	30.84	35.57
British Columbia	**45.80**	**43.70**[4]	22.90	21.85[4]	28.68	25.78[4]	37.99	35.93[4]
Manitoba	**46.40**		23.20		32.26		40.77	41.01
New Brunswick[5]	**54.75**		27.38		38.27		46.89	47.07
Newfoundland and Labrador	**43.30**	**44.30**	21.65	22.15	31.57	32.95	33.26	34.72
Northwest Territories	**43.05**		21.53		22.81		30.72	31.04
Nova Scotia[6]	**50.00**		25.00		36.06		41.87	42.29
Nunavut	**40.50**		20.25		27.56		31.19	31.67
Ontario[7]	**49.53**		24.76		33.82		40.13	40.62
Prince Edward Island	**47.37**		23.69		28.70		38.74	39.19
Quebec	**49.97**		24.98		35.22		39.78	39.93
Saskatchewan	**44.00**		22.00		24.81		34.91	35.38
Yukon[8]	**44.00**		22.00		19.29		35.18	35.50
Non-resident	**42.92**[9]		21.46		28.55[9]		31.41[9]	32.00[9]

1. The table does not take into account the federal Liberal party tax platform, which could increase the rates shown, possibly starting 2016. See our *Tax Insights* "Liberal party tax platform: What it could mean for you" at **www.pwc.com/ca/taxinsights**.
2. 2016 to 2019 personal tax rates on non-eligible dividends are increasing in all jurisdictions (except in British Columbia for taxable income exceeding $151,050; also, see footnote 4) due to increases in the federal non-eligible dividend tax rate.
3. For Alberta, the rates assume that the individual is taxed at Alberta's personal income tax rate on income over $300,000 in 2015 and 2016. If the individual's income is $300,000 or less, but over $200,000, the figures for 2015 and 2016 are as follows: Interest & ordinary income [40.00% (2015), 43.00% (2016)]; Capital gains [20.00% (2015), 21.50% (2016)]; Canadian dividends (eligible) [20.67% (2015), 24.81% (2016)]; Canadian dividends (non-eligible) [30.54% (2015), 34.40% (2016)].
4. For British Columbia, the top rate for 2016 applies to income above $138,586 (to be indexed for 2016).
5. For New Brunswick, the rates assume that the individual is taxed at New Brunswick's personal income tax rate on income over $250,000 in 2015 and 2016. If the individual's income is $250,000 or less, but over $150,000, the figures for 2015 and 2016 are as follows: Interest & ordinary income [50.00%]; Capital gains [25.00%]; Canadian dividends (eligible) [31.71%]; Canadian dividends (non-eligible) [41.28% (2015), 41.51% (2016)].
6. If Nova Scotia tables a budget surplus in its 2016-2017 fiscal year, the top combined marginal income tax rates for 2016 will be 48.25% for interest and ordinary income, 24.13% for capital gains, 32.42% for eligible dividends and 39.86% for non-eligible dividends.

7. For Ontario, the rates assume that the individual is taxed at Ontario's personal income tax rate on income over $220,000 in 2015 and 2016. If the individual's income is $220,000 or less, but over $150,000, the figures for 2015 and 2016 are as follows: Interest & ordinary income [47.97%]; Capital gains [23.98%]; Canadian dividends (eligible) [31.67%]; Canadian dividends (non-eligible) [38.29% (2015), 38.79% (2016)].
8. For the Yukon, the rates assume that the individual is taxed at Yukon's personal income tax rate on income over $500,000 in 2015 and 2016. If the individual's income is $500,000 or less, but over $138,586 (to be indexed for 2016), the figures for 2015 and 2016 are as follows: Interest & ordinary income [41.80%]; Capital gains [20.90%]; Canadian dividends (eligible) [16.26% to 19.29%*]; Canadian dividends (non-eligible) [32.58% (2015), 32.92% (2016)].
   * The rate that applies depends on the level of the taxpayer's other income, with 19.29% applying if the taxpayer has no other income.
9. Non-resident rates for interest and dividends apply only in certain circumstances. Generally, interest (other than most interest paid to arm's length non-residents) and dividends paid to non-residents are subject to Part XIII withholding tax.

Table 4: Combined federal and provincial/territorial corporate income tax rates (%)[1]

(twelve-month taxation year ended December 31)

		2015 and 2016					
		General and Manufacturing and processing (M&P)		Canadian-controlled private corporations (CCPCs)			
				Active business income (ABI) earned in Canada to $500,000[2, 3]		Investment income[5]	
		2015	2016	2015	2016[4]	2015	2016
Federal		15.00		11.00	10.50	34.67	
Alberta		26.01	27.00	14.00	13.50	45.67	46.67
British Columbia		26.00		13.50	13.00	45.67	
Manitoba		27.00		11.00[2] or 23.00[2]	10.50[2] or 22.50[2]	46.67	
New Brunswick		27.00		15.00	14.50[6]	46.67	
Newfoundland and Labrador	General	29.00		14.00	13.50	48.67	
	M&P	20.00				n/a	
Northwest Territories		26.50		15.00	14.50	46.17	
Nova Scotia		31.00		14.00[2] or 27.00[2]	13.50[2] or 26.50[2]	50.67	
Nunavut		27.00		15.00	14.50	46.67	
Ontario	General	26.50		15.50	15.00	46.17	
	M&P	25.00				n/a	
Prince Edward Island		31.00		15.50	15.00	50.67	
Quebec	General	26.90		19.00	18.50[7]	46.57	
	M&P			15.49[7]	14.50[7]	n/a	
Saskatchewan	General	27.00		13.00	12.50	46.67	
	M&P	25.00				n/a	
Yukon	General	30.00		14.00	13.50	49.67	
	M&P	17.50		12.50	12.00	n/a	

1. Different rates may apply in special circumstances (e.g. for credit unions).
2. The CCPC threshold is $500,000, except in Manitoba and Nova Scotia where:
   - the lower rate applies to active business up to the CCPC threshold of $425,000 (2015) or $450,000 (2016) in Manitoba and $350,000 in Nova Scotia
   - the higher rate applies to active business income from these thresholds to $500,000
3. If taxable capital employed in Canada in the preceding year of associated CCPCs exceeds $10 million, the federal and all provincial and territorial small business rates will be higher.
4. The federal CCPC small business rate is decreasing from 11% to 10.5% on January 1, 2016, to 10% on January 1, 2017, to 9.5% on January 1, 2018, and to 9% on January 1, 2019. The Liberal party promised to reduce the rate to 9% as well, but did not specify the timing.
5. Rates on investment income are 19.67% higher than the general rates (see above) because:
   - CCPC investment income does not benefit from the 13% federal general rate reduction
   - the rates on investment income include a 6-2/3% tax that is refundable when the CCPC pays taxable dividends

   Generally, 26-2/3% of a CCPC's aggregate investment income is added to its refundable dividend tax on hand (RDTOH). This amount is refundable at a rate of $1 for every $3 of taxable dividends paid by the CCPC.
6. New Brunswick's CCPC small business rate is expected to further decrease from 4% in 2015 to 2.5% by 2018.
7. Quebec's CCPC M&P rate applies to all active business income up to $500,000 if 50% or more of the CCPC's activities are attributable to M&P (based on M&P assets and labour). If this percentage is under 50% and more than 25%, the rate increases proportionately (straight line). The combined rate will be 19.00% (2015) or 18.50% (2016) when the M&P percentage is 25% or less.

   For taxation years beginning after December 31, 2016, changes to Quebec's CCPC small business rates:
   - require a CCPC to meet additional criteria to be eligible for the province's regular CCPC rate (i.e. 8%)
   - increase the regular CCPC rate in certain cases
   - extend the M&P CCPC rate to CCPCs in the primary sector (i.e. agriculture; forestry; fishing and hunting; mining; quarrying, and oil and gas extraction)
   - determine the percentage of activities attributable to M&P and primary activities based only on labour costs (assets are no longer a factor)

Let's talk

For a deeper discussion of how you can benefit from this *Year-end tax planner*, please contact your PwC adviser or:

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