

VOLUNTARY RETIREMENT SAVINGS PLAN (VRSP)

The *Voluntary Retirement Savings Plan Act* took effect on July 1, 2014. Businesses must subscribe to a VRSP no later than:

- December 31, 2016, for businesses with 20 or more eligible employees¹ on June 30, 2016;
- December 31, 2017, for businesses with 10 to 19 eligible employees on June 30, 2017;
- a date to be determined by the government, but not prior to January 1, 2018, for employers with 5 to 9 eligible employees.

¹ An eligible employee is defined as an employee who is 18 years or older and credited with one year of uninterrupted service within the meaning of the *Act Respecting Labour Standards*.

TAX RATES FOR CANADIAN-CONTROLLED PRIVATE CORPORATIONS — 2016¹

	FEDERAL	QUEBEC	TOTAL
Active business income			
Eligible for SBD ²	10.5%	8%	18.5%
Eligible for SBD ² – SME manufacturing	10.5%	4%	14.5%
Not eligible for SBD	15%	11.9%	26.9%
Inactive business income			
Personal services business	33%	11.9%	44.9%
Investment income ³	38.67%	11.9%	50.57%
Refundable portion	30.67%	N/A	30.67%
Dividend income			
From an unconnected corporation	38.1%	N/A	38.1%

¹ Rates indicated in the table are based on a 12-month taxation year ending December 31, 2016.

² The small business deduction of \$500,000 must be prorated among associated corporations and gradually decreases if the paid-up capital from the previous year is between \$10M and \$15M.

³ Excluding dividend income.

BUDGET CHANGES — 2016

FEDERAL - Proposed but not adopted (March 22, 2016)

- Introduction of a new school supply tax credit for teachers and early childhood educators
- Elimination of the multiplication of the small business deduction
- Addition of a tax depreciation class for eligible capital property
- Change to the calculation of the capital dividend account regarding life insurance policies
- Changes to the Employment Insurance program

QUEBEC - Proposed but not adopted (March 17, 2016)

- 50% reduction of the additional contribution with respect to a 2nd child in daycare
- Gradual reduction of the health contribution and its complete elimination in 2018
- Introduction of the RénoVert tax credit
- Lowering of the eligible age for the experienced worker tax credit
- Easing of the tax provisions applicable to the transfer of family businesses
- Tightening of certain provisions granting an exemption from paying transfer duties



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CERTIFICATION

CORPORATE AND PERSONAL TAXATION

BUSINESS SUCCESSION PLANNING

BUSINESS ACQUISITIONS, SALES AND MERGERS

BUSINESS VALUATION

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TAX TABLE FOR INDIVIDUALS (QUEBEC) — 2016

This quick reference is intended to provide general information relevant to the 2016 tax year. Individuals requiring further information in order to make an informed tax-related decision are encouraged to seek the advice of a tax professional.

TAXABLE INCOME	FEDERAL INCOME TAX		QUEBEC TAX		COMBINED TAX	MARGINAL RATES ^{1,2}		MARGINAL RATE/ CAPITAL GAINS
	MARGINAL RATE ¹	%	MARGINAL RATE ¹	%		ELIGIBLE DIVIDENDS	OTHER DIVIDENDS	
\$	\$	%	\$	%	\$	%	%	%
11,474	-	12.53	-	-	-	12.53	-	6.26
11,550	10	12.53	-	16.00	10	28.53	5.66	14.26
15,000	442	12.53	90	16.00	532	28.53	5.66	14.26
20,000	1,068	12.53	890	16.00	1,958	28.53	5.66	14.26
25,000	1,694	12.53	1,690	16.00	3,384	28.53	5.66	14.26
30,000	2,320	12.53	2,490	16.00	4,810	28.53	5.66	14.26
35,000	2,947	12.53	3,290	16.00	6,237	28.53	5.66	14.26
40,000	3,573	12.53	4,090	16.00	7,663	28.53	5.66	14.26
42,390	3,872	12.53	4,472	20.00	8,345	32.53	11.18	16.26
45,281	4,234	17.12	5,051	20.00	9,285	37.12	17.49	18.56
50,000	5,042	17.12	5,994	20.00	11,037	37.12	17.49	18.56
60,000	6,754	17.12	7,994	20.00	14,748	37.12	17.49	18.56
70,000	8,466	17.12	9,994	20.00	18,460	37.12	17.49	18.56
75,000	9,321	17.12	10,994	20.00	20,316	37.12	17.49	18.56
80,000	10,177	17.12	11,994	20.00	22,172	37.12	17.49	18.56
84,780	10,996	17.12	12,950	24.00	23,946	41.12	23.01	20.56
90,563	11,985	21.71	14,338	24.00	26,324	45.71	29.35	22.86
100,000	14,034	21.71	16,603	24.00	30,637	45.71	29.35	22.86
103,150	14,718	21.71	17,359	25.75	32,077	47.46	31.77	23.73
140,388	22,802	24.22	26,948	25.75	49,750	49.97	35.22	24.98
150,000	25,130	24.22	29,423	25.75	54,553	49.97	35.22	24.98
200,000	37,238	27.56	42,298	25.75	79,536	53.31	39.83	26.65
215,000	41,371	27.56	46,161	25.75	87,531	53.31	39.83	26.65

N.B.: Income tax is computed for a single individual with no dependants. This table takes into account both the federal and Quebec basic personal exemption. This table should not be used to compute tax if the taxpayer has income from dividends only (unless a separate, distinct computation is made for this type of income). The income tax rate indicated for dividends in the first taxable income brackets only applies fully in cases where there are taxes otherwise payable by the individual.

- The marginal rate corresponds to the income tax rate applicable to each additional dollar of income.
- Eligible dividends:** Dividends paid by a public company and any other corporation from business income that is not eligible for the small business deduction (SBD).
Other dividends: Dividends paid out by a Canadian-controlled private corporation (CCPC) from business income that is eligible for the SBD and dividends paid out from investment income (interest, taxable capital gains, other income from property, but not dividends).

INDIVIDUALS RECEIVING ONLY DIVIDEND INCOME — 2016

GROSS-UP AND CREDIT RATES	FEDERAL	QUEBEC
Eligible dividends		
Dividend gross-up	38%	38%
Dividend tax credit	15.02%	11.9%
Other dividends		
Dividend gross-up	17%	17%
Dividend tax credit	10.52%	7.05%

If this is the taxpayer's only source of income, an individual not eligible for any deduction or credit other than the basic amount may receive a dividend without having to pay any tax if the revenue does not exceed the following thresholds (amount before gross-up):

	FEDERAL	QUEBEC
Eligible dividends	\$55,690	\$35,838
Other dividends	\$32,848	\$25,470

TAX-FREE SAVINGS ACCOUNT — 2016

Maximum contribution \$5,500¹

¹ On December 7, 2015, Prime Minister Justin Trudeau rolled back the contribution limit on the TFSA to \$5,500.

RRSP AND RPP CONTRIBUTION LIMITS

	2016	2017
RPP ¹	\$26,010	Indexed
RRSP	\$25,370	\$26,010
Income limit ²	\$140,945	\$144,500

- Defined benefits.
- This is the maximum earned income from the previous year used for calculating the RRSP limit.

CAPITAL GAINS EXEMPTION — 2016

Capital gains exemption \$824,176

PERSONAL TAX CREDITS — 2016

	FEDERAL (15%)	QUEBEC (20%)
Basic	\$11,474	\$11,550
Person living alone	N/A	\$1,355 ¹
Spouse or eligible dependant	\$11,474	N/A
Dependant child ² :		
■ Under 18 years of age	N/A	N/A
■ 18 years or older at school	N/A	\$7,610 ²
■ Post-secondary studies (by semester, minors)	N/A	\$2,130
■ Single-parent family	N/A	\$1,675 ³
■ Children's fitness amount (per child under age 16)	\$500	\$300
■ Family income threshold	N/A	\$134,095
Other dependant aged 18 or older:		
■ General	N/A	\$3,100 ⁴
■ Disabled dependant	\$6,788	N/A
■ Net income threshold	\$6,807	N/A
Age amount	\$7,125 ¹	\$2,485 ¹
Disability amount (for self)	\$8,001	\$2,625
Caregivers	\$4,667	\$1,167 ⁵
■ Net income threshold	\$15,940	\$23,330
Canada Employment Credit/tools deduction	\$1,161 ⁶	N/A ⁷

	FEDERAL	QUEBEC
Professional and union dues	Deduction	10% tax credit
Tuition, education and textbook amounts	15% credit of \$465/month full-time (\$140/month part-time)	N/A
Contribution to the Health Services Fund	N/A	20% tax credit
Medical expenses	15% of expenses in excess of the lesser of \$2,237 or 3% of net income of claimant	20% of expenses in excess of 3% of net family income
Charitable donations ⁸	The amount of eligible donations is limited to 75% of net income The credit granted is 15% on the first \$200 and 29% on the excess amount (33% on the portion taxed at 33%)	The amount of eligible donations is limited to 75% of net income The credit granted is 15% on the first \$200 and 24% on the excess amount

- Depending on income, this amount can be reduced by 15% for every dollar of income.
- A tax credit amount unused by a child is transferable to the parents.
- For single-parent families who have lived with an eligible student.
- In Quebec, these amounts are cumulative and reduced by the dependant's income.
- An amount of \$642 is not reducible on the basis of income.
- The lesser of \$1,160 and the individual's employment income for the year.
- Deduction of the lesser of \$1,140 or 6% of employment income.
- After March 20, 2013, first-time eligible donors will receive an additional federal tax of 25% on the first \$1,000 of monetary donation.

PRESCRIBED INTEREST RATES — 2016

	FEDERAL		QUEBEC	
	1 st	2 nd	1 st	2 nd
Trimester				
Income tax owing	5%	5%	6%	6%
Tax receivable (corporation/other)	1%/3%	1%/3%	1.1%	1.1%
Taxable benefits and loan to a related person	1%	1%	1%	1%

DEDUCTIONS AT SOURCE — 2016

QUEBEC		
Quebec Pension Plan (QPP)		
Maximum pensionable earnings	\$54,900	
Basic exemption	\$3,500	
Maximum contributory earnings	\$51,400	
Contribution rate	5.325%	
Maximum employee contribution	\$2,737	
Maximum employer contribution (per employee)	\$2,737	
Maximum contribution for a self-employed worker	\$5,474	
Quebec Parental Insurance Plan (QPIP)		
Maximum insurable earnings	\$71,500	
Employee contribution rate	0.548%	
Self-employed worker contribution rate	0.973%	
Employer contribution rate	0.767%	
Maximum employee contribution	\$392	
Maximum employer contribution (per employee) (employee contribution multiplied by 1.4)	\$548	
Health Services Fund (HSF)		
Employer contribution rate		
Payroll	SMEs in primary and manufacturing sectors	Other
≤ \$1,000,000	1.6%	2.7%
> \$1,000,000 and < \$5,000,000	0.935% + [0.665% x P]	2.31% + [0.39% x P]
> \$5,000,000	4.26%	4.26%
(P = Cumulative total payroll / \$1,000,000)		
The cumulative total payroll represents the total amount of wages paid by any associated employer, regardless of where the employer carries on its business.		
Workforce training (1%)		
Businesses with a payroll of more than \$2M are required to devote a minimum of 1% of their payroll to eligible training expenses.		
FEDERAL		
Employment insurance		
Maximum insurable earnings	\$50,800	
Employee contribution rate	1.52%	
Maximum employee contribution	\$772	
Maximum employer contribution (per employee) (employee contribution multiplied by 1.4)	\$1,081	

MOTOR VEHICLES — TAXABLE BENEFITS — 2016

Personal use of a company vehicle is considered a twofold taxable benefit that is calculated as follows:

	PURCHASED VEHICLE	LEASED VEHICLE
1. Standby charge	2% x original cost x No. of months	¾ leasing cost x No. of months
2. Operating costs	\$0.26 x No. of km for personal use or 50% of item #1 ¹	\$0.26 x No. of km for personal use or 50% of item #1 ¹

- The standby charge decreases if the automobile is used for business purposes more than 50% of the time and if the number of kilometres travelled for personal reasons is less than 1,667 km for each 30-day period.

The taxable benefit must also take into account GST, QST and deductions at source.

	DEDUCTION LIMIT
For the purposes of CCA	\$30,000
Monthly leasing costs	\$800 ¹
Maximum allowable interest	\$300

- Another limit based on a mathematical formula that factors in the suggested price can definitely bring the deduction limit down below the \$800 threshold.

Employer's maximum deductible allowance for kilometres travelled by an employee

- \$0.54/km on first 5,000 km
- \$0.48/km for every additional km