

VOLUNTARY RETIREMENT SAVINGS PLAN (VRSP)

The new *Voluntary Retirements Savings Plan Act* takes effect on July 1st, 2014. From that date onwards, it will be mandatory for businesses with more than 5 eligible employees¹ to subscribe to a VRSP by:

- December 31st, 2016 for businesses with 20 or more eligible employees on June 30, 2016
- December 31st, 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 1st, 2018, for employers with 5 to 9 eligible employees.

¹ This definition includes employees aged 18 years or over who, within the meaning of the province's *Act Respecting Labour Standards*, are considered to be wage-earners with one year of uninterrupted service.

CANADIAN CONTROLLED PRIVATE CORPORATION TAX RATE — 2014

	FEDERAL	QUÉBEC	TOTAL
Active Business Income			
Eligible for SBD ¹	11%	8%	19%
Not eligible for SBD	15%	11.9%	26.9%
Inactive Business Income			
Personal services	28%	11.9%	39.9%
Investment income ²	34.67%	11.9%	46.57%
Refundable portion	26.67%	N/A	26.67%
Dividend Income			
From an unrelated corporation	33 1/3% ³	N/A	33 1/3%

¹ 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.

² Excluding dividend income.

³ Income taxes are refunded at a rate of \$1 for every \$3 of dividends paid out.

BUDGET CHANGES — 2014

FEDERAL - Proposed but not adopted (February 11, 2014)

- Expanded definition of split income to include income derived from a source that is a business or rental property.
- Elimination of graduated rate taxation of trusts created by will. There will be graduated rates on the first 36 months of an estate that arises as a consequence of an individual's death.
- Introduction of a capital gains exemption for property that used more than 50% of the time in any combination of farming and fishing.
- Reduction in the frequency of remittance of source deductions by increasing the threshold level of average monthly withholdings.

QUÉBEC - Proposed but not adopted (February 20, 2014)

- Amendment to the refundable tax credit for renovations or improvements to a tourist accommodation establishment, proposing to replace the annual cap of \$50,000 with a onetime maximum of \$50,000.
- Reduction of tax credit to purchase shares in *Capital régional et coopératif Desjardins*; the credit will decrease from 50% to 45% and the maximum deductible amount, from \$2,500 to \$2,250.
- Installation of sales recording modules in bars and resto-bars.
- Introduction of mandatory certification for contracts with employment agencies worth \$2,500 or more.
- Extending the Revenu Québec requirements governing certification of public contracts to private construction work valued at \$25,000 or more.



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TAX TABLE FOR INDIVIDUALS RESIDING IN QUÉBEC — 2014

This quick reference is intended to provide general information regarding the 2014 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	MARGINAL RATE ¹	PROVINCIAL TAX	MARGINAL RATE	COMBINED TAX	COMBINED MARGINAL RATE		MARGINAL RATES ^{1,2}		MARGINAL RATE ¹ CAPITAL GAINS
						MARGINAL RATE	ELIGIBLE DIVIDENDS	OTHER DIVIDENDS		
\$	\$	%	\$	%	\$	%	%	%	%	%
11,138	-	12.53	-	16.00	-	28.53	-	3.92	6.26	
11,305	21	12.53	-	16.00	21	28.53	5.66	14.48	14.26	
15,000	484	12.53	139	16.00	623	28.53	5.66	14.48	14.26	
20,000	1,100	12.53	939	16.00	2,049	28.53	5.66	14.48	14.26	
25,000	1,736	12.53	1,739	16.00	3,475	28.53	5.66	14.48	14.26	
30,000	2,362	12.53	2,539	16.00	4,901	28.53	5.66	14.48	14.26	
35,000	2,989	12.53	3,339	16.00	6,328	28.53	5.66	14.48	14.26	
40,000	3,615	12.53	4,139	16.00	7,754	28.53	5.66	14.48	14.26	
41,495	3,802	12.53	4,378	20.00	8,180	32.53	11.18	19.20	16.26	
43,953	4,110	18.37	4,870	20.00	8,980	38.37	19.22	26.10	19.19	
50,000	5,221	18.37	6,079	20.00	11,300	38.37	19.22	26.10	19.19	
60,000	7,058	18.37	8,079	20.00	15,137	38.37	19.22	26.10	19.19	
70,000	8,895	18.37	10,079	20.00	18,974	38.37	19.22	26.10	19.19	
75,000	9,813	18.37	11,079	20.00	20,893	38.37	19.22	26.10	19.19	
80,000	10,732	18.37	12,079	20.00	22,811	38.37	19.22	26.10	19.19	
82,985	11,280	18.37	12,676	24.00	23,956	42.37	24.74	30.82	21.19	
87,907	12,184	21.71	13,857	24.00	26,042	45.71	29.35	34.76	22.86	
100,970	15,020	21.71	16,993	25.75	32,013	47.46	31.76	36.82	23.73	
136,270	22,684	24.22	26,082	25.75	48,766	49.97	35.22	39.78	24.98	
150,000	26,009	24.22	29,618	25.75	55,627	49.97	35.22	39.78	24.98	

N.B.: Here, income tax is calculated for a single individual with no dependants. This table takes into account the basic personal exemption and the supplementary credit in Québec. This table does not apply to taxpayers with dividend income (unless a separate, discrete calculation 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 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 — 2014

GROSS-UP AND CREDIT RATES	FEDERAL	QUÉBEC
Eligible dividends		
Dividend gross-up	38%	38%
Dividend tax credit	15.02%	11.9%
Other dividends		
Dividend gross-up	18%	18%
Dividend tax credit	11.02%	7.05%

If this is the taxpayer's only source of income, a single individual may receive a dividend without having to pay any tax.

	FEDERAL	QUÉBEC
Eligible dividends	\$49,285	\$35,075
Other dividends	\$35,557	\$21,408

TAX-FREE SAVINGS ACCOUNT — 2014

Maximum contribution

\$5,500

PROPOSED RRRSP AND RPP CONTRIBUTION LIMITS

	2014	2015
RPP ¹	24 930 \$	Indexed
RRSP	24 270 \$	24 930 \$
Income earned from previous year	134 833 \$	138 500 \$

1 Defined benefit.

PERSONAL TAX CREDITS — 2014

	FEDERAL (15%)	QUÉBEC (20%)
Basic	\$11,138	\$11,305
Person living alone	N/A	\$1,325 ³
Spouse or eligible dependants	\$11,138 ¹	N/A
Dependent children ² :		
■ Under 18 years of age	\$2,255	N/A
■ Aged 18 or older at school	N/A	\$7,450 ⁴
■ Post-secondary education (per semester, minors)	N/A	\$2,085
■ Single-parent family	N/A	\$1,640 ⁷
■ Children's fitness amount (per child under age 16)	\$500	\$100
■ Family income threshold	N/A	\$130,000
Other dependant aged 18 or older:		
■ General	N/A	\$3,035 ²
■ Disabled dependant	\$4,531	N/A
■ Net income threshold	\$6,607	N/A
Age amount	\$6,916 ³	\$2,435 ³
Disability amount (for self)	\$7,766	\$2,570
Caregivers	\$4,530	\$1,142 ⁸
■ Net income threshold	\$15,472	\$22,840
Canada Employment Credit/tools deduction	\$1,127 ⁵	N/A ⁶

	FEDERAL	QUÉBEC
Professional and union dues	Deduction	20% tax credit
Tuition, education and textbook amounts	15% credit \$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 3% of net income or \$2,171	20% of expenses in excess of 3% of net family income
Charitable donations ⁹	Maximum donations: ■ 75% of net income ■ 15% on the first \$200 and 29% on amounts over \$200	Maximum donations: ■ 75% of net income ■ 20% on the first \$200 and 24% on amounts over \$200

- Elimination of threshold above which the dependant's net income must be taken into account
- In Québec, these amounts are cumulative and reduced by the dependant's income
- 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
- The lesser of \$1,127 and the individual's employment income for the year
- Deduction of the lesser of \$1,110 or 6% of employment income
- For single-parent families who have lived with an eligible student
- An amount of \$628 is not reducible on the basis of income
- The March 21st federal budget announced the First-Time Donor's Super Credit for a taxpayer's first-time charitable donation, an increase of the 25% credit for donations up to \$1,000.

PRESCRIBED INTEREST RATES — 2014

	FEDERAL		QUÉBEC	
	1 st	2 nd	1 st	2 nd
Income tax owing	5%	5%	6%	6%
Tax receivables (corporation)	1%	1%	1.25%	1.25%
Taxable benefits and loan to a related person	1%	1%	1%	1%

DEDUCTIONS AT SOURCE — 2014

PROVINCIAL	
Québec Pension Plan (QPP)	
Maximum pensionable earnings	\$52,500
Basic exemption	\$3,500
Maximum contributory earnings	\$49,000
Contribution rate	5.175%
Maximum employee contribution	\$2,535.75
Maximum employer contribution (per employee)	\$2,535.75
Maximum contribution for a self-employed worker	\$5,071.50
Québec Parental Insurance Plan (QPIP)	
Maximum insurable earnings	\$69,000
Employee contribution rate	0.559%
Self-employed worker contribution rate	0.993%
Employer contribution rate	0.782%
Maximum employee contribution	\$385.71
Maximum employer contribution per employee (employee contribution multiplied by approximately 1.4)	\$539.58
Health Services Fund (HSF)	
Employer contribution rate	
Payroll ≤ \$1,000,000	2.7%
Payroll > \$1,000,000 and < \$5,000,000	2.31% + [0.39% x P] (P = payroll/\$1,000,000)
Payroll (\$5,000,000)	4.26%
Total payroll represents the total amount of wages paid by any associated employer, wherever the employer carries on its business.	
Workforce training (1%)	
Businesses with a payroll of more than \$1 M are required to devote 1% of their payroll to eligible training expenses.	
FEDERAL	
Employment insurance	
Maximum insurable income	\$48,600
Employee contribution rate	1.52%
Maximum employee contribution	\$743.58
Maximum employer contribution per employee (employee contribution multiplied by 1.4)	\$1,041.01

TAXABLE BENEFIT, MOTOR VEHICLES — 2014

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. months	2/3 leasing cost x no. months
2. Operating costs	\$0.27 x km for personal use or 50% of item #1 (if used for business more than 50% of time)	\$0.27 x km for personal use or 50% of item #1 (if used for business more than 50% of time)

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 in every 30-day period.

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

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

1 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 additional km