Once again, we are happy to share good news for Canadians in the form of tax cuts for families, this time it is immediate and will take effect in the 2014 and subsequent tax years. These changes give parents of children under the age of eighteen a new tax credit option. This new tax credit comes on the heels of the previously shared Universal Child Care Benefit proposal for 2015 for children under the age of 6. Of course, there are rules and we have outlined them in this month's newsletter.

New for 2014 Family Tax Credit

Family tax Cut proposed changes for the 2014 and subsequent tax years.
In order to support Canadians with families, the Canadian government is proposing to allow a tax credit of up to 2,000.

Here are the details ....

New for 2014 – tax changes
Line 423 – Family Tax Cut

Under proposed changes, for the 2014 and subsequent tax years, you or your spouse or common law partner may be able to claim a non refundable tax credit of up to $2,000 if your child ordinarily lived with you or your spouse or common-law partner throughout the year.

It's based on your taxable income like this:

You can claim up to $2,000 credit based on the *net reduction* to your and your spouse or common-law partner's combined federal taxes if up to $50,000 in taxable income was transferred from the individual with the higher taxable income to his or her spouse or common-law partner.

But take note: Unlike pension income splitting, your net income and the net income of your eligible spouse or common-law partner will not change if you claim the Family Tax Cut. As a result, benefits and tax credits that are calculated based on net income, such as the GST/HST credit or the Canada Child Tax Benefit (CCTB), the age amount, and the spouse or common-law partner amount, will not change.

Of course there are rules:

You can claim this credit if :

• You were married or living in a common-law partnership, and you and your spouse or common-law partner were not living separate or apart because of a breakdown in your relationship for a period of 90 days or more including December 31, 2014 – *and*

• You were both residents of Canada on December 31, 2014 (or if either person died in the year, at the date of death); and you **both** file a return for the year this credit is claimed- *and*

• You or your spouse or common-law partner **also** ordinarily live throughout the year with your child who is under 18 years of age at the end of the year. Because of a joint custody arrangement, your child may have ordinarily lived with both you and your former spouse or common-law partner throughout the year.

And yet more rules:

You **cannot** claim this credit if:

• You are confined to a prison or similar institution for a period of 90 days or more during the year - *or*

• Your spouse or common-law partner is claiming the credit for the year - *or*

• Either you or your spouse or common-law partner became bankrupt in the year - *or*

• Either you or your spouse or common-law partner has elected to split eligible pension income.

The information presented is only of a general nature, may omit many details and special rules, is current only as of its published date, and accordingly cannot be regarded as legal or tax advice. Please contact our office for more information on this subject and how it pertains to your specific tax or financial situation.

2900 Steeles Avenue E., Suite 207, Thornhill, ON. L3T 4X1 . Phone (905) 881-6257 . Fax (416) 352-1501
www.liwanpo.com