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The new Liberal government delivered its first federal budget today in Ottawa.

While you've probably seen plenty of media coverage, I thought you would appreciate an overview of how some of the budget items relate to investments and taxes.

Prime Minister Justin Trudeau spent heavily in this budget, leading to a projected $29.4-billion shortfall this year. This is a quite a bit more than the $10 billion talked about during the election campaign.

The good news: Part of that spending may benefit you:

- **OAS eligibility** returns to age 65 – great news for those born April 1, 1958 or later. The conservatives had implemented a change of eligibility over time to age 67.

- The **Canada Child Benefit** replaces the Canada Child Tax Benefit, National Child Benefit, and the Universal Child Care Benefit. The CCB is tax-free, unlike before, and government says nine out of 10 families will receive more in child benefits than under the current system. The new program will pay up to $6,400 per child under six and up to $5,400 per child for those aged six through 17. However, the benefits begin to phase out starting at $30,000 in net family income.

  Here is the link to the calculator to estimate your own Canada Child Benefit.

  http://www.budget.gc.ca/2016/tool-outil/ccb-ace-en.html

- **Increase of Guaranteed Income Supplement** (GIS) for low-income single seniors. Also proposes to introduce amendments to the Old Age Security Act that will ensure that couples who receive Guaranteed Income Supplement and Allowance benefits and have to live apart for reasons beyond their control (such as a requirement for long-term care) will receive higher benefits based on their individual incomes. Legislation is already in place to allow for senior couples who are both Guaranteed Income Supplement recipients to receive benefits based on their individual incomes if the couple is living apart for reasons beyond their control.

The bad news: The government also took things away:

- **Corporate class mutual funds.** Tax-free switching within corporate class mutual funds is over: After September 2016, moving from one share class to another is a taxable event. This will affect most of our clients who have non-registered investments with us. If you are planning to change funds, let's talk about rebalancing prior to then. The measure will not apply to switches where the shares received in exchange differ only in respect to management fees or expenses borne by investors.
- **The promised small business tax cut has been frozen at 10.5%.** The conservatives had introduced a plan to lower the tax on the first $500,000 of active business income to 9% by 2019. If you're a business owner, let's talk about other ways to save tax.
- **No more special tax treatment for insurance policy transfers to corporations.** If you own a business and were planning on doing such a transfer, we should revisit that strategy, as it's no longer tax-advantaged.
- Elimination of the **income splitting for couples with children** in the 2016 tax year. (Family tax cut)
- The **Children's Fitness and Arts Tax Credits will be cut** in half for 2016 and eliminated by 2017.
- There will no longer be **education and textbook tax credits** as of January 1, 2017, but the impact should be relatively minor. The tuition tax credit will remain unchanged.
- In their election campaign the Liberals said they would change the rules to allow people to **dip into their RRSPs more than once to buy a home**. This was not in the budget.
- **Donations of private company shares and real estate.** The previous government introduced a proposal that would have made donations involving the proceeds from the sale of private company shares or real estate exempt from capital gains tax, as long as the donation took place within 30 days of the sale. The Liberal government will not proceed with this proposal.

Just a reminder from December: **The 2016 federal tax brackets have been adjusted**. For income between $45,282 and $90,563 the tax rate has dropped by 1.5% from 22% to 20.5%. For income over $200,000 the tax rate is up 4% from 29% to 33%. You start becoming worse off than the previous tax brackets when you have income over $217,000.

I hope you find these highlights useful. If you'd like to discuss these and other federal budget initiatives and how they affect your financial plan, please don't hesitate to contact us.

Sincerely,

Matthew Humes, B.Comm, Fin. pl.