

## 2015 INCOME TAX UPDATE

Welcome to DDW Electronic Tax Update. We hope you will find this information interesting and helpful. This letter will describe some of the tax changes to expect for 2015.

### Personal Income Tax Rates

#### New BC Temporary Top Tax Rate

2015 will be the second year of the 2.1% surtax implemented by the Province of British Columbia on taxable income in excess of \$150,000. This surtax is a temporary tax for the 2014 and 2015 taxation years and will expire on December 31, 2015.

	Employment Income & Interest			Ineligible Dividends			Eligible Dividends		
	2015	2014	Change	2015	2014	Change	2015	2014	Change
Taxable Income									
0 to 37,569	20.06%	20.06%	0%	7.61%	7.61%	3.45%	-6.84%	-6.84%	0%
37,569 to 43,562	22.70%	22.70%	0%	10.73%	10.73%	3.27%	-3.20%	-3.20%	0%
43,562 to 75,139	29.70%	29.70%	0%	18.99%	18.99%	2.78%	6.46%	6.46%	0%
75,139 to 86,269	32.50%	32.50%	0%	22.29%	22.29%	2.58%	10.32%	10.32%	0%
86,269 to 87,124	34.29%	34.29%	0%	24.40%	24.40%	2.45%	12.79%	12.79%	0%
87,124 to 104,755	38.29%	38.29%	0%	29.12%	29.12%	2.17%	18.31%	18.31%	0%
104,755 to 135,055	40.70%	40.70%	0%	31.97%	31.97%	2.01%	21.64%	21.64%	0%
135,055 to 150,000	43.70%	43.70%	0%	35.51%	35.51%	1.80%	25.78%	25.78%	0%
Greater than 150,000	45.80%	45.80%	0%	37.98%	37.98%	4.27%	28.68%	28.68%	0%

### Personal Income Tax Credits

#### Family Tax Cut

Effective for 2014 families with children under 18 who are in separate tax brackets may benefit from income-splitting. Tax relief of up to \$2,000 can be realized by notionally transferring up to \$50,000 of an individual's taxable income to the lower-income spouse. Tax relief is calculated on the basis of a difference in federal tax before and after the notional transfer of income.

For example, Spouse A has income of \$100,000 and Spouse B has no income. They have one child under 18. Before the income split, their combined federal taxes are \$15,558. If Spouse A transferred \$50,000 to Spouse B, their new combined federal taxes would be \$11,998, a difference of \$3,560. Since the credit is limited to \$2,000, Spouse A would receive a \$2,000 credit against federal taxes of \$15,558.

#### Children's Fitness Amount

The maximum amount for eligible fees has doubled from \$500 to \$1,000. The Children's Arts Amount remains at \$500.

## Personal Tax

### Lifetime Capital Gains Exemption (LCGE)

Each individual is entitled to the LCGE which is an exemption on capital gains of certain qualified property including Qualified Small Business Corporations (QSBC). Effective for 2014, the LCGE is \$800,000 and will be indexed for inflation after December 31, 2014. Utilizing the LCGE on an \$800,000 gain on qualified property could result in tax savings of up to \$183,200.

In order to utilize the LCGE on the sale of a business, the business must be a QSBC. Therefore, proper tax planning should be performed to ensure that the company continually qualifies as a QSBC.

### Tax Free Savings Account (TSFA)

The following table shows the annual contribution limits to TSFA. The contribution limits are indexed for inflation and rounded to the nearest \$500.

	2015	2014	2013
Annual Contribution Limit	\$5,500	\$5,500	\$5,500

### Registered Retirement Savings Plan (RRSP)

The maximum RRSP contribution is 18% of the prior year's earned income for RRSP purposes to a maximum annual contribution limit shown in the following table. If you do not contribute your maximum in a year, any unused RRSP contribution room can be carried forward indefinitely.

	2015	2014	2013
Annual Contribution Limit	\$24,930	\$24,720	\$23,820

## Corporate Income Tax Rates

The federal and provincial general corporate tax rates remained unchanged in 2015. The small business limit remained unchanged at \$500,000. The corporate tax rates for 2015 are as follows:

	2015			2014		
	Federal	B.C.	Combined	Federal	B.C.	Combined
General rate	15.00%	11.00%	26.00%	15.00%	11.00%	26.00%
Small business rate	11.00%	2.50%	13.50%	11.00%	2.50%	13.50%
Investment income	34.67%	11.00%	45.67%	34.67%	11.00%	45.67%

This discussion of the changes in tax rates is intended only as an introduction to the matter and is not exhaustive. Should you have any questions relating to how these changes affect you and what can be done to take advantage of these changes, or any other aspect of personal or corporate income taxation please contact one of the members of our tax group at [info@ddwca.com](mailto:info@ddwca.com) or (250) 220-7311.

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