

Federal and provincial tax changes effective July 1 (July 2011)

Each year, at the beginning of July, a number of tax changes, at both the federal and provincial levels, are implemented. In some cases, the changes are those announced in the current year federal or provincial budget to take effect as of July 1. In other cases, those budgets included changes to individual tax rates or credits which were retroactive to the beginning of the year, and adjustments are made to employee source deductions beginning in July to take account of those changes. Finally, in some cases, the “benefit year” for a federal or provincial program begins on July 1, and benefit amounts are changed as of that date. What follows is a listing of changes at the federal and provincial levels which will either take effect on July 1 or be reflected on employee paycheques for the first time as of that date.

Federal

The new benefit year starts for Canada Child Tax Benefit purposes, and benefit rates will rise across the board. The basic benefit rate will increase to \$1,367 annually, while the National Child Benefit Supplement received by lower income families will increase to \$2,118 per year, for a first child. Finally, the Child Disability Amount will be raised to \$2,504 annually. The income level at which both the basic benefit and the Child Disability benefit begin to be eroded is set at \$41,544.

Alberta

The province of Alberta provides lower-income working families in the province with an Employment Tax Credit, for which payments are made twice a year, in January and July. Each July, the payment amounts are increased to take account of inflation. The rates payable beginning with the July 2011 payment, as announced in this year’s provincial budget, are as follows: \$702 for one child, \$1,341 for two children, \$1,724 for three children, and \$1,852 for four or more children. The income level at which the credit starts to phase out will also rise, to \$34,280. Details of the credit can be found on the Alberta government Web site at http://www.finance.alberta.ca/business/tax_rebates/alberta_family_employment_taxcredit.html.

Saskatchewan

Employees in the province will see a small increase in their take-home pay as of July 1. In this year’s budget, the credit amounts on which the personal, spousal, and dependent child credits are based were increased, effective as of July 1, 2011. The personal and spousal credits were each increased by \$1,000, while the dependent child credit was increased by \$500. Employee source deductions made after June 30 for income taxes will be adjusted to reflect those changes.

As of July 1, the province’s small business tax rate will be reduced from 4.5% to 2.0%. The small business tax rate applies to qualifying income below the current small business income threshold of \$500,000. That threshold is unchanged, and it is expected that the rate change will be pro-rated for companies whose fiscal year straddles the July 1 implementation date.

Manitoba

Increases in the provincial basic personal and spousal credit amounts were announced in the 2011 Manitoba Budget, with both amounts increasing from \$8,134 to \$8,384. Employee source deductions for income tax will be adjusted after July 1 to take account of those changes, meaning a small increase in take-home pay.

Nova Scotia

As part of the 2011-12 Nova Scotia Budget, it was announced that, effective as from January 1, 2011, the province's basic personal credit was increased from \$8,231 to \$8,481, and the spousal credit was increased from \$6,989 to \$7,201. Both changes will be reflected in employee source deductions after June 30.

New Brunswick

High-income New Brunswick residents will see their source deductions for income tax increased as of July 1. In this year's budget it was announced that the provincial tax rate applied on income over \$120,796 was to be increased, effective with the 2011 tax year, from 12.7% to 14.3%. Since source deductions were made at the former 12.7% rate for the first half of the year, income tax will be withheld at a rate of 15.9% for the balance of the year, in order to make up for the resulting shortfall.