

FEDERAL BUDGET 2016: IMPACT ON FAMILY LAW

*By Kristen D. Morris**

A. INTRODUCTION

On March 22, 2016, federal Finance Minister Bill Morneau tabled the first budget of the Liberal majority Federal Government (“[Budget 2016](#)”).¹ Subsequent legislation to implement certain portions of Budget 2016 was introduced on April 20, 2016 by Bill C-15, Budget Implementation Act, 2016 No. 1, which received Royal Assent on June 22, 2016.² Budget 2016 emphasizes the Liberal election platform to focus on economic growth, job creation and supporting a strong middle class, which includes several provisions that affect families and the practice of family law in Canada. This *Family Law Bulletin* provides a summary of these and other provisions from Budget 2016 that impact family law.

B. NEW CANADA CHILD BENEFIT REPLACES CCTB AND UCCB

Budget 2016 introduced the Canada Child Benefit (“CCB”) which replaced the Canada Child Tax Benefit (“CCTB”) and the Universal Child Care Benefit (“UCCB”). It is paid monthly to eligible families with the first payment made in July 2016.

Specifically, the CCB provides “a maximum annual benefit of up to \$6,400 per child under the age of 6 and up to \$5,400 per child for those aged 6 through 17. Families with less than \$30,000 in net income receive the maximum benefit.” This is an increase from the previous \$4,852 for children under 6, and

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¹ The full text of the Budget 2016 document is available at <http://www.fin.gc.ca/n16/16-032-eng.asp>.

² Department of Finance Canada, Bill C-15, Budget Implementation Act 2016, No. 1, 1st Sess, 42nd Parl, 2015, (assented to 22 June 2016).

\$3,916 for children aged 6 through 17, respectively. The Child Disability Benefit remains available to eligible families and provides up to an additional \$2,730 for families with one eligible dependent. Budget 2016 indicates that as a result of these changes, “nine out of ten families will receive more than they did under the previous government.”

In addition to the increased maximum amount, CCB will be delivered by single payments each month and these payments are not taxable as income on annual returns. Eligible individuals are residents of Canada who live with and have primary responsibility for the care of the qualifying dependants.

To be consistent with the time limit on retroactive claims of other tax amounts, Budget 2016 allows a taxpayer to request a retroactive payment of the CCB, CCTB or UCCB in respect of a month on or before the day that is 10 years after the beginning of that month, effective for requests made after June 2016.³

Unlike the previous benefit schemes, individuals who are Indians under the *Indian Act*, or permanent residents under the *Immigration and Refugee Protection Act* but are not Canadian citizens, are eligible for the benefits. The CCB is complemented by other investments for families with children, such as funding towards establishing a National Framework on Early Learning and Child Care (see below).

For those interested, the Federal Government has posted an online [CCB Calculator](#) alongside Budget 2016, for those who wish to see how much they could potentially receive.

C. REDUCTION OF CHILDREN'S FITNESS & ARTS TAX CREDITS IN 2016

Budget 2016 also reduces, and will subsequently eliminate, the Children's Fitness and Arts Tax Credits (The “Fitness Credit” and the “Arts Credit”, respectively) by 2017. The Fitness Credit previously allowed a refundable tax credit of 15% for eligible claims on fitness expenses of up to \$1000. Similarly, the Arts Credit provided for a 15% credit on claims of up to \$500 for eligible art expenses.

In an attempt to simplify the *Income Tax Act* (“ITA”), Budget 2016 reduces the maximum eligible expense for both credits by 50% in 2016, and will completely eliminate these credits in 2017. Budget 2016 claims that this cut is balanced by new measures for families with children and the middle class tax cut, which

³ The full text of the Budget 2016 Tax Measures: Supplementary Information document is available at <http://www.budget.gc.ca/2016/docs/tm-mf/si-rs-en.html>.

provides families eligible for the credits with “additional net after-tax benefits of approximately \$14 billion during the 2015–16 to 2020–21 period”.

D. ELIMINATION OF THE INCOME SPLITTING CREDIT

Budget 2016 also eliminated the income splitting tax credit. Previously, the non-refundable credit was available to couples with at least one child under the age of 18. Income splitting used to permit a higher-income individual to transfer up to \$50,000 to their spouse or common law partner in order to reduce total income tax liability for the couple by up to \$2,000. Beginning in the 2016 taxation year, income splitting is eliminated.

E. REVISED TAX RATES

Budget 2016 places much emphasis on the concept of strengthening the middle class and discusses the tax cut for the middle class, which was introduced on December 7, 2015. Specifically, the tax cut reduces a family’s second personal income tax rate from 22% to 20.5%. This is applicable to taxpayers with income between \$45,282 and \$90,563, starting on January 1, 2016. This is facilitated by the institution of a new top income tax rate of 33% for wealthy individuals earning more than \$200,000 per year.

F. NATIONAL FRAMEWORK OF EARLY LEARNING AND CHILD CARE

Budget 2016 also introduced a National Framework of Early Learning and Child Care (the “National Framework”) in which the Federal Government proposes investing \$500 million in social infrastructure in 2017-2018. Development of the National Framework will occur during 2016-2017 as a joint effort between the federal and provincial governments as well as the territories and the Indigenous people. Investment of the funds will begin in 2017-2018, with \$100 million specifically designated to “Indigenous child care and early learning on reserve”.

G. FINANCING POST-SECONDARY EDUCATION

Budget 2016 introduced a number of measures designed to make post-secondary education more affordable for low and middle class families. This will be accomplished through a series of reforms to the Canada Student Loans Program.

Specifically, Budget 2016 introduced a 50% increase to Canada Student Grant amounts beginning in the 2016-2017 academic year:

- from \$2,000 to \$3,000 per year for students from low-income families;
- from \$800 to \$1,200 per year for students from middle-income families; and
- from \$1,200 to \$1,800 per year for part-time students.

This increase is accompanied by expanded eligibility for the Student Grant program, which are expected to be in place for the 2017-2018 academic year. Budget 2016 also plans to implement a flat-rate student contribution in determining eligibility, in order to permit students to work without having their financial assistance reduced while studying for the 2017-2018 academic year.

Budget 2016 make student loan repayment more manageable by increasing the loan repayment threshold under the Canada Student Loans Program's Repayment Assistance Plan. This is accomplished by ensuring that students that earn less than \$25,000 per year do not have to begin repayment until they exceed this income threshold as of November 1, 2016.

Additionally, Budget 2016 eliminates the Education Tax Credit and the Textbook Tax Credit as of January 1, 2017, in favor of assistance based on income levels. The Education tax credit provides a 15% non-refundable tax credit of \$400 per month for full-time enrolment and \$120 per month for part-time enrolment in qualifying educational programs. The Textbook Tax Credit provides a 15% non-refundable tax credit on \$65 per month for full-time enrolment and \$20 per month on part-time enrolment at qualifying educational programs.



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