

Did You Know?

(A publication for the clients and contacts of Gary S. Aslett, Chartered Accountant)

WHAT'S NEW FOR 2006?

With personal tax return filing deadlines just around the corner, this article provides you with 10 changes for 2006 which may affect your personal income tax return:

1. **Eligible Dividends:** You will see additional boxes on your tax slips for 2006 which refer to a new type of dividend called 'eligible dividend'. These dividends are entitled to higher dividend tax credits and therefore a lower personal tax rate than 'non-eligible' dividends. Generally, 'eligible dividends' are from corporations which have paid high tax rates on their business profits and therefore, this change will reduce personal tax paid on dividends received from these corporations.
2. **Universal Child Care Benefit:** Families with children under the age of 6 will receive \$100 per month commencing July 1, 2006. This benefit is taxable to the spouse with the lower income. If you are eligible for this benefit but have not received your payments, you can call CRA at 1-800-959-2221.
3. **RRSP Contributions:** The maximum RRSP contribution limit for 2006 is \$18,000 (\$19,000 for 2007). You should review your 2005 notice of assessment to verify your limit. A non-deductible over-contribution is also allowed up to \$2,000. Consider contributions to a spousal plan, monthly instead of annual contributions, and delaying a deduction in 2006 if you will be in a higher tax bracket in 2007.
4. **Donation of Securities:** Effective for donations after May 1, 2006, no taxable capital gain will result from the donation of publicly traded securities to a qualified charity (other than a private foundation). However, you can still claim a donation credit for the value of the gift on your tax return.
5. **Public Transit Passes Credit:** Effective July 1, 2006, a non-refundable credit for monthly/annual transit passes can be claimed for the taxpayer, spouse and children under 19 at the end of 2006. Passes and receipts should be retained and should disclose specific information as discussed on CRA's website.
6. **Tradespersons Tools:** Trades people can deduct up to \$500 for the cost of new tools acquired after May 1, 2006 in excess of \$1,000. Employers will have to certify that the employee is required to acquire these tools for employment.
7. **Canada Employment Credit:** Employees will receive a federal non-refundable credit of \$250 for 2006 to alleviate the fact that certain employment related expenses cannot be claimed.
8. **Scholarships:** All scholarships, fellowships and bursaries received in 2006 will be exempt from tax if the taxpayer is entitled to claim the education credit for the program.

9. **Textbook Tax Credit:** For 2006, students who are eligible for the education tax credit will be eligible for a new tax credit to recognize the cost of textbooks. The credit will be claimed with the tuition and education credits.

10. **Personal Tax Credits:** The pension income credit has doubled from \$1,000 to \$2,000 for 2006. A number of other personal tax credits are indexed from year to year.

Please contact Gary Aslett at 905-629-3318 or gary@aslettca.ca if you require further information on this subject.

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This information is based on existing legislation or legislation which is expected to be passed into law. Such legislation is subject to change without notice. Readers are advised to obtain specific professional advice before acting on the basis of material contained in this article.

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