

Personal Income Tax Commentary- 2017 Federal Budget

Disability Tax Credit – Nurse Practitioners

Budget 2017 proposes to add nurse practitioners to the list of medical practitioners that could certify eligibility for the disability tax credit. A nurse practitioner would be permitted to certify for all types of impairments that are within the scope of their practice.

This measure will apply to disability tax credit certifications made on or after Budget Day.

Medical Expense Tax Credit – Eligible Expenditures

Budget 2017 proposes to clarify the application of the medical expense tax credit so that individuals who require medical intervention in order to conceive a child are eligible to claim the same expenses that would generally be eligible for individuals on account of medical infertility.

This measure will apply to the 2017 and subsequent taxation years. Additionally, taxpayers will be permitted to adjust any of the preceding ten years' tax returns to claim such expenses.

Consolidation of Caregiver Credits – New Canada Caregiver Credit

Budget 2017 proposes to simplify the existing system of tax measures for caregivers by replacing the existing caregiver credit, infirm dependant credit and family caregiver tax credit with a new Canada caregiver credit. This new credit will extend tax relief to some caregivers who may not currently qualify due to the income level of their dependant.

The amounts for this new credit vary based on who the infirm dependent is. In general, the new credit will mirror the amounts that could have been claimed under the current caregiver credit or infirm

dependent credit (both \$6,883 in 2017 for an infirm dependent) and family caregiver tax credit (\$2,150 in 2017).

The Canada caregiver credit will be reduced dollar-for-dollar by the dependant's net income above \$16,163 (in 2017).

Under this new credit, an amount will no longer be available in respect of non-infirm seniors who reside with their adult children.

The Canada caregiver credit will apply for the 2017 and subsequent taxation years. The credit amounts that may be claimed and the income thresholds above which the credit will begin to be phased out will be indexed to inflation for taxation years after 2017.

Mineral Exploration Tax Credit for Flow-Through Share Investors

Budget 2017 confirms the previously announced proposal to extend eligibility for the mineral exploration tax credit for an additional year, to flow-through share agreements entered into on or before March 31, 2018.

Tuition Tax Credit

Budget 2017 proposes to extend the eligibility criteria for the tuition tax credit to fees for an individual's tuition paid to a university, college or other post-secondary institution in Canada for occupational skills courses that are not at the postsecondary level. To provide consistency with the rules for certified educational institutions, the tuition tax credit would be available in these circumstances only if the course is taken for the purpose of providing the individual with skills (or improving the individual's skills) in an occupation and the individual has attained the age of 16 before the end of the year.

This measure will apply in respect of eligible tuition fees for courses taken after 2016.

Budget 2017 also proposes to extend eligibility as a "qualifying student" to individuals in the specific circumstances described above, who otherwise meet the conditions to be a "qualifying student". Whether or not an individual is a "qualifying student" is relevant for the tax exemption for scholarship and bursary income.

This measure will apply to the 2017 and subsequent taxation years.

Ecological Gifts

Budget 2017 proposes a number of measures in order to better protect gifts of ecologically sensitive land.

For example, Budget 2017 proposes that the requirement to approve recipients be extended, on a gift-by-gift basis, to municipalities and municipal and public bodies performing a function of government. As well, Budget 2017 proposes that private foundations no longer be permitted to receive ecological gifts.

Public Transit Tax Credit

Budget 2017 proposes that the public transit tax credit be eliminated, effective July 1, 2017. Specifically, the cost of public transit passes and electronic fare cards attributable to public transit use that occurs after June 2017 will no longer be eligible for the credit.

Allowances for Members of Legislative Assemblies and Certain Municipal Officers

Budget 2017 proposes to require that non-accountable allowances paid to certain officials be included in income. The reimbursement of employment expenses will remain a non-taxable benefit to the recipient.

These officials are:

- elected members of provincial and territorial legislative assemblies and officers of incorporated municipalities;
- elected officers of municipal utilities boards, commissions, corporations or similar bodies; and
- members of public or separate school boards or of similar bodies governing a school district.

This measure will apply to the 2019 and subsequent taxation years.

There was no mention of the exemption for allowances paid to Members of Parliament, however, most Members of Parliaments' allowances were eliminated over 10 years ago.

Home Relocation Loans Deduction

Budget 2017 proposes to eliminate the deduction for the interest benefit of eligible home relocation loans.

This measure will apply to benefits arising in the 2018 and subsequent taxation years.

First-Time Donor's Super Credit

Budget 2017 confirms that the first-time donor's super credit will be allowed to expire in 2017 as planned.

Anti-Avoidance Rules for Registered Plans

Budget 2017 proposes that certain anti-avoidance rules applicable to TFSAs, RRSPs, and RRIFs be extended to RESPs and RDSPs. These proposals are not expected to have an impact on the vast majority of RESP and RDSP holders, who typically invest in ordinary portfolio investments.

Subject to certain exceptions, this measure will apply to transactions occurring, and investments acquired, after Budget Day.

In addition, Budget 2017 proposes to explore new ways to increase awareness of the Canada Learning Bond program and reduce barriers to access.