



# finance and tax.....

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## 2011 Federal budget - Highlights!

### Personal Income Tax Measures

The budget contains an array of targeted tax and non-tax measures that address specific groups of individuals rather than offering more broadly based tax reductions or adjustments. Parents, seniors, students, doctors, nurses and volunteer firefighters are among the groups that may benefit from these measures.

- Non-refundable Tax Credits
  - Children's Arts Tax Credit – allows parents to claim a 15 percent tax credit based on an amount not exceeding \$500 in artistic, cultural, recreational or development activities per child under 16 years of age.
  - Volunteer Firefighters Tax Credit – allows volunteer firefighters to claim a 15 percent tax credit based on an amount of \$3,000.
  - Family Caregiver Tax Credit – 15 percent tax credit based on an amount of \$2,000 to be applied in 2012 to support caregivers of dependents with a mental or physical infirmity. This credit will be in addition to the amounts claimed under one of the existing dependency-related tax credits.
  - Medical Expense Tax Credit – removes the \$10,000-limit on eligible expenses that can be claimed for a dependent relative.
  - Child Tax Credit eligibility – removes the rule that limits the number of child tax credit claimants to one per household.
  - Tuition Tax Credit – expands costs eligible for the tuition tax credit to include fees paid to take an examination that is required to obtain a professional status recognized by statute or to be licensed or certified to practice a profession or trade in Canada.
  - Tuition, Education and Textbook Tax Credit – reduces the minimum course-duration requirement that must be met by Canadian students studying abroad to three consecutive weeks from 13 weeks. Similar rules would apply to Educational Assistance payments.
- RESPs – allows transfers between individual Registered Education Savings Plans for siblings without tax penalties and without repayment of Canada Education Savings Grants, provided the beneficiary of a plan receiving a transfer of assets had not reached 21 years of age when the plan was opened.
- RDSPs – allows earlier access to savings in a Registered Disability Savings Plan for beneficiaries with shortened life expectancies without requiring the repayment of Canada Disability Savings Grants and Canada Disability Savings Bonds.

- RRSPs – proposes anti-avoidance rules to curtail the use of RRSPs in tax planning schemes including “RRSP strips” using rules similar to those that currently apply to Tax-Free Savings Accounts: the advantage rules, the prohibited investment rules and the non-qualified investment rules.
- Tax on Split Income – expanded to include capital gains realized by a minor on the disposition of shares of a corporation to a non-arms-length person.
- Mineral Exploration Tax Credit – extended by one year for flow-through share agreements entered into on or before March 31, 2012.
- Individual Pension Plans – annual minimum amounts will be required to be withdrawn once a plan member reaches age 72. Any contributions made to the plan that relate to past service must be funded first out of a member’s existing RRSP assets or by reducing the individual’s accumulated RRSP contribution room before new deductible contributions based on past service can be made. (source CGA Canada)

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## CRA notice on postal disruption

The CRA has advised that the Canadian Union of Postal Workers has agreed to continue delivering certain Government of Canada cheques on the 20<sup>th</sup> day of any month during a national strike or lock-out. In particular, cheques that would be delivered include payments in respect of the Canada child tax benefit (CCTB), certain provincial/territorial benefits combined with the CCTB, the Old Age Security (OAS), the Canada Pension Plan (CPP), and the Guaranteed Income Supplement. Other cheques, including Employment Insurance payments, would not be delivered during a strike. Individuals who are currently enrolled for direct deposit are not affected by postal disruptions; the CRA invites taxpayers to apply for direct deposit to minimize the impact of payment delays.

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## Tax tips...



- ✓ Don’t confuse insurance policy dividends with corporate dividends. Insurance-policy dividends are not a distribution of corporate profits; they are return of premiums and as such not taxable
- ✓ You may deduct reasonable travel expenses if required to seek specialized medical treatment outside Canada if you meet certain conditions

### IMPORTANT NOTICE:

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## Do you know...?

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