

Throne Speech Kicks Off New Tax Agenda

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Today the new Liberal government confirmed its intention to reduce the federal tax rate for the middle class “as an immediate priority”.

In the Speech from the Throne, the government also stated that it would introduce a new Canada Child Benefit, strengthen the Employment Insurance system and work with the provinces to enhance the Canada Pension Plan, among other things.

Details expected soon

The government is expected to release draft legislation to enact its proposed tax changes shortly. This legislation should provide more details about the government’s proposed tax measures.

Personal tax rates

The Liberal Party’s campaign platform stated that the federal tax rate for income between about \$44,700 and \$89,400 would be reduced to 20.5% (from 22%). This change is expected to be effective January 1, 2016. As a result, taxpayers with income in this bracket would save up to \$670 in federal income tax in 2016.

The Speech from the Throne did not mention the Liberal’s campaign proposal to increase the federal tax rate for income over \$200,000 by 4% to 33% (from 29%), also expected to be effective January 1, 2016. After this rate increase, the combined federal and provincial tax rate for this income would range from 48% to 59%, depending on the province.

Family tax benefits

The Throne speech stated that the government would introduce a new Canada Child Benefit but did not provide any details about this program or the existing Universal Child Care Benefit.

Employment Insurance premiums

The Throne speech stated that the government would strengthen the Employment Insurance (EI) system but did not provide any further details.

KPMG observation

It remains to be seen which of the new government's campaign tax proposals will be included in the legislation expected shortly and which may be included in the 2016 federal budget.

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We can help

Your KPMG adviser can help you assess the effect of the upcoming tax changes on your personal finances and point out ways to take advantage of any benefits arising from the changes or help mitigate their impact. For details on these changes and their potential impact, contact your KPMG adviser.

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