

## **Federal and provincial tax changes effective July 1 (July 2010)**

Each year, at the beginning of July, a number of tax changes, at both the federal and provincial levels, are implemented. This year, the most significant change is likely the implementation, in British Columbia and Ontario, of a harmonized sales tax, or HST. Notwithstanding, the federal government and most of the provinces will implement some change as of the July 1 date, as outlined below.

### **Federal**

The new benefit year starts for Canada Child Tax Benefit purposes, and benefit rates will rise across the board. The basic benefit rate will increase to \$1,348 annually, while the National Child Benefit Supplement received by lower income families will increase to \$2,088 per year, for a first child. Finally, the Child Disability Amount will be raised to \$2,470 annually.

### **British Columbia**

Effective July 1, the province is combining its 7% provincial sales tax with the 5% federal goods and services tax, and a harmonized sales tax of 12% is being levied on most (but not all) goods and services sold in the province. A listing of exemptions from the tax, as well as the details of transitional rules can be found on the B.C. government Web site at <http://hst.blog.gov.bc.ca/>.

### **Alberta**

The province of Alberta provides lower-income working families in the province with an Employment Tax Credit, for which payments are made twice a year, in January and July. Each July the payment amounts are increased to take account of inflation, and the rates payable beginning with the July 2010 payment are as follows: \$696 for one child, \$1,329 for two children, \$1,709 for three children, and \$1,836 for four or more children. The income level at which the credit starts to phase out will also rise, to \$33,974. Details of the credit can be found on the Alberta government Web site at [http://www.finance.alberta.ca/business/tax\\_rebates/alberta\\_family\\_employment\\_taxcredit.html](http://www.finance.alberta.ca/business/tax_rebates/alberta_family_employment_taxcredit.html).

### **Ontario**

Like British Columbia, the province of Ontario is, as of July 1, merging its 8% provincial sales tax with the 5% federal goods and services tax to create a 13% harmonized sales tax levied on the sale of most goods and services in the province. Details of the application of the new tax and the various rebates which will be paid by the government

of Ontario in conjunction with its introduction can be found on the Ontario government Web site at <http://www.rev.gov.on.ca/en/taxchange/index.html>.

## **Quebec**

As of July 1, Quebec residents will be required to pay a new health contribution, with the contribution payable by provincial residents over the age of 17. The contribution amount will be \$25 for 2010, \$100 for 2011, and \$200 as of 2012.

Details of the new health contribution, including exemption thresholds and payment dates, are outlined on the Revenu Québec Web site at [http://www.revenu.gouv.qc.ca/en/ministere/centre\\_information/nf/2010/2010-06-15.aspx](http://www.revenu.gouv.qc.ca/en/ministere/centre_information/nf/2010/2010-06-15.aspx).

## **New Brunswick**

In March 2009, the province released the results of its overall review of the provincial tax system, entitled A Plan for Lower Taxes in New Brunswick. Part of that plan involved “creating a growth-oriented business tax environment” by reducing the general corporate income tax rate from 13% to 8% over several years. The latest step in that tax reduction plan will take effect on July 1, 2010, when the general New Brunswick corporate tax rate will drop from 12% to 11%.

## **Nova Scotia**

The province of Nova Scotia has levied a harmonized sales tax for several years. As of July 1, 2010, the Harmonized Sales Tax in Nova Scotia is changing from 13% to 15%, due to an increase of the provincial portion of the HST from 8% to 10%.

The province is offering a number of HST rebates to offset the amount of the provincial portion of the HST for certain products and services, and details of those rebates are outlined on the provincial government Web site at <http://www.gov.ns.ca/finance/en/home/taxation/hstchanges/default.aspx>.

## **Newfoundland**

Two personal income tax changes will take effect in Newfoundland and Labrador effective July 1, 2010. The more significant of the changes will see a reduction in the tax rates applied to the second and third income brackets, to 12.5% and 13.3%, respectively. Once the July 1 changes are blended with the rates applied for the first half of the 2010 year, the personal tax rates and brackets for Newfoundland and Labrador for 2010 will be as follows:

**2010 Provincial Tax Bracket Rates**

<b>1st</b>	\$31,278 or less	7.7%
<b>2nd</b>	\$31,279 to \$62,556	12.65%
<b>3rd</b>	Over \$62,556	14.4%

Also as of July 1, the tax credit amount provided by the province to residents aged 65 and older is increased, providing an age amount for 2010 of \$4,340. The income threshold over which eligibility for the credit is reduced will also be raised, giving an effective threshold for 2010 of \$56,337.