

## CORPORATE — ESTATE ALERT

APRIL 2015

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## 2015 Federal Budget Highlights

Yesterday the Minister of Finance, the Honourable Joe Oliver, presented the federal budget for 2015-2016 (“Budget 2015”) in the House of Commons. The following is a summary of some of the highlights contained in the budget.

### Personal Income Tax Measures

#### *Tax Free Savings Account (TFSA) – Contribution Limit*

The TFSA was introduced in 2009 with an annual contribution limit of \$5,000. The annual contribution limit increased to \$5,500 on January 1, 2013 as the TFSAs were indexed to inflation. Budget 2015 increases the annual contribution limit to \$10,000 effective January 1, 2015. However, future annual contribution limits will no longer be indexed to inflation.

#### *Registered Retirement Income Funds (RRIFs) – Minimum Withdrawal Factors*

A Registered Retirement Savings Plan (“RRSP”) must be converted to a RRIF by the end of the year in which the person reaches the age of 71. RRIF holders are required to withdraw a minimum amount annually starting from the year after it is established. A formula based on a percentage of the fair market value of the assets held in the RRIF (“RRIF Factor”) is used to determine the minimum amount that must be withdrawn.

Currently, a RIFF holder is required to withdraw a minimum of 7.38 per cent of their RRIF in the first year. The RRIF Factor increases each year until the RRIF holder reaches the age of 94, when the RRIF Factor is capped at 20 per cent. Budget 2015 reduces the minimum withdrawal RRIF Factor to 5.28 per cent in the first year and reduces the cap to 18.79 per cent at age 94. For RRIF holders age 95 and above, the RRIF Factor will remain capped at 20 per cent. The new RRIF Factors will be effective for 2015 and subsequent years. In addition, RRIF holders who withdraw more than the new minimum amount in 2015 will be permitted to re-contribute any excess amounts to their RRIFs until February 29, 2016. The amount of the re-contribution will be tax deductible in 2015.

#### *Registered Disability Savings Plans (RDSPs) – Legal Representation*

In 2012, the federal budget introduced a temporary measure permitting certain family members to become the plan holder of a RDSP in circumstances where an adult may lack the capacity to enter into a contract. This measure was to expire at the end of 2016 but Budget 2015 proposes to extend this measure to the end of 2018.

## Charitable Measures

### *Donations involving Private Corporation Shares or Real Estate*

At present, donations of publicly listed securities and ecological gifts to registered Canadian charities and other qualified donees are fully exempted from capital gains tax. Budget 2015 proposes to provide similar tax relief for donations of private corporation shares and real estate. Gains from the disposition of private shares or real estate by individual and corporate donors to an arm's length party will not be subject to tax to the extent the proceeds are donated to a charity within 30 days of the disposition. If only a portion of the proceeds is donated, the exemption would apply only to that portion.

Anti-avoidance rules will apply to restrict the exemption in circumstances where, within five (5) years after the disposition, (i) the donor reacquires the property, (ii) the donor acquires shares substituted for the shares that had been disposed of, or (iii) the shares of the corporation that have been disposed of are redeemed and the donor is not at arm's length with the corporation at the time of redemption.

This measure will apply to dispositions occurring after 2016.

### *Investments by Charities in Limited Partnerships*

Budget 2015 proposes to permit charities to invest in limited partnerships under the condition that the charity's interest in the limited partnership does not exceed 20 per cent and the charity deals at arm's length with the general partner of the limited partnership. This measure will apply to interests acquired after April 20, 2015.

### *Gifts to Foreign Charitable Foundations*

Canadian registered charities are "qualified donees" under the *Income Tax Act* and are permitted to make gifts to other qualified donees. Budget 2015 proposes to amend the *Income Tax Act* to allow foreign charitable foundations to register as qualified donees if (i) they receive a gift from the federal Government, and (ii) they are pursuing activities related to disaster relief or urgent humanitarian aid or carrying on activities in the national interest of Canada.

The qualified donee status will be granted for a 24-month period that begins on a date specified by Minister of National Revenue. Typically the start date would be no later than the date of the gift from the federal Government. This measure will apply on Royal Assent to the enacting legislation.

### *Social Finance Accelerator Initiative*

Budget 2015 proposes to implement a social finance accelerator initiative to help develop promising social finance proposals. Details of the initiative have yet to be released.

## ESTATES, TRUSTS AND CHARITIES

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