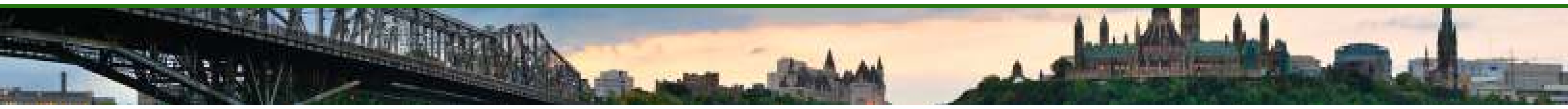
McIntyre & Associates
CHARTERED PROFESSIONAL ACCOUNTANTS



A publication for McIntyre & Associates' clients

Summer 2016

Tax free is not what it used to be

A common tax planning strategy for owner managers of small business is to pay dividends to a spouse or adult child who has no other income.

In the past, an owner manager could pay a non-eligible dividend of almost $40,000 to a shareholder with no other income before triggering any tax liability.

This table shows the amount of dividends that can be paid to an individual who has no other income, without triggering any tax liabilities.

	Non-eligible Dividend	Eligible Dividend
2015	$36,150	$50,123
2016	$32,977	$50,974
2017	$30,162	$51,714
2018	$28,074	$51,913
2019	$26,471	$52,115

An eligible dividend of up to $54,000 could be paid to a shareholder without any other source of income before triggering any tax liability.

This is set to change. Ontario intends to lower small business tax rates and reduce the non-eligible dividend tax credit, which will increase how much personal income tax is owed on dividends.

Owner managers paying dividends to an adult child for their post secondary education should make sure they are paying enough dividends to maximize the use of the dividend tax credits. As tax rates and tuition costs rise, this approach becomes more tax effective.

If you have any questions about this common tax planning strategy, please contact us.

CRA's Prescribed Interest Rates

The prescribed interest rates for the third quarter of 2016 are as follows:
- **1%** to calculate a deemed interest benefit on subsidized employee and shareholder loans;
- **3%** on refunds of income tax overpayments; and
- **5%** on payments of overdue income taxes, insufficient income tax instalments, unremitted employee source deductions, CPP contributions or EI premiums, and unpaid penalties.

These rates are in effect from July 1, 2016 to September 30, 2016.

Summer has arrived!

Please note that our **office** and **drop box** are **closed** on **Fridays** during July and August.

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McIntyre & Associates

200 – 900 Morrison Drive
Ottawa, ON
K2H 8K7

613-726-7788

general@mcintyreca.com

www.mcintyreca.com