

TAX FLASH

Ontario Increases Non-Eligible Dividend Tax Rate

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On November 7, 2013, Ontario's Finance Minister announced proposed measures which if enacted will ultimately increase the tax on non-eligible dividends. This will be achieved by maintaining the non-eligible dividend tax credit rate of 4.5% and then calculating the Ontario surtax on higher income earners before the application of dividend tax credits (currently, the surtax is applied after deducting certain non-refundable credits including dividend tax credits).

As a result of these proposed changes, the combined Federal and Ontario top marginal tax rates on non-eligible dividends (eligible dividend top rates remain for all intents and purposes static while the rate on these dividends for lower income taxpayers will decline) are expected to be as follows:

Non-Eligible Dividends				
Taxable Income	2013 rate	2014 Rate		Increase from 2013 rate
		Before Update	After Update	
> \$509,000	36.47%	38.60%	40.13%	3.66%
over \$135,054 up to \$509,000	32.57%	34.92%	36.45%	3.88%

If you are an owner-manager of a private corporation, consider paying non-eligible dividends in 2013 in order to save up to 3.88% in taxes.

Contact your Collins Barrow tax advisor to explore this and other valuable tax planning opportunities.

Collins Barrow periodically publishes a *Tax Flash* for its clients and associates. It is designed to highlight and summarize the continually changing tax and business scene across Canada. While *Tax Flash* suggests general planning ideas, we recommend professional advice always be sought before taking specific planning steps.

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