STEPUP

Sales Tax Estate Planning Underwriting & Product Newsletter

Vol. 17, No. 6

Simplifying the caregiver credits

The current income tax system in Canada has three basic tax credits that provide tax relief to individuals serving as caregivers for family members.

Caregiver tax credits are designed to help individuals who provide support to low income family dependants who are dependent on them due to physical and/or mental infirmity. These tax credits are adjusted for inflation annually. They are meant to offset some of the out of pocket, non-discretionary expenses that caregivers incur when supporting dependent family members. Tax credits reduce the actual income tax you pay once you go through all the other calculations that tell you how much income tax you owe each year. The three tax credits are non-refundable which means that once you reach the point where you don't pay income tax in a given year, any balance on a non-refundable tax credit is lost.

Each province or territory in Canada can top up the federal amounts quoted or add their own tax credits. They must at least offer the same basic credits as individuals would receive from the federal government. The regulations around caregiver credits are complicated and many find them confusing. The federal government hopes to address some of these issues with a new tax credit system for caregivers announced in the 2017 Federal Budget.

The new system will replace the three current tax credits for caregivers with one new Canada Caregiver Credit. Like the current system, only one amount is available for each infirm dependant and it can be shared by multiple caregivers who may support the same relative up to the maximum allotted for each infirm dependant. The new Canada Caregiver Credit will not be available in cases where non-infirm seniors live with their adult children. The table below, taken from information provided in the Federal Budget 2017, summarizes how the current and new tax credits work.

Peter A. Wouters,
Director, Tax
Retirement &
Estate Planning
Services, Wealth

Peter works with independent advisors and other professionals raising awareness on issues and concerns faced by affluent individuals, professionals and business owners. He supports efforts in researching and developing optimal solutions for clients aimed at improving their financial well-being and supporting their personal wishes and lifestyles. He annually provides 100's of workshops, seminars and technical support throughout the country on tax, retirement income and estate planning issues, concepts and strategies to both advisors and consumers. As a Registered Financial Gerontologist, a good deal of his time is spent on building awareness and educating people of all professions who work with or specialize in the needs, expectations and issues of elders. Comprehensive lifestyle planning is an important element of these processes.

The Sales, Tax, Estate Planning, Underwriting & Product (STEPUP) team provides internal and broker support, including seminars, education, advanced concept illustrations & Client case technical consultations.

Peter can be reached at peter.wouters@empire.ca

Empire Life Investments

Canada Caregiver Benefit

Current Benefits	How non-refundable tax credits work
Caregiver credit	For individuals providing in-home care to family dependent on you due to physical or mental infirmity: (grand)parents age 65+, adult siblings, aunts, uncles, nieces, nephews
Limits	15% credit on $4667 or $6788 if dependant eligible for family caregiver amount; reduced dollar for dollar by dependant's net income over $15,940 (2016 figures)
Family caregiver credit	15% tax credit of $2121 as top up to other dependency related tax credits including: caregiver credit, eligible dependant credit, spousal/common law partner credit, infirm dependent credit Can be standalone credit to caregiver for infirm minor child (2016 figures)
Infirm dependant credit	15% tax credit for individuals supporting adult (not spouse/common law partner) dependent on you due to physical or mental infirmity. Dependant need not live with you.
Limits	$6788 reduced dollar for dollar by dependant's net income over $6807 (2016 figures)
Proposed benefits	
Canada Caregiver Credit	Replacing all three current tax credits for individuals providing support: 1. for infirm family dependants who are (grand)parents, siblings, aunts, uncles, nieces, nephews, adult children or 2. for infirm dependant spouse/common law partner, infirm child under age 18 or infirm dependant when eligible dependant credit claimed
Limits	1. $6883 2. $2150 (remember, caregiver may already be getting other tax credits here) Reduced dollar for dollar by dependant's net income over $16,163; dependant need not live with caregiver (2017 figures)

If you are a caregiver or potential caregiver, make a point of sitting down with your professional advisors to see how you can optimize this benefit as part of your financial and tax planning.

Empire Life Investments®