

NOTICE OF WAYS AND MEANS MOTION TO AMEND  
THE INCOME TAX ACT

That it is expedient to amend the *Income Tax Act* as follows:

**Universal Child Care Benefit**

**1. The provisions of the *Income Tax Act* are modified consequential on the proposal to amend the Universal Child Care Benefit, as described in the accompanying document entitled “Backgrounder — Helping Families Prosper”.**

**Child Tax Credit**

**2. The Act is modified for the 2015 and subsequent taxation years to repeal the Child Tax Credit and to ensure that the repeal does not affect the availability of the Family Caregiver Tax Credit.**

**Child Care Expense Deduction**

**3. The Act is modified for the 2015 and subsequent taxation years to increase the maximum annual amounts deductible for child care expenses**

- (a) from \$10,000 to \$11,000 for each eligible child in respect of whom a disability tax credit may be claimed;**
- (b) from \$7,000 to \$8,000, for each eligible child under 7 years of age; and**
- (c) from \$4,000 to \$5,000, in any other case.**

**Family Tax Cut**

**4. (1) Section 118.92 of the Act is replaced by the following:**

**118.92** In computing an individual’s tax payable under this Part, the following provisions shall be applied in the following order: subsections 118(1) and (2), section 118.7, subsections 118(3) and (10) and sections 118.01, 118.02, 118.03, 118.031, 118.04, 118.05, 118.06, 118.07, 118.3, 118.61, 118.5, 118.6, 118.9, 118.8, 118.2, 118.1, 118.62, 119.1 and 121.

**(2) Subsection (1) applies to the 2014 and subsequent taxation years.**

**5. (1) The Act is amended by adding the following after section 119:**

**119.1** (1) The following definitions apply in this section.

Ordering of  
credits

Definitions

“adjusted base  
tax payable”  
« *impôt  
payable de  
base rajusté* »

“adjusted base tax payable”, of an individual for a taxation year, means the amount that would be the individual’s tax payable under this Part for the year, if

<p>“adjusted non-refundable tax credits amount” « <i>montant de crédits non remboursables rajustés</i> »</p>	<p>(a) the individual’s taxable income for the year were the individual’s split-adjusted income for the year; and</p> <p>(b) no amount were deductible under this Division other than the individual’s adjusted non-refundable tax credits amount for the year.</p> <p>“adjusted non-refundable tax credits amount”, of an individual for a taxation year, means the amount determined by the formula</p>
	<p style="text-align: center;"><math>A + B</math></p> <p>where</p> <p>A is the total of all amounts, each of which is an amount claimed by the individual — not exceeding the amount that may be deducted by the individual — under any of subsections 118(2), (3) and (10) and sections 118.01 to 118.07, 118.1 to 118.3, 118.5 to 118.7 and 118.9 in computing the individual’s tax payable for the taxation year; and</p> <p>B is the amount that would be deductible by the individual under subsection 118(1) in computing the individual’s tax payable for the taxation year if</p> <p>(a) the dollar amount set out in the formula in subparagraph (a)(ii) of the description of B in that subsection were nil, and</p> <p>(b) the amount determined for the description of C.1 in that subparagraph were determined by the formula</p> <p style="text-align: center;"><math>C - D</math></p> <p>where</p> <p>C is the income of the individual’s spouse or common-law partner for the year, and</p> <p>D is the dollar amount set out in subparagraph (a)(i) of the description of B in that subsection.</p>
<p>“base tax payable” « <i>impôt payable de base</i> »</p>	<p>“base tax payable”, of an individual for a taxation year, means the amount that would be the individual’s tax payable under this Part for the year if no amount were deductible under this Division other than an amount deductible under any of sections 118 to 118.9.</p>
<p>“combined adjusted base tax payable” « <i>impôt payable de base rajusté réuni</i> »</p>	<p>“combined adjusted base tax payable”, of a qualifying individual for a taxation year, means the total of the qualifying individual’s adjusted base tax payable for the year and the adjusted base tax payable for the year of the qualifying individual’s eligible relation.</p>

<p>“combined base tax payable” « <i>impôt payable de base réuni</i> »</p>	<p>“combined base tax payable”, of a qualifying individual for a taxation year, means the total of the qualifying individual’s base tax payable for the year and the base tax payable for the year of the qualifying individual’s eligible relation.</p>
<p>“eligible relation” « <i>proche admissible</i> »</p>	<p>“eligible relation”, of a particular individual for a taxation year, means an individual who</p> <ul style="list-style-type: none"> <li>(a) is resident in Canada, <ul style="list-style-type: none"> <li>(i) if the individual dies in the year, at the time that is immediately before the individual’s death, and</li> <li>(ii) in any other case, at the end of the year; and</li> </ul> </li> <li>(b) is at any time in the year, married to, or in a common-law partnership with, the particular individual and not, by reason of the breakdown of their marriage or common-law partnership, living separate and apart from the particular individual at the end of the year and for a period of at least 90 days commencing in the year.</li> </ul>
<p>“qualifying individual” « <i>particulier admissible</i> »</p>	<p>“qualifying individual”, for a taxation year, means an individual who</p> <ul style="list-style-type: none"> <li>(a) has an eligible relation for the year who has not deducted an amount under this section for the year;</li> <li>(b) has a child who <ul style="list-style-type: none"> <li>(i) is under the age of 18 years at the end of the year, and</li> <li>(ii) ordinarily resides throughout the year with the individual or the individual’s eligible relation for the year;</li> </ul> </li> <li>(c) is resident in Canada, <ul style="list-style-type: none"> <li>(i) if the individual dies in the year, at the time that is immediately before the individual’s death, and</li> <li>(ii) in any other case, at the end of the year; and</li> </ul> </li> <li>(d) is not confined to a prison or similar institution for a period of at least 90 days during the year.</li> </ul>
<p>“split-adjusted income” « <i>revenu rajusté par fractionnement</i> »</p>	<p>“split-adjusted income”, of an individual for a taxation year, means</p> <ul style="list-style-type: none"> <li>(a) if the individual’s taxable income for the year is greater than the taxable income for the year of the individual’s eligible relation, the amount that is the individual’s taxable income less the individual’s split adjustment for the year;</li> </ul>

	<p>(b) if the individual's taxable income for the year is less than the taxable income for the year of the individual's eligible relation, the amount that is the individual's taxable income plus the individual's split adjustment for the year; and</p> <p>(c) in any other case, equal to the individual's taxable income for the year.</p>
"split adjustment" « rajustement par fractionnement »	<p>"split adjustment", of an individual for a taxation year, means the lesser of \$50,000 and one half of the absolute value of the positive or negative amount determined by the formula</p> $A - B$ <p>where</p> <p>A is the individual's taxable income for the year, and</p> <p>B is the taxable income for the year of the individual's eligible relation.</p>
Family tax cut credit	<p>(2) For the purpose of computing the tax payable under this Part by a qualifying individual for a taxation year, there may be deducted the lesser of \$2,000 and the amount determined by the formula</p> $A - B$ <p>where</p> <p>A is the qualifying individual's combined base tax payable for the year; and</p> <p>B is the qualifying individual's combined adjusted base tax payable for the year.</p>
Deduction not available	<p>(3) No amount is deductible under subsection (2) in computing an individual's tax payable under this Part for a taxation year if the individual or the individual's eligible relation</p> <p>(a) does not file with the Minister a return of income in respect of the taxation year;</p> <p>(b) becomes bankrupt in the calendar year in which the taxation year ends; or</p> <p>(c) makes an election for the taxation year under section 60.03.</p>
Throughout-the-year deeming rules	<p>(4) For the purpose of applying the definition "qualifying individual" in subsection (1), in determining whether a child ordinarily resides throughout a taxation year with an individual or the individual's eligible relation, the taxation year is deemed not to include</p> <p>(a) in the case of a child who is born or is adopted in the year, the portion of the year before the child's birth or adoption;</p> <p>(b) in the case of an individual who marries or becomes a common-law partner at any time in the year, the portion of the year before that time;</p> <p>(c) in the case of an individual, an eligible relation of an individual or a child who dies in the year, the portion of the year after the death; and</p> <p>(d) in the case of an individual or an eligible relation of an individual who becomes resident in Canada in the year, any portion of the year in which the person is non-resident.</p> <p><b>(2) Subsection (1) applies to the 2014 and subsequent taxation years.</b></p>

**6. (1) Clause 128(2)(e)(iii)(A) of the Act is replaced by the following:**

(A) under any of sections 118 to 118.07, 118.2, 118.3, 118.5, 118.6, 118.8, 118.9 and 119.1,

**(2) Subsection (1) applies to the 2014 and subsequent taxation years.**

**7. (1) Subsection 153(1.3) of the Act is replaced by the following:**

Reduction not  
permitted

(1.3) The Minister shall not consider any of the following circumstances as a basis on which a lesser amount may be determined under subsection (1.1):

(a) a joint election made or expected to be made under section 60.03; and

(b) a deduction or an intention to claim a deduction under section 119.1.

**(2) Subsection (1) applies to the 2014 and subsequent taxation years.**