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## 2016 “New” Federal Tax Brackets

Now that some election pledges made by the Liberals have been enacted, how could this affect tax and your estate planning?

### Marginal tax rates

Described as a “middle-class tax cut,” the federal income tax rate has been lowered from 22% to 20.5% on income between \$45,282 and \$90,563. The tax cut will be financed by increasing the federal tax rate from 29% to 33% on income higher than \$200,000.

If a client has income between \$45,282 and \$200,000, her tax savings will be up to \$680. Those earning between \$200,000 and \$217,000 will also see minor tax savings, since the higher taxes they’ll pay on income in that range will be offset by the middle-class cut. At incomes above \$217,000, the benefits of the middle-class tax cut (worth \$680) are wiped out.

### Federal tax rates for 2016

- 15% **on the first** \$45,282 of taxable income, +
- 20.5% **on the next** \$45,281 of taxable income (on the portion of taxable income over \$45,282 up to \$90,563), +
- 26% **on the next** \$49,825 of taxable income (on the portion of taxable income over \$90,563 up to \$140,388), +
- 29% **on the next** \$59,612 of taxable income (on the portion of taxable income over \$140,388 up to \$200,000), +
- 33% of taxable income **over** \$200,000.

*This document is intended for general information only. It should not be construed as legal, accounting, tax, or investment advice. Readers should consult a professional advisor concerning their situations and any specific investment matters.*

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