IE INVESTMENT EXECUTIVE

Building your Business

Tax credits for kids

There are various federal tax credits and deductions available for clients who are raising families

By Fiona Collie | Mid-October 2014

Staying current with your clients' lives is vital to help them make the most of the myriad tax credits available if they're raising children.
"The key thing is to be aware of your client's situation and identify life changes, life events, that could change taxation," says Murray Pituley, director, tax and estate planning, with Winnipeg-based ***Investors Group Inc.*** in Regina. "And talk to your clients about those life changes."

You also can help your clients by keeping tabs on changes introduced in the federal budget, he adds, and inform clients of potentially useful tax credits and deductions.

Here are some worth keeping in mind:

- ***The children's fitness and arts tax credits*** are meant to encourage parents to enrol children under the age of 16 into sports and cultural activities.

Both credits are non-refundable credits calculated at a rate of 15% on activity fees of up to $500, leading to $75 in tax savings.

The fitness credit is for activities such as hockey, soccer or a sports camp. The arts credit is for cultural activities such as music and art lessons. Be sure to double-check exactly which activities qualify.

"[With the] children's arts credit, you would think it applies only to art classes and music classes and things like that," says Prashant Patel, vice president, high net-worth planning services, in Royal Bank of Canada's wealth-management division in Toronto. "But the way the rules are defined, it's also any class that provides enrichment."

For example, language classes or math tutoring qualify for the arts credit.

To qualify for either credit, the programs must be at least eight consecutive weeks in duration, or five consecutive days if a camp.

- ***The Canada child tax benefit*** provides a tax-free monthly payment to eligible families with children under the age of 18. The benefit is income-tested and generally applicable to lower-income families.

- ***The child tax credit*** can be claimed by either parent of a child under the age of 18 - as long as the child resides with that individual. The credit is calculated at rate of 15% of $2,255 for a total of $338.

"That's one credit that most people should be aware of," says Kevin Tran, director, tax advisory, with Bank of Nova Scotia's private-client group in Toronto. "It's generally claimed by the family when the tax returns are completed at the end of the year."

- ***The universal child care benefit*** provides all families with $100 per month for children under the age of six. That $100 is taxable in the hands of the lower income-earning spouse.

- ***Child-care expense deduction.*** Under this deduction, the lower income-earning spouse typically claims child care-related expenses, such as daycare, sports camps and special-education institutions.

Limits for the deduction depend upon the age of the child. For children six years old or younger, the limit is about $7,000; for children ages seven to 16, the limit is lowered to roughly $4,000 a year.

- ***Other related credits.*** There are other credits for families to take advantage of come tax time. For example, clients who have completed the process of adopting a child can claim the adoption expense tax credit. Or if a child is attending university, there are credits for things such as tuition fees and textbooks. As well, parents looking after an adult child with disabilities can claim the family caregiver tax credit.

- ***Provincial credits.*** Although all of the credits listed above are for federal taxes, provinces sometimes have parallel credits. These may be slightly different and should be checked before a tax return is filed.