

Canada Proposes New “Middle Class Tax Cut” Starting in 2020

December 9, 2019

Canada has announced that it will gradually increase the basic personal income tax deduction to \$15,000, starting next year. The newly re-elected Liberal government released draft legislation on December 9, 2019 to raise the basic personal income tax deduction for individuals with net incomes under \$214,368. This new increase was originally contemplated in the Liberal Party’s election campaign platform. The draft legislation does not include any other tax measures. At a press conference to announce the change, the government also indicated that it intends to deliver an economic update before the end of 2019.

Basic personal income tax deduction

The government has proposed draft legislation to increase the basic personal amount over four years, and to increase two related amounts, the Spouse or Common-Law Partner Amount and the Eligible Dependant Credit, to \$15,000 by 2023. The basic personal amount will be increased as follows, beginning January 1, 2020:

Year	Current Basic Personal Amount	Proposed Basic Personal Amount
2020	\$ 12,298	\$ 13,229
2021	\$ 12,554	\$ 13,808
2022	\$ 12,783	\$ 14,398
2023	\$ 13,038	\$ 15,000

The increase to the basic personal amount is gradually reduced for individuals with net incomes above \$150,473 in 2020. As well, the Spousal Amount and Eligible Dependant Credit would also be gradually reduced for individuals with net incomes above \$150,473 in 2020, and will continue to be reduced dollar-for-dollar based on the net income of the dependant. Individuals with net incomes over \$214,368 in 2020 will not be affected by these changes.

[We can help](#)

At Katherine Sun CPA Inc. we can help you assess the effect of upcoming tax changes on your personal finances and point out ways to help realize any benefits arising from the changes or help mitigate their impact.