



Topic: "The Marginal Rates Chart"
Opinion by: Justice Doug Campbell

Date: December 5, 2014
See: Issue No. 4: "Marginal Rates of Income Tax Simplified"
Issue No. 6: "Marginal Rate-Sample Calculations"

This memorandum was prepared by Justice Doug Campbell in reply to the request of ACJ O'Neil as outlined in his Notice to the Bar dated November 6, 2014. It represents Justice Campbell's personal viewpoint and may or may not require some adjustment to conform to the preferences or practices of individual Judges. That will be left up to the Judge and the lawyer, if any, involved. Readers who make use of the within material do so therefore at their own discretion and subject to their own judgment.

- Formulation:** 1) Combining the Income Tax rates: i.e., the Federal rates and the Nova Scotia rates provide powerful information and efficiency to various tasks of the Family Law Lawyer;
- 2) A useful shortcut is achieved by shrinking the number of combined tax brackets by consolidating nearby brackets; and
- 3) A chart such as the one described below is not readily available.

Context:

In Canada, income is taxed both federally and provincially. This means that the two-tiered level of tax rates complicates and slows down any analysis such as calculation of the tax saved/owed as a result of deductions such as spousal support, RRSP contributions, daycare expenses and others. Family law practitioners need to have access to the *Combined* Tax Rates. They can use this data in various settings which include advising the client "on the spot" and discussion at a Settlement Conference and at Trial.

The supporting data from which I created this Chart can be found on line at www.taxtips.ca. (click on Atlantic Provinces, then Nova Scotia, then Fed/Prov. Tax Rates and marginal tax rates).

In the interest of efficiency and without seriously compromising accuracy there are several shortcuts in the below chart. These will be explained.

In the course of simplifying the meaning of "marginal" rates of tax in Issue No. 4, I referred to my marginal rate chart without explaining some of its features. I did this in order to focus on the point I was then making. In this Issue, I will explain the chart in greater detail so that the reader will be aware of the various shortcuts and liberties that the chart reflects in the interest of efficiency.

The chart refers throughout to "Taxable" Income. I promised an explanation. Simply put, "Taxable Income" is Line 150 minus the various Deductions that I list in Issue # 7 (soon to be

posted), such as RRSP's. *In short, total income minus available deductions equals "taxable income".* "Taxable Income" has a very complicated definition in the Income Tax Act. One could look to line 360 of a Tax Return (T1 General).

Sometimes, "taxable income" will not be known for a subject taxpayer. Nonetheless, the chart is still quite helpful even if total income is used since the deductions that may apply to reduce total income to "taxable income" will not be sufficient to substantially change the marginal rates that apply. The chart is designed to offer a "ballpark" figure and this deficiency does not usually interfere.

The chart is attached at the end of this Memo so that it can be copied and included in the Lawyer's tool kit.

I will elaborate here about the shortcuts used in constructing this chart. It is important to note that the attachment relates to the 2014 calendar year tax information.

Production of the chart for the 2015 calendar year will be posted concurrently but it may change because it is likely that there will be changes that arise from the Federal and the Provincial Budgets forthcoming.

For discussion purposes, the chart is produced again below:

Nova Scotia 2014 Combined Federal / Provincial Marginal Tax Rates

Prepared December 28, 2013

by Doug Campbell

(using 2014 Estimates of brackets and rates)

Taxable Income Above :	Basic Tax	Tax on Next	Marginal Rate
11,138	0	18,452	25.00%
29,590	4,113	29,590	33.50%
59,180	14,026	28,727	38.67%
87,907	25,134	48,363	43.10%
136,270	45,979	13,730	46.50%
150,000	52,363	remainder	50.00%

Read the Chart from left to right in the following "longhand":

- "If taxable Income is below \$11,138, there is zero tax payable because every taxpayer has a personal tax credit which serves to eliminate the tax on those dollars.

- 1st line: "if there are taxable income dollars above \$11,138, (but below \$29,590), the tax is zero plus 25% of the excess income above \$11,138;

-2nd line: "if there are taxable income dollars above \$29,590 (but below \$59,180), the tax is \$4,113 plus 33.5% of the excess income above \$29,590;

-3rd line: "If there are taxable income dollars above \$59,180 (but below \$87,907), the tax is \$14,026 Plus 38.67% of the excess Income above \$59,180;

Et cetera.

In the interest of efficiency, the above chart employs the following shortcuts:

- 1) The Chart has a total of six tax brackets. In fact, there are approximately 9 tax brackets. I have collapsed several of those brackets by consolidating them with the next bracket which has a near-by percentage thereby creating a slight inaccuracy in the interest of efficiency;
- 2) The Chart takes a shortcut by assuming that the Personal Tax Credit, the CPP Tax Credit, the EI Tax Credit and the Canada Employment Tax Credit applies to the taxpayer. These credits are built into the figure in the column "Basic Tax" as if they apply to everyone (but they do not always apply);
- 3) There is no accounting for other tax credits/deductions that might apply. See Family Law Practice Tips, Issue No.6 for a list of deductions and credits that are available.
- 4) The marginal rates are rounded.

**2014 Combined Federal / Provincial
Marginal Tax Rates – NS**

Prepared December 28, 2013
by Doug Campbell
(using 2014 Estimates of brackets and rates)

Taxable Income Above :	Basic Tax	Tax on Next	Marginal Rate
11,138	0	18,452	25.00%
29,590	4,113	29,590	33.50%
59,180	14,026	28,727	38.67%
87,907	25,134	48,363	43.10%
136,270	45,979	13,730	46.50%
150,000	52,363	remainder	50.00%