

With the Personal Income Tax season rapidly approaching we think it is a good time to review the 2009 Federal and Provincial Budget.

2009 Federal Budget Highlights



Business Highlights

Small Business Limit

The new federal budget increased the small business limit from \$400,000 to \$500,000 as of January 1, 2009. Canadian controlled private corporations (CCPC's) with taxable income below \$500,000 for 2009 and later years may be eligible for quarterly instead of monthly tax instalments. CCPC's with taxable income between \$400,000 and \$500,000 will also have one additional month to pay taxes owing.

Accelerated Capital Cost Allowance Measures

Manufacturing and processing equipment purchased in 2010 and 2011 will be eligible for the 50% straight line CCA treatment in lieu of the accelerated CCA treatment announced in the 2008 federal budget. The half year rule in the year of acquisition will apply.

Computers and software purchased after January 27, 2009 and before February 2011 will be 100% deductible for tax purposes.

Personal Highlights

Home Renovation Tax Credit

The budget provides for a new temporary renovation tax credit. Homeowners can claim a 15% non-refundable tax credit for eligible expenditures over \$1,000 but not more than \$10,000, for a maximum credit of \$1,350 (\$9,000 x 15%). Eligible expenditures will be incurred for renovation or alteration of a principal residence performed between January 27, 2009 and February 1, 2010 that are enduring in nature and are integral to the dwelling. Eligible expenditures include labour costs, professional fees, building materials equipment rental and permits. Some examples of eligible expenditures would include a new furnace, windows and decks. **Keep your receipts and proof of payment to claim this credit on your personal tax return.**

First-Time Home Buyers' Credit

First-time home buyers who acquire a qualifying home after January 27, 2009 and before February 1, 2010 may be entitled to claim a new non-refundable tax credit up to \$5,000 for a maximum credit of \$750 (\$5,000 x 15%). The credit may be claimed by either spouse. To qualify neither spouse can have owned and lived in another home in the calendar year of purchase or in the four preceding years.

Taxpayers eligible for the disability tax credit may also be eligible for this credit for certain home purchases.

Home Buyer's Plan Threshold Increased

First-time home buyers are currently able to withdraw \$20,000 tax-free from their RRSP to purchase or build a new home. This limit has now been increased to \$25,000 for withdrawals made after January 27, 2009.

For more information of this credit visit the CRA website:
<http://www.cra-arc.gc.ca/gncy/bdgt/2009/fqhmrnvt-eng.html>.

Administrative Measures

Mandatory E-Filing

CRA is requiring that income tax information be e-filed if it meets the following requirements:

- Corporations with annual gross revenues over \$1 million for a taxation year that ends after 2009.
- Any tax information slips for corporations with more than 50 recipients for a calendar year that ends after 2009. (T4, T5 etc.)

In order for the government to encourage compliance they will be applying a penalty for filing in the incorrect format. However, there will be a 1 year grace period with the penalties being phased in for taxations years ending in 2011 and later.

2009 Ontario Budget Highlights

A blended 13 per cent single sales tax will be implemented as of July 1, 2010, combining the existing 8% provincial tax and the 5% Goods and Services Tax

To help business become more competitive, the Ontario government is offering the following tax cuts for small businesses beginning July 1, 2010.

- Cut the corporate income tax (CIT) rate for small businesses by 18%. (from 5.5% to 4.5%)
- Cut the general CIT rate by 14.3% with a further reduction of 16.7% over the next three years.
- Cut the manufacturing and processing rate by 16.7%
- Exempt more small and medium-sized businesses from the Corporate Minimum Tax and cut the rate for large business by 32.5%

To help families adjust to the switch to the blended sales tax which begins on July 1, 2010 the Ontario government proposes the following:

- Exempt books, children's clothing and footwear, diapers, car seats and feminine hygiene products from the eight per cent provincial portion of the tax.
- Ensure that newly constructed homes under \$400,000 would not be subject to an additional tax burden. Buyers of new homes between \$400,000 and \$500,000 could also claim a proportional rebate.
- 93% of Ontario taxpayers would pay less personal income tax.
- Eligible families with an income below \$160,000 would receive three payments from the province, totalling \$1,000 and eligible individuals with an income below \$80,000 would amounts totalling \$300. (June 2010, December 2010 and June 2011)
- New refundable sales tax credits based on income would provide up to \$260 per year for each adult and child.
- A 16.5% cut in the tax rate on the first \$36,848 of taxable income earned



Please note:

All information is of a general nature and has been prepared on a timely basis. No one should act on this information without professional advice related to each particular situation