

2009 Federal Budget Highlights

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The 2009 Federal Budget was delivered on January 27, 2009 and contained a number of proposals impacting the taxation of individuals:

Personal Amount, Spousal & Common-Law Partner Amount and Eligible Dependant Amount

Budget 2009 proposes to increase the basic personal amount, the spousal & common-law partner amount and eligible dependant amount from \$9,600 in 2008 to \$10,320 in 2009.

Federal Tax Brackets

Effective January 1, 2009, Budget 2009 proposes to increase the two lowest tax brackets as follows:

- The upper limit on the first personal income tax bracket is increased to \$40,726 from \$37,885 in 2008. The federal tax rate remains unchanged at 15%.
- The upper limit on the second personal income tax bracket is increased to \$81,452 from \$75,769 in 2008. The federal tax rate remains unchanged at 22%.

Based on these proposed changes, a single Canadian earning \$80,000 will pay about \$259 less in tax for 2009.

Canada Child Tax Benefit and National Child Benefit Supplement

For the 2009-2010 benefit year, Budget 2009 proposes to increase the income level at which the Canada Child Tax Benefit is clawed back to \$40,726. This corresponds with the increase in the limit of the lowest personal income tax bracket. The income level at which the National Child Benefit Supplement will be phased out for most families will be increased by \$1,894 to \$40,726.

Age Credit

Effective January 1, 2009, it is proposed that the Age Credit will be increased by \$1,000 to \$6,408. This change will provide relief of up to \$150 for low and middle income seniors.

Temporary Home Renovation Tax Credit

Budget 2009 proposes to provide a 15% non-refundable tax credit on the amount in excess of \$1,000 but not more than \$10,000, for eligible expenditures or goods acquired after January 27, 2009 and before February 1, 2010. This measure is only applicable to agreements entered into after January 27, 2009. The credit will be family based and limited to their pooled expenditures. Eligible expenditures must be of an "enduring nature" and will not include routine repairs, amounts for appliances and audio-visual equipment or financing costs associated with renovations. This measure will provide a maximum tax relief of \$1,350 (\$9,000 x 15%).



First Time Home Buyers' Tax Credit

Budget 2009 proposes to introduce a new non-refundable tax credit based on an amount of \$5,000 for first-time home buyers who acquire a qualifying home after January 27, 2009. It is also proposed that the tax credit be available for certain acquisitions of a home for an individual eligible for the disability tax credit.

Home Buyers Plan

In order to provide first-time home buyers with additional access to their RRSP savings to purchase or build a home, Budget 2009 proposes to increase the Home Buyers Plan withdrawal amount from \$20,000 to \$25,000. This proposed measure will be effective for withdrawals after January 27, 2009. A special rule will also allow taxpayers eligible for the disability tax credit to acquire a more accessible or suitable home even if the first-time home-buyer requirement is not met. The same \$25,000 withdrawal limit will apply.

RRSP/RRIF Losses after Death

Budget 2009 proposes to allow the amount of post-death decrease in value of a deceased annuitant's RRSP/RRIF to be carried back and deducted against the year-of-death RRSP/RRIF income inclusion, upon the final distribution of property from the plan. This measure is effective for final distributions occurring after 2008.

Mineral Exploration Tax Credit

Budget 2009 proposes a measure to assist the mineral exploration industry by extending the temporary 15 per cent mineral exploration tax credit for an additional year, to March 31, 2010.

Small Business Deduction

Effective January 1 2009, the Budget 2009 includes a proposal to increase the annual business income limit of a Canadian controlled private corporation (CCPC) that is eligible for the reduced small business tax rate from \$400,000 to \$500,000. This increase will be pro-rated for corporations with taxation years that straddle this date.

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