



Federal Budget - January 27, 2009

On January 27, 2009, the Federal Government presented the 2009 Budget. This budget has a few items that could affect your financial plan and present additional opportunities.

Changes to Personal Taxation:

1) Increase to Basic Personal Amount and Lowest Income Tax Brackets

Budget 2009 proposes to increase the basic personal amount and the two lowest personal tax brackets by 7.5% above their 2008 levels, effective January 1, 2009.

These amounts will be indexed for inflation for 2010 and subsequent years.

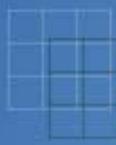
These measures are designed to provide immediate tax relief, particularly for low- to middle-income Canadians. The basic personal amount represents the amount Canadians can earn without federal tax and the bracket thresholds represent income taxed at graduated tax rates.

2) Increase to Age Credit

The federal government proposes to increase the Age Credit, a non-refundable tax credit for Canadians age 65 or older. The credit is targeted to those seniors that need it most – low- and middle-income earners. Once net income reaches \$32,312, the credit is phased out at a rate of 15% and is fully eliminated once net income reaches \$68,365. Budget 2009 proposes to increase the amount on which the credit is calculated by \$1,000 to \$6,408 effective January 1, 2009.

With the \$1,000 enhancement to the credit, the income level at which the Age Credit is fully phased out will increase by over \$6,600 to \$75,032. This provides up to \$150 in additional federal tax savings each year. The credit will be indexed for inflation annually.

Tax Rate	Tax Brackets		
	2008 Actual	2009	
		Current	Proposed
15%	Up to \$37,885	Up to \$38,832	Up to \$40,726
22%	\$37,886 - \$75,769	\$38,833 - \$77,664	\$40,727 - \$81,452
26%	\$75,770 - \$123,184	\$77,665 - \$126,264	\$81,453 - \$126,264
29%	Over \$123,184	Over \$126,264	Over \$126,264



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3) Increase to Home Buyers' Plan Withdrawal Limit:

To help stimulate growth in the housing sector, the Home Buyers' Plan (HBP) withdrawal limit (which allows tax-free withdrawals from an RRSP subject to a 15-year repayment period) is proposed to increase to \$25,000 from \$20,000. This change will apply to 2009 and subsequent calendar years in respect of withdrawals made after January 27, 2009.

4) New First-Time Home Buyers' Tax Credit:

Budget 2009 proposes to introduce a new non-refundable tax credit for first-time home buyers. The credit will be calculated based on an amount of \$5,000 and will provide tax savings of up to \$750 to reduce the costs of first home purchases completed after January 27, 2009.

An individual will be considered a first-time home buyer if neither the individual nor the individual's spouse or common-law partner owned and lived in another home in the calendar year of the home purchase or in any of the four preceding calendar years. A qualifying home will be one that is currently eligible for the Home Buyers' Plan which the individual or a spouse or common-law partner intends to occupy as a principal place of residence.

The credit will also be available for certain acquisitions of a home by or for the benefit of an individual who is eligible for the disability tax credit.

Any unused portion of an individual's First-Time Home Buyers' Tax Credit can be claimed by the individual's spouse or common-law partner, but the total amount claimed cannot be more than the maximum amount that would be claimable for the year by any one of those individuals

5) New Home Renovation Tax Credit:

The Budget proposes to introduce a temporary Home Renovation Tax Credit (HRTC). The non-refundable tax credit will be for eligible expenditures made in respect of eligible dwellings. The credit will apply to expenditures in excess of \$1,000, but not more than \$10,000. This results in a maximum credit of \$1,350 (\$9,000 x 15%).

The credit will apply only to the 2009 taxation year; that is, expenditures for work performed, or goods acquired, after January 27, 2009 and before February 1, 2010. The credit will not be available in respect of expenditures made in that period if the expenditure is made pursuant to an agreement entered into before January 28, 2009.

Eligibility will be family-based, which will generally consist of an individual, a spouse or common-law partner (where applicable) and children under the age of 18 throughout 2009. Any unused credit can be shared amongst family members, but cannot exceed the maximum amount for the family.



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Eligible dwellings will generally include a house, cottage or condominium if it is used for personal purposes.

Eligible expenditures are renovations or alterations of an eligible dwelling provided the renovation or alteration is of an enduring nature. Routine repairs and maintenance will not qualify.

Eligible expenditures include:

- Renovating a kitchen, bathroom, or basement
- New carpet or hardwood floors
- Building an addition, deck, fence or retaining wall
- A new furnace or water heater
- Painting the interior or exterior of a house
- Resurfacing a driveway
- Laying new sod

Ineligible expenditures include:

- Furniture and appliances (refrigerator, stove, couch)
- Purchase of tools
- Carpet cleaning
- Maintenance contracts (furnace cleaning, snow removal, lawn care, pool cleaning, etc.)

6) RRSP/RRIF Losses After Death:

Upon the death of the owner of an RRSP or a RRIF, the fair market value of investments held in an RRSP/RRIF at the time of death is generally included in the income of the deceased for the year of death. An increase in the value of the RRSP/RRIF assets after death is generally included in the income of beneficiaries on distribution of the RRSP/RRIF.

There is, however, no existing provision to recognize a decrease in the value of RRSP/RRIF assets that occurs after the annuitant's death and before those assets are distributed to beneficiaries.

The Budget proposes to allow the amount of post-death decreases in RRSPs/RRIFs to be carried back and deducted against the year-of-death RRSP/RRIF income included in the deceased's final return. The amount that can be carried back will generally be the difference between the deceased annuitant's required RRSP/RRIF income inclusion as a result of death, and the total of all amounts paid out of the RRSP/RRIF after death of the annuitant.

This measure will apply in respect of deceased annuitants' RRSPs/RRIFs where the final distribution from the RRSP/RRIF occurs after 2008.

7) Mineral Exploration Tax Credit Extended :

Flow-through shares allow companies to pass eligible expenses to investors who can deduct them on their personal tax returns. This facilitates the raising of funds for exploration activities in Canada. The mineral exploration tax credit (METC) is an additional temporary benefit that provides a 15% credit to investors for specified mineral exploration expenses incurred by the company.

The availability of the credit is set to expire at the end of March 2009. Budget 2009 proposes to extend this credit for one year to flow-through share investments entered into on or before March 31, 2010.



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8) Employment Insurance

All regular employment insurance benefits will be increased by 5 weeks and the maximum benefit duration will be increased from 45 weeks to 50 weeks during the next 2 years.

EI premium rates will be frozen at \$ 1.73 per \$ 100 for 2009 and 2010.

9) National Child Benefit Supplement and Canada Child Tax Benefit:

The Budget proposes to increase by \$1,894 the amount of income that families may earn before the National Child Benefit Supplement (“NCBS”) is fully phased out, or before the Canada Child Tax Benefit (“CCTB”) begins to be phased out. Specifically, for the 2009–10 benefit year, the income level at which the phase-out of the CCTB begins will increase to \$40,726 (based on combined family income), and the income level at which the phase-out of the NCBS begins will increase by \$1,894 such that it is completely phased out by \$40,726 for the majority of families.

This change is proposed to take effect for the 2009-10 benefit year, which begins in July 2009.

10) Relief for Businesses: Small Business Limit

The Budget proposes to increase the small business limit from \$400,000 to \$500,000 as of January 1, 2009. The increase in the limit will be pro-rated for corporations with taxation years that do not coincide with the calendar year.

11) Acceleration of Capital Cost Allowance

Manufacturing and Processing

The Budget proposes to extend the 50% straight-line accelerated capital cost allowance (“CCA”) rate for eligible assets for two more years to include 2010 and 2011. The half-year rule will apply to manufacturing and processing assets subject to this measure.

Computers

The Budget proposes a temporary 100% CCA rate for eligible computers and software acquired after January 27, 2009 and before February 2011, an increase from the current rate of 55%. These items will not be subject to the half-year rule, so a business can fully deduct the cost of an eligible computer and the systems software in the first year.

12) Electronic Filing and Penalties

The Budget proposes that corporations with annual gross revenues in excess of \$1 million for a taxation year be required to file their income tax returns for the year in electronic format. This change will apply for taxation years that end after 2009.

The Budget proposes to introduce a penalty for filing a corporate income tax return in an incorrect format, although no penalties will be introduced until 2011.