Impressive Record of Tax Relief

JANUARY 27, 2009

... and the following five fiscal years. These measures will provide:

• Immediate personal income tax relief, particularly for low-to-middle-income Canadians.
• Tax support for home owners and first-time home buyers.
• The basic personal amount will be increased to $10,320 January 1, 2009.

... and the upper limit of the first personal income tax bracket to $40,726 in 2009, allowing more income to be taxed at the lowest 15-per-cent rate, rather than the 22-per-cent rate.
• The upper limit of the second personal income tax bracket will be increased to $81,452 in 2009, allowing more income to be taxed at the 22-per-cent rate, rather than the 26-per-cent rate.
• Normal deduction will apply to the new basic personal amount and bracket thresholds.

These increases will result in additional benefits of up to $436 for a low-income family with two children. These increases will work together with the following measures to help build a solid foundation for future economic growth, more jobs, and higher living standards for Canadians.

Tax Relief for Canadians

Personal Income Tax Relief for All Taxpayers

Budget 2009 proposes to increase the basic personal amount and the upper limit of the two lowest personal income tax brackets by 7.5 per cent above their 2008 levels, effective January 1, 2009.

• The basic personal amount will be increased to $10,320 in 2009, allowing individuals to earn more income before paying federal income tax.

... and the upper limit of the second personal income tax bracket to $81,452 in 2009, allowing more income to be taxed at the 22-per-cent rate, rather than the 26-per-cent rate.

The introduction of pension income splitting in 2007.
• An increase in the previous 2007 maturation age limit for pensions and Registered Retirement Savings Plans from 69 to 71.

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The Government introduced the Working Income Tax Benefit (WITB) in Budget 2007 to help ensure that low-income Canadians are financially better off when they work. For low-income Canadians, working can often mean paying higher taxes and receiving less income support.

Building on this important first step, Budget 2009 proposes to implement a temporary 15-per-cent Home Renovation Tax Credit (HRTC) to provide some $3 billion in tax relief to an estimated 4.6 million Canadian families. The HRTC will apply to eligible home renovations and improvements. The Government will provide employers with a temporary wage subsidy to encourage employers to hire and retain eligible employees and ensure that these jobs are not lost. Together, these measures provide about $1.9 billion annually in tax relief to seniors and pensioners.

Tax Support for Homeownership and the Housing Sector

The Home Renovation Tax Credit

Budget 2009 proposes to implement a temporary 15-per-cent Home Renovation Tax Credit (HRTC) to provide some $3 billion in tax relief to an estimated 4.6 million Canadian families. The HRTC will encourage investments in Canada’s housing stock, provide employment for workers and support growth and building projects that were put on hold during the recession. Together, these measures provide about $1.9 billion annually in tax relief to seniors and pensioners.

Personal Income Tax Relief—Examples

Taxpayers will benefit from considerable personal income tax relief and increased child benefits in 2009.

• Beverly earns $35,000 and is a single parent of two children. Measures proposed in Budget 2009 will reduce her federal income taxes by $66 and increase her National Child Benefit supplement by $436 for a total benefit of $502. This is in addition to the $1,150 in tax relief provided by the Government prior to Budget 2009.
• Bob and Emily have two children. Bob earns $45,000 and Emily earns $85,000. Measures proposed in Budget 2009 will reduce their taxes by $483. This is in addition to the $1,455 in tax relief provided by the Government prior to Budget 2009.

Enhancing the Working Income Tax Benefit

The Government introduced the Working Income Tax Benefit (WITB) in Budget 2007 to help ensure that low-income Canadians are financially better off by encouraging employment. For low-income Canadians, working can often mean paying higher taxes and receiving less income support.

Budget 2009 proposes to allow low-income families to earn an additional $1,894 and still receive the maximum National Child Benefit supplement. Families will also be able to earn an additional $1,894 before their National Child Benefit supplement is fully phased out or before their Canada Child Tax Benefit base benefit begins to be phased out. These increases will result in additional benefits of up to $436 for a low-income family with two children.
and condominium unit. If it is used for personal purposes, such as a house, cottage
A dwelling will generally be considered eligible for the credit it sits.
and enduring alterations to a dwelling, or the land on which
The HRTC can be claimed by homeowners for renovations
Eligible
Examples of HRTC Eligible
and Ineligible Expenditures
Eligible
• 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
• Renovating a driveway
• Laying new sod
Ineligible
• Furniture and appliances (refrigerator, stove, couch)
• Purchase of tools
• Carpet cleaning
• Maintenance contracts (furnace cleaning, snow removal, lawn care, pool cleaning, etc.)
The HRTC can be claimed by homeowners for renovations and enduring alterations to a dwelling, or the land on which it sits.

A dwelling will generally be considered eligible for the credit if it is used for personal purposes, such as a house, cottage and condominium unit.

Benefits of the HRTC—Example
• Sally and Ed are a couple who have recently purchased a house. To take advantage of the temporary HRTC, they decide to replace their old windows and improve the insulation in their home in 2009, instead of waiting, incurring $10,000 in expenditures. After taking into account the $1,000 minimum threshold, a 15-per-cent credit will be available on $9,000 in eligible expenditure, providing tax relief of $1,350.

Additional information on the Home Renovation Tax Credit will soon be available on the Canada Revenue Agency’s website at (www.cra.gc.ca).

Home Buyers’ Plan Withdrawal Limit
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 (HBP) withdrawal limit to $25,000 from $20,000.

This is the first increase in the withdrawal limit since the HBP was introduced in 1992.

First-Time Home Buyers’ Tax Credit
To assist first-time home buyers with the costs related to the purchase of a home, Budget 2009 proposes to introduce a First-Time Home Buyers’ Tax Credit. A 15-per-cent credit will be available to a $50,000 amount, and will provide up to $7,500 in tax relief to reduce the costs associated with first home purchases completed after January 27, 2009.

Business investment
Budget 2009 builds on the significant business tax relief provided since 2006.

Businesses will benefit this year from previously legislated reductions in the corporate income tax rate to 19 per cent in 2009, and going forward, the further reductions to 15 per cent by 2012.

The measures set out below will help Canadian businesses emerge stronger and better equipped to compete globally in the economy recovery.

Reducing Taxes for Small Businesses
The tax system helps small businesses retain more of their earnings for reinvestment, expansion and job creation through the reduced federal income tax rate of 11 per cent on the first $400,000 of qualifying income earned by a Canadian-controlled private corporation.

To further support the growth of small businesses, Budget 2009 proposes to increase to $500,000 the amount on the first $400,000 of qualifying income eligible for the 11-per-cent tax rate.

Encouraging Mineral Exploration
The temporary 15-per-cent mineral exploration tax credit helps companies raise capital by providing an incentive to individuals who invest in flow-through shares issued to finance exploration. Budget 2009 proposes to extend the credit for an additional year, until March 31, 2010, to assist companies’ efforts to undertake important exploration programs and facilitate adjustment to new commodity price conditions.

How Can I Get More Information?
Information is available at www.fin.gc.ca.

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