



InfoBudget 2007

March 2007

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Florence Hui, CGA is pleased to provide you with CGA-Canada's commentary and analysis of the 2007 Federal Budget.

Budget highlights

This budget introduces a significant number of tax measures for both individuals and businesses, including:

- New *refundable tax credit on working income* for low-income individuals and families
- Introduction of a new *Registered Disability Savings Plan*
- Changes to *Registered Education Savings Plans*
- New \$2,000 tax credit for each child under 18 years of age
- Increased lifetime capital gains exemption from \$500,000 to \$750,000
- Increased age limit from 69 to 71 for converting RPPs and RRSPs
- Increase in some CCA rates to better reflect the useful life of capital property
- Introduction of a 25 per cent investment tax credit to encourage businesses to create child care spaces

What this budget means for individuals

New Working Income Tax Benefit in order to encourage low-income individuals to return to the job market:

- \$500 maximum credit for a single individual, and \$1,000 for families
- Credit equal to 20 per cent of earned income in excess of \$3,000
- Reduced by 15 per cent if income earned is in excess of \$9,500 for single individuals and \$14,500 for families
- Maximum supplement of \$250 for persons with disabilities that may be reduced depending on income

- *Canada Disability Savings Grants (CDSGs)* made on contributions with a lifetime limit of \$70,000
- *Canada Disability Savings Bonds (CDSBs)* of up to \$1,000 per year will be provided to low and modest-income families and beneficiaries
- Withdrawals of contributions will not be taxable
- Investment income on contributions, CDSGs and CDSBs will accrue tax-free
- Withdrawals of investment income will be taxable

Introduction of a *Registered Disability Savings Plan* whose main characteristics are as follows:

- Non deductible annual contributions with a lifetime maximum of \$200,000

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What this budget means for individuals

(continued)

Elimination of capital gains tax on donations of publicly-listed shares to private foundations

Full tax exemption on scholarships and bursaries that currently have a \$500 exemption

Changes to *Registered Education Savings Plans*, including:

- Eliminating the annual limit on contributions
- Increasing the lifetime contribution limit to \$50,000 from \$42,000
- Broadening the eligibility to include part-time students

Introduction of a new non-refundable tax credit of \$310 ($\$2,000 \times 15.5$ per cent) for each child under the age of 18

\$1,348 increase of the amount upon which the spouse or common-law partner and wholly dependent relative credits are calculated

Increased availability of the public transit tax credit to include electronic cards and weekly passes

Increase from \$500,000 to \$750,000 of the lifetime capital gains exemption for dispositions of allowable property starting on March 19, 2007

Gradual increase of the share of meal expenses that long-haul truck drivers can deduct for tax purposes. That share will increase from 50 to 75 per cent by 2010

The conversion age for RRSPs and RPPs increases to 71 years of age from 69 years of age

What this budget means for business

In order for capital cost allowance to better reflect the useful life of capital property, changes were made to some of the rates, including:

- Increase from 4 to 10 per cent for buildings used for manufacturing or processing
- Increase from 4 to 6 per cent for non-residential buildings
- Increase from 45 to 55 per cent for computer equipment

Introduction of a new 25 per cent non-refundable investment tax credit to encourage businesses to create new child care spaces for the children of their employees and, potentially, for children in the surrounding community. The maximum credit will be of \$10,000 per new child care space created.

To reduce the burden of businesses, various remittance thresholds will be increased, including corporate income tax instalment thresholds, quarterly instalment remittance thresholds for source deductions and GST filing and annual remittance thresholds.