

Federal Budget 2009 Proposals - Individuals

Basic personal amounts and tax brackets

Budget 2009 proposes to increase the basic personal amounts (personal exemption, spousal exemption, etc.) for 2009 to \$10,320 from \$9,600 in 2008.

Budget 2009 proposes to increase the Age Credit amount by \$1,000 to \$6,408 for 2009. With this enhancement of the Age Credit amount, the income level at which the Age Credit is fully phased out will increase by over \$6,600 to \$75,032 from \$68,365.

Budget 2009 proposes to increase the upper limit of the first personal income tax bracket (15-per-cent income tax rate) to \$40,726 in 2009 from \$37,885 in 2008 and the upper limit of the second personal income tax bracket (22-per-cent income tax rate) to \$81,452 in 2009 from \$75,769 in 2008.

Home Renovation Tax Credit

Budget 2009 proposes that individuals will be able to claim a 15-per-cent non-refundable tax credit 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, resulting in a maximum credit of \$1,350 ($\$9,000 \times 15\%$). Expenditures for work performed, or goods acquired, after January 27, 2009 and before February 1, 2010, will be eligible for the credit.

First-Time Home Buyers' Tax Credit

Budget 2009 proposes to introduce a new non-refundable tax credit for first-time home buyers who acquire a qualifying home after January 27, 2009. The credit will apply to eligible closing costs (such as legal fees and land transfer tax) of not more than \$5,000, resulting in a maximum credit of \$750 ($\$5,000 \times 15\%$). An individual will be considered a first-time home buyer if neither the individual nor the individual's spouse owned and lived in another home in the calendar year of the home purchase or in any of the four preceding calendar years.

Home Buyers Plan

Budget 2009 proposes to increase the Home Buyers Plan withdrawal limit to \$25,000 from \$20,000.

RRSP/RRIF Losses After Death

Budget 2009 proposes to allow, upon the final distribution of property from a deceased annuitant's RRSP or RRIF, the amount of post-death decreases in value of the RRSP or RRIF to be carried back and deducted against the year-of-death RRSP/RRIF income inclusion. This measure will apply in respect of deceased annuitants' RRSPs or RRIFs, when the final distribution from the RRSP or RRIF occurs after 2008.

Federal Budget 2009 Proposals - Businesses

Small Business Limit

Budget 2009 proposes to increase the amount of small business income eligible for the reduced federal tax rate to \$500,000 effective January 1, 2009.

Computers: Accelerated CCA

Budget 2009 proposes a temporary 100-per-cent CCA rate for eligible computers acquired after January 27, 2009 and before February 2011. This 100-per-cent CCA rate will not be subject to the half-year rule.

Manufacturing & Processing: Accelerated CCA

Budget 2009 proposes to extend the 50-per-cent straight-line accelerated CCA rate to investments in manufacturing or processing machinery and equipment undertaken in 2010 and 2011.

Mandatory Electronic Filing

Budget 2009 proposes to require corporations that have annual gross revenues in excess of \$1 million for a taxation year to file their income tax returns for the year in electronic format. The CRA may provide exceptions for certain corporations, for example, non-resident corporations and corporations filing in a functional currency.

While the requirement to file corporate income tax returns in electronic format applies to tax years ending after 2009, no penalties will be introduced for failure to do so for returns required to be filed before 2011. The penalty for taxation years that end in 2011 will be set at \$250, then increased to \$500 for taxation years that end in 2012 and to \$1,000 for taxation years that end after 2012.

Budget 2009 proposes that the number of any particular type of income tax information return (for example, a T4) that can be filed by a taxpayer before the taxpayer is, under an existing income tax provision, required to file those information returns electronically, be reduced to 50 from 500. This measure will apply for taxation years that end after 2009.

Budget 2009 proposes to reduce the penalty for taxpayers who fail to file electronically under the electronic information return requirements or who file information returns late, to ensure that taxpayers are not unduly penalized. The penalties will be calculated based on the number of any particular type of information return that is filed in the incorrect format or that is filed late. The penalty for late-filed information returns will be limited to 100 days, capping it at between \$1,000 and \$7,500, depending on the number of returns. This penalty will apply to information returns required to be filed after 2009.