



2009 Federal Budget

The federal government released the 2009 budget on January 27, 2009. This special edition of the Small-Biz Builder contains a summary of the significant proposals in the budget.

Economic Prospects

The 2009 Federal Budget proposes a wide range of tax relief and spending measures to deal with the current challenging economic conditions. For the last 11 years the Government of Canada has enjoyed fiscal surpluses. However, in the current year ending March 31, 2009, the government projects a \$1.1 billion deficit. In the following years, the government expects deficits of \$33.7 billion in 2010 and \$30 billion in 2011. Will these deficits be enough to stimulate the economic recovery of Canada?

Business Tax Prospects

- Effective January 1, 2009 the small business limit was increased to \$500,000 from \$400,000. The increase will be prorated for non-calendar year-ends.
- For eligible new computers and systems software used in Canada, purchased after January 27, 2009 and prior to February 2011, a capital cost allowance (CCA) rate of 100% applies, with no half-year rule.
- The budget proposes to increase to \$350,000 (\$500,000 if acquiring real property) the maximum eligible loan amount that a small business can access under the Small Business Financing Program.
- For manufacturing and processing equipment, the 50% straight-line CCA rate has been extended for purchases of eligible equipment in 2010 and 2011. The half-year rule will apply such that the full write off may be claimed over three taxation years.
- The budget proposed to freeze the Employment Insurance (EI) rates at \$1.73 per \$100 of insurable earnings for both 2009 and 2010.
- The EI program offers benefits to qualifying workers willing to enter into work-sharing agreements. For 2009 and 2010, the budget proposes to extend work-sharing agreements by 14 weeks to a maximum of 52 weeks. The budget increases all regular EI benefit entitlements by five weeks to a maximum of 50 weeks for 2009 and 2010.

Personal Tax Prospects

- Effective in 2009, the basic personal amount, the amount for a spouse, common-law partner or fully dependent relative will increase to \$10,320 from \$9,600 in 2008.
- The upper limit of the first personal income tax bracket (15%) will rise to \$40,726 in 2009 from \$37,855 in 2008.
- The upper limit of the second personal income tax bracket (22%) will rise to \$81,452 in 2009 from \$75,769 in 2008.

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- For 2010 and subsequent years, the increased amounts and bracket limits will be indexed to inflation.
- A new Home Renovation Tax Credit (HRTC) has been introduced. The HRTC is a 15% non-refundable tax credit available to homeowners for home improvements to a principal residence. Eligible expenditures include building materials and labour expenditures in excess of \$1,000 and up to \$10,000 for a renovation that is of an enduring nature, made after January 27, 2009 and before February 1, 2010. The maximum tax credit is \$1,350. The credit is not available for agreements dated prior to January 28, 2009.
- The withdrawal limit from an RRSP under the Home Buyers' Plan increases from \$20,000 to \$25,000 for withdrawals made after January 27, 2009.
- A new First-Time Home Buyers' Tax Credit has been introduced which is based on an amount of \$5,000 for first time home buyers who acquire a qualifying home after January 27, 2009. The lowest personal tax rate for the year is used to calculate the non-refundable tax credit. The credit is also available for certain acquisitions of a home by or for the use of an individual who qualifies for the disability tax credit. This will produce a one-time tax savings of \$750.
- The budget proposed that \$580 million be added to the Working Income Tax Benefit program for 2009 and the following years.
- For 2009, the age amount for Canadian taxpayers 65 and older has been increased by \$1,000 from \$5,408 to \$6,408. For subsequent years, the age amount will be indexed. The income level at which the Age Credit is completely phased out rises to \$75,032 from \$68,365. The income-tested credit begins to be phased out at \$32,312.
- The Canada Child Tax Benefit (CCTB) and the National Child Benefit Income supplement (NCBs) are based on income. The income levels have been increased to match the rise of the upper limit of the lowest personal tax bracket. The proposed level at which the CCTB starts to be phased out increases to \$40,726 while the income level at which the NCBs begin to phase out rises by \$1,894 and will be fully phased out at \$40,726.

**GST/HST and Excise Tax Prospects**

- The budget proposed to allow direct sellers who sell through a network of self-employed sales representatives to register for a special GST/HST accounting method, provided specific conditions are met. This approach is to be available for fiscal years that begin after 2009.

Other Measures

- For taxation years ending after 2009, corporations with annual gross incomes exceeding \$1 million will be required to file their tax returns electronically.

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