

Kathryn Edwards

## TAX BREAKS FOR FAMILIES AND INDIVIDUALS: The 2009 Federal Budget



**U**nlike prior years' budgets, the 2009 Federal Budget focused on Canada's sagging economy and offered-up various stimulus initiatives for people and businesses.

While tax breaks offered to businesses should provide some indirect benefits to individuals, this article is intended to highlight some of the tax relief provided more directly to individuals and families.

### Tax Relief

The 2009 Federal Budget proposes \$20 billion in new personal income tax relief over 2008 – 2009 and the subsequent 5 fiscal years.

To provide for the dual objectives of reducing taxes and stimulating the economy, this relief will include

- various new or enhanced tax credits, calculated at the low 15 percent federal tax rate;
- changes to personal tax brackets; and
- other benefits for individuals.

### Personal Amounts and Tax Brackets

The basic personal amount and the amount for a spouse, common law partner, or a wholly dependent relative are proposed to increase by 7.5 percent, from \$9600 in 2008 to \$10,320 in 2009.

To benefit a broad base of individuals, the upper thresholds of the first and second federal tax brackets are to be increased for 2009.

- The first personal income tax bracket (15 percent federal tax) increases from \$37,855 in 2008 to \$40,726 in 2009.
- The second personal tax bracket (22 percent federal tax) increases from \$75,769 in 2008 to \$81,452 in 2009.

Those measures will allow more personal income to be taxed at the two lower tax rates.

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### The Age Credit

It is estimated this will be of benefit to approximately 2.2 million Canadian Seniors.

An individual who was age 65 or older during the year is entitled to claim the "age amount" to reduce taxes payable. This nonrefundable income-based credit is phased out for incomes over a certain level and becomes fully eliminated for higher income Seniors.

The federal age amount is proposed to increase by \$1000 to \$6408 for 2009. Further, the credit is fully available for incomes up

to \$32,312 (\$31,524 in 2008) and won't be completely phased out until an income level of \$75,032 (\$66,697 in 2008) has been reached.

### Home Renovation Credit

The personal tax credit that appears to have received the most press is the Home Renovation Credit.

The 2009 Federal Budget proposes to implement a temporary 15 percent nonrefundable tax credit

- for qualifying home-renovation expenditures
- made to an eligible personal dwelling
- after January 27, 2009, and before February 1, 2010, pursuant to agreements entered into after January 27, 2009.

This 15 percent credit will be claimable on the portion of eligible expenditures that exceed \$1000, to a maximum expenditure limit of \$10,000. As such, potential federal tax relief of up to \$1350 will be available.

- This credit is for renovations or alterations of an enduring nature.
- The expenditure limit must be shared by the immediate family—spouse or partner and minor children.

### First-Time Homebuyer's Credit

For eligible first-time homebuyers who purchase a qualifying home

after January 27, 2009, a new nonrefundable tax credit is proposed. This 15 percent credit will result in federal tax savings of \$750.

### Mineral Exploration Tax Credit

The Budget proposes that this credit—15 percent of specified mineral exploration expenditures incurred in Canada and passed on to flow-through share investors—be extended for 1 more year to flow-through share agreements entered into by March 31, 2010.

### RRSP/RIF

While a plan to allow first-time homebuyers to “borrow” from their own RRSPs has been available since 1992, a proposal by the federal government to enhance the plan has been made.

Based on this proposal, for withdrawals made after January 27, 2009, the amount an eligible individual may withdraw from his or her RRSP will be increased to \$25,000 from the original limit of \$20,000.

In light of the recent economic downturn and declining markets, the federal government has proposed to allow for the amount of after-death decreases in value of an RRSP or RIF to the time of distribution to be carried back and deducted against income from RRSP/RIF in the year of death. This provision would be effective for such distributions occurring after 2008.

**Low-income families will be able to earn more...**

### National Child Benefit Supplement and Canada Child Tax Benefit

Low-income families will be able to earn more and still qualify for the National Child Benefit Supplement (NCBS) because the income threshold is proposed to be increased by \$1894, while still allowing for the maximum benefit. The income threshold before the NCBS is fully phased-out and when the Canada Child Tax Benefit begins to phase-out is to be increased by the same amount.

As a result of these proposals, a two-child low-income family could receive additional benefits of up to \$436.

### Caution

The comments and information provided in this article are based on information available at the time of writing. The comments are general in nature and are based on proposed legislation that may be significantly changed or completely eliminated prior to passing.

We recommend individuals consult their tax advisor before acting on information contained in this article and prior to undertaking their own tax planning, to ensure their own specific circumstances and current tax legislation are taken into account. ▲

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