

**Federal Budget  
February 26, 2008  
Highlights**

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## Budget Highlights

Finance Minister Jim Flaherty delivered his third budget this afternoon. Due to the uncertainty of a minority government, it is unclear if the proposals announced yesterday will ever be passed. However, the following are some key highlights:

### Personal

- The introduction of Tax-Free Savings Accounts (TFSA) for individuals commencing with an annual contribution limit of \$5,000 for 2009. If unused the contribution limit would carry over to future years similar to the rules for RRSPs.
- The TFSA would allow an individual to invest in various types of securities including stock, mutual funds, etc. (again similar to what a person can invest in through an RRSP), and the proceeds would never be taxable, even when withdrawn, nor taken into account with respect to earnings for social program purposes.
- The lifetime of an RESP is to be increased from 25 years to 35 years in order to increase the time limits for its use.
- An expansion of the definition of eligible expenses that qualify for the Medical Expense Tax Credit.
- An extension of the Mineral Exploration Tax Credit on flow through shares. This is important to mining exploration companies as many rely on the mechanism to pass on unneeded expenses and credits to individual investors through tax shelters.

*Look inside for more highlights...*

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### **Personal (Cont'd)**

- A reduction of the gross-up and credit of dividends from public companies (eligible dividends) as the corporate tax rate drops. This measure is simply to keep the corporate taxes paid and personal taxes paid on the income generated in balance with the taxes that would have been paid if the income was earned personally.

### **Corporate / Business**

- An increase in the expenditure limit for R&D from \$2 million to \$3 million that is eligible for the enhanced credit of 35%.
- An increase in the size of companies eligible for the enhanced credit of 35% from \$15 million to \$50 million of "taxable capital".
- A temporary acceleration of CCA (depreciation for taxes) on manufacturing and "green" equipment in order to help manufacturers over the next few years.
- Reductions to the penalties on barely-late deductions at source remittances, and for those remittances that must be made at financial institutions, payment is now required one day before the normal deadline.
- An easing in the requirements for withholdings on foreign owned real property when sold by the non-resident.

Should you wish to discuss how these tax changes impact your tax planning, please give us a call.

Yours truly,

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