

**Federal Budget
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Highlights**

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Budget Highlights

Federal Finance Minister Jim Flaherty delivered the 2009 Budget on January 27th in the face of a Recession and a Minority Government threatening to take down the Tories. The Budget includes a deficit of \$85 Billion over five years and focuses on spending. The following are a few of the tax highlights.

Business & Corporate Taxes

- The “Small Business Limit” is raised to \$500,000 from \$400,000 for years commencing after 2008.
- A mandatory filing of corporate tax returns for fiscal years ending after 2009 for companies with \$1 million or more of gross revenues.
- An increase in the depreciation rate (CCA) on eligible computers and software to 100% on purchases after January 27, 2009 and before February 2011.
- Elimination of tariffs on a range of machinery and equipment imported into Canada to improve business competitiveness.
- Temporary increases in EI benefits and work sharing programs time periods.
- EI rates frozen for 2009 and 2010.

Personal Taxes

- An increase in the personal exemption to \$10,320 from the previously announced amount of \$10,100.

Look inside for more highlights...

Personal Taxes (continued)

- The tax brackets have been bumped up so that more taxable income will be taxed at lower rates than in 2008. The lowest bracket rises the most being 7.5% over the 2008 threshold.
- The age credit gets a boost as well to a maximum of \$961.20 up from \$791.40 in 2008. Higher income seniors will still have this credit ground down as their income rises over about \$32,000.
- The RRSP "Home Buyer's Plan" limit is increased to \$25,000.
- An increase in the threshold before Child Tax Benefits are reduced.
- A non-refundable Home Renovation credit of 15% on 2009 expenditures over \$1,000, to a maximum of \$1,350. This program ends February 1, 2010. This coupled with the maximum credit of \$2,500 from Quebec will encourage home owners to do some renovations.
- A "First-Time Home Buyers' Tax Credit" of up to \$750 for individuals or families who have not previously owned a home in the past 4 years.
- Introduction of a provision that allows for losses in RRSPs and RRIFs after death to be carried back to the "Final" tax return of the deceased.

The measures announced will reduce taxes only modestly, and so the Tories are betting they can spend their way out of recession. This strategy may work if they can get the money into the economy fast enough, and with the support of the Liberals.

One thing is certain however, \$85 Billion of deficits will be dealt with later than sooner, hopefully with a return to a strong economy, not with a return of higher taxes!

As always, should you wish to discuss any of these measures in further detail, please give us a call.

Yours truly,

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