

**Federal Economic
Statement
October 30, 2007
Highlights**

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**FEDERAL ECONOMIC
STATEMENT HIGHLIGHTS**

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Federal Finance Minister Jim Flaherty released an Economic Statement today that included several tax reductions to be brought in over the next few years, as follows:

Consumption Taxes

- The GST tax is being reduced by 1% to 5%, effective January 1, 2008.
- Some GST transitional rules remain in place, especially with respect to real estate.
- Adjustments to taxable benefits impacted by GST will be effective January 1, 2008.
- Streamlined methods of accounting for the GST, including the Quick Method, will have the GST rates reduced in 2008.
- Tobacco taxes will increase in 2008 by an amount that roughly equals the reduction in GST.

Personal Taxes

- A reduction in the lowest bracket tax rate from 15.5% to 15%, retroactive to January 1, 2007. The lowest bracket is up to the first \$37,178 of taxable income.
- An increase in the personal exemption from \$8,929 to \$9,600 for 2007 and 2008, rising to \$10,100 for 2009.
- The spousal credits similarly increase to \$9,600 and \$10,100.

Corporate Taxes

- The general corporate tax rate reductions have been accelerated and increased. The new rates, prorated for the number of days the fiscal year falls in a calendar year are as follows:

2007	-	22.12%	(unchanged)
2008	-	19.5%	
2009	-	19.0%	
2010	-	18.0%	
2011	-	16.5%	
2012	-	15.0%	

- The additional tax reductions for Canadian Controlled Private Corporations (“CCPCs”) are also being accelerated and will be 11% in 2008, down from 13.12% in 2007. This rate reduction will be prorated for CCPCs that have a non-calendar year end. The small business tax rate was previously increased to the first \$400,000 of taxable active income from \$300,000, in 2006.

The changes outlined above are subject to the minority Conservative government surviving until the new tax laws have been passed by the House of Commons, but considering the size of the federal surplus, the tax reductions will be popular to voters and even the politicians will no doubt listen if they cherish their pampered existence.

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

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