

FineAnswers

Answers to questions on Tax, Finance and Management

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- Small business deduction limit is increased \$400,000 to \$500,000 as of January 1, 2009. Tax savings of $(28\% - 11\%) \times (500,000 - 400,000) = \mathbf{\$7,000}$, maximum.
- Canadian Controlled Private Corporations (“CCPC”) - The enhanced investment tax credit for SR&ED will claw-back at \$500,000 (previously \$400,000). Additional refund of $15\% \times (500,000 - 400,000) = \mathbf{\$15,000}$, maximum.
- Employment insurance to be frozen at \$1.73 per \$100 of insurable earnings for 2009 and 2010.
- Fast write off of machinery used Manufacturing and Processing (class 29 and class 50)
50% straight line CCA rate for machinery and equipment used primarily for manufacturing or processing goods for sale or lease, which was to expire in 2010, will continue to apply for eligible assets acquired in 2010 and 2011. The half year rule will continue to apply.
- Fast write off Computer Equipment, after January 27, 2009 and before February 2011 will be eligible for a 100% write off rate. First year half year rule will **NOT** apply.
- Home Buyers’ Plan - withdrawal from RRSP’s available to first time home buyers to finance the purchase of a home will be increased from \$20,000 to \$25,000. This will apply to withdrawals after 27th January 2009.
- A non-refundable credit of up to **\$750** (15% of \$5,000) will be available to first time home buyers who complete the purchase of a home qualifying for the \$25,000 withdrawal from RRSP
- Home Renovation Tax Credit - A temporary 15% non-refundable tax credit of 15% of the eligible expenditures in excess of \$1,000 and not more than \$10,000 incurred between January 27, 2009 and before February 1, 2010, resulting in a maximum credit of \$1,350. This non-refundable credit can only be claimed in the individuals’ 2009 tax return and also applies to renovations contracted prior to 28th of January 2009.
- Basic personal amount will be increased from \$9,600 in 2008 to \$10,320 for 2009. Tax savings of $(10,320 - 9,600) \times 15\% = \mathbf{\$108}$, maximum.
- The upper limit of the first personal tax bracket of to which Federal Tax of 15% applies will be increased to \$40,726 from \$37,885 in 2009. Tax savings of $(40,726 - 37,885) \times 7\% = \mathbf{\$198.80}$, maximum.
- The upper limit of the second personal income tax bracket of 22% will be increased to \$81,452 from \$75,769 in 2009. Tax savings $(81,452 - 75,769) \times (26\% - 22\%) = \mathbf{\$227.32}$ maximum.
- The income levels on which eligibility for benefits under the Canada Child Tax Benefit and the National Child Benefit Supplement are based will be increased so that the income level at which the phase-out of both benefits begins will be increased to \$40,726.
- Penalty for late filing of information returns (T4, T5 etc) reduced from \$25 per day to \$10 per day and a maximum of \$2,500 to a maximum of \$1,000 for entities filing less than 50 returns.
- Losses in RRSP/RRIF after the death of an annuitant and before the distribution of funds can be carried back to the year of income inclusion. This provision will apply effective 2009.
- *Note: This newsletter cannot replace professional advice. The reader is invited to contact the writer to discuss the contents of the newsletter. Readers are advised to seek professional advice before acting on the material in this newsletter.*

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