"Working together for inspired solutions."

Inform

Winter 2009

A newsletter from Ritchie Shortt & Tully LLP Chartered Accountants

Welcome to our new staff! We are proud to add two University of Ontario Institute of Technology (UOIT) recent graduates to our staff - Chris Lazarte and Brenda Darwiche. Ryan Cavanagh, who previously worked with us as a co-op student has now completed his CA designation and has returned to our office.

2008 Combined Federal and Ontario Tax Brackets for Individuals

Taxable Income	Regular Income %	Ineligible (Private Corporation) Dividends %	Eligible Canadian Dividends %	Capital Gains %
$ 0 to $36,020	21.05	3.23	0.00	10.53
$36,021 to $37,885	24.15	7.11	0.00	12.08
$37,886 to $63,428	31.15	15.86	7.52	15.58
$63,429 to $72,041	32.98	16.86	8.14	16.49
$72,042 to $74,720	35.37	19.88	11.64	17.69
$74,721 to $75,769	39.41	22.59	13.81	19.70
$75,770 to $123,184	43.40	27.59	19.61	21.70
$123,185 and over	46.41	31.34	23.96	23.21

Introduction of Tax-Free Savings Account in 2009

Beginning in January 2009, any individual who is resident in Canada and 18 years of age or older will be eligible to establish a tax-free savings account (TFSA). Eligible individuals will acquire $5,000 of TFSA contribution room each year. Unused contribution room will be carried forward indefinitely and indexed to inflation to the nearest $500. Any amounts withdrawn will be added to the contribution room for the following year. While contributions to a TFSA will not be tax deductible, any income, losses, withdrawals and gains in respect of investments held within a TFSA will not be included in computing income for tax purposes and other government benefits.

New Senior Homeowners' Property Tax Grant Introduced

In 2009, a new property tax grant will be provided to seniors who own their homes. The maximum grant will be $250 and will increase to $500 in 2010. Eligible single seniors who pay at least $500 in property tax and have income of $35,000 or less would receive the maximum grant. Eligible senior couples who pay at least $500 of property tax having combined income not exceeding $45,000 will also receive the maximum grant. A proportionately smaller grant will be available for single seniors with income between $35,000 and $50,000 and senior couples with income between $45,000 and $60,000.

Registered Education Savings Plans

For 2008 and subsequent years, contributions to a registered education savings plan (RESP) can be made for 31 years following the opening of the plan. An RESP must be terminated by the end of the year that includes the 35th anniversary of the opening of the plan. Also, no contributions may be made to a family plan for a beneficiary who is 31 years of age or older.

Previously, RESP beneficiaries were eligible to receive Educational Assistance Payments (EAPs) from the plan if, at the time of the payment, they were enrolled as a student in a qualifying post-secondary program. For 2008 and subsequent years, RESP beneficiaries can receive EAPs for up to six months after ceasing to be enrolled in a qualifying program. This measure applies to RESP beneficiaries who cease to be enrolled in a qualifying program after 2007.

Registered Disability Savings Plans

The 2007 budget introduced the Registered Disability Savings Plan to help parents save to ensure the long-term financial security of a child with a severe disability. The applicable legislation is effective for 2008. To qualify as a beneficiary, the individual must be eligible to claim the Disability Tax Credit. If the beneficiary's condition has improved to the extent that the beneficiary no longer qualifies for the disability credit, the rules require that the proceeds of the plan be paid out to the beneficiary and the plan collapsed.

2008 Federal and Ontario Combined Corporate Income Tax Rates

Canadian Controlled Private Corporations		Other Corporations	
Active Business Income (up to $400,000)	**Investment Income**	**Manufacturing and Processing**	**General**
16.50%	48.70%*	31.5%	33.50%**

*26.667% of investment income is eligible for refund at a rate of $1 for every $3 of dividends paid.
**The general federal corporate tax rate will be reduced from 22.17% in 2007 to 15% by 2012.

Corporate Tax Instalments for Small Business

For taxation years beginning after 2007, smaller Canadian-controlled private corporations may be allowed to pay federal corporate tax instalments on a quarterly basis. Corporations are not required to pay federal instalments if the balance of federal tax owing in the current or previous year is $3,000 or less. Ontario will parallel these changes for tax years ending after 2008. Beginning with a corporation's fiscal year that ends in 2009, the federal and Ontario corporate income tax instalments will be combined. This combined instalment must be paid to the federal government.

Capital Cost Allowance Changes

The Ontario government will parallel the capital cost allowance (CCA) changes announced in the 2008 federal budget, including:

- Manufacturing and processing equipment purchased after March 19, 2007 will be eligible for a 50% straight-line CCA treatment. Eligible assets acquired in 2010 will be eligible for a 50% declining-balance CCA rate in the first year, 40% declining-balance CCA rate in the second year and a 30% declining-balance CCA rate thereafter. Eligible assets acquired in 2011 will receive a 40% declining-balance rate in year 1 and a 30% declining-balance CCA rate thereafter.
- Expanding Class 43.2 treatment (50% declining-balance basis) to include a number of clean energy generation assets.

Ritchie Shortt & Tully LLP Chartered Accountants
110 GREEN STREET, WHITBY, ONTARIO L1N 4C8
TELEPHONE (905) 668-7788 FAX (905) 668-0643
www.rstaccountants.com