



BUSINESS QUARTERLY

2007-Volume 1  
(VETERINARY EDITION)

## PERSONAL TAX CHANGES

There have been a number of changes to personal taxes as a result of the past two federal budgets. Many of these changes affect us all. Below you will find a summary of said changes.

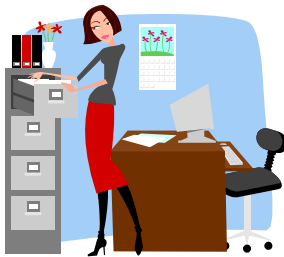
### **Effective January 1, 2006:**

#### Increasing the basic personal amount

The basic personal amount that an individual can earn without paying federal personal income tax for 2006 is \$8,839. In 2007, this amount will be \$8,929.

#### Canada Employment Credit

This new tax credit gives Canadians a break on what it costs to work, recognizing expenses for things such as



home computers, uniforms and supplies. The tax credit is calculated by multiplying the lowest federal

tax rate (15%) by \$250, affectively reducing a tax payer's taxes by a maximum of \$37.50.

#### Increasing the age credit amount

The measure increases the age credit amount by \$1,000 to \$5,066 from \$4,066. This change can reduce eligible tax payer's taxes by an additional \$150 (\$1000 x 15%).

#### Increased pension income limit

This measure increases to \$2,000 from \$1,000 the maximum amount of eligible pension income that can be used in calculating the pension income credit.

(can provide additional tax savings of \$150)

#### Textbook tax credit

The textbook tax credit amount will be \$65 for each month of full-time post-secondary study and \$20 for each month of part-time post-secondary study. Eligibility



rules will be the same as those for the education tax credit. (Again, the actual credit is 15% of the eligible amounts or for a full time student 15% of \$65 per month of study.)

#### Full exemption of scholarship and bursary income from taxes

This measure will apply to more than 100,000 post-secondary students.

#### Increasing the maximum amount of the refundable medical expense supplement

This measure raises the maximum amount of the refundable medical expense supplement to \$1,000 from \$767. The maximum amount is indexed to inflation. The supplement starts to be reduced when income is above \$21,663. (Therefore, this is meant to benefit low income earners.)

### **Effective May 2, 2006:**

#### Measures for tradespeople

Employees can claim a new \$500 deduction to offset the cost of tools in excess of \$1,000 that



they must acquire as a condition of employment, and the self-employed can

benefit from an increase, to \$500 from \$200, in the limit on the cost of tools eligible for the 100% capital cost deduction.

#### Measures for Canadian fishers

These measures include: extending the 500,000 lifetime capital gains exemption to Canadian fishers; and allowing a tax deferral in certain circumstances where an individual's fishing property is transferred to the individual's child or grandchild. (This of course helps any of your family or friends in the Maritimes or BC.)

#### Full exemption of donations of publicly listed securities to public charities

Donations of publicly listed securities to public charities are exempt from capital gains tax. (In the past, a capital gains calculation was factored into the tax credit calculation reducing the tax benefit of the donation.)



#### Full exemption of donations of ecologically sensitive land from capital gains tax

Donations of ecologically sensitive land under the Ecogift program are exempt from capital gains tax. (Same affect as above.)

#### Reintroducing the mineral exploration tax credit

The mineral exploration tax credit for flow-through share investors was reintroduced for the period from May 2, 2006 until March 31, 2007. The one-year "look-back" rule will allow funds raised with the benefit of the credit in 2007 to be spent on eligible exploration

activity up until the end of 2008.

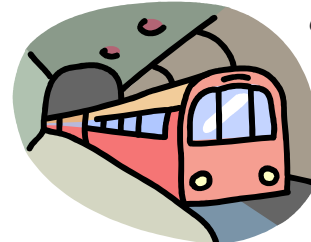
#### **Effective July 1, 2006:**

##### Legislating a permanent reduction in the lowest personal income tax rate

The tax rate changed from 16% to 15.5% for taxable incomes under \$36,378 (for 2006).

##### Tax credit for public transit passes

This credit allows individuals to claim a non-refundable tax credit for the cost of monthly public transit passes, or those passes of a longer duration. (15% calculation applies to determine actual credit amount.)



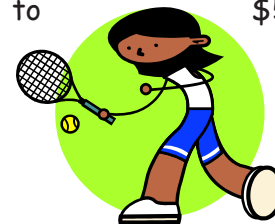
#### **Effective January 1, 2007:**

##### Income splitting for pensioners

The measure will allow pensioners to allocate to their resident spouse (or common-law partner) up to one-half of their pension income. For example, a typical senior couple with a single pension income of \$30,000 will save some \$1,100 in federal taxes, or 27%.

##### Children's Fitness Tax Credit

This credit will cover eligible fees up to \$500 for enrolment in a physical activity program. (15% calculation applies.)



Should you have any questions regarding how any of these changes affects you, please contact Carolina ([carolina@businessaffairs.ca](mailto:carolina@businessaffairs.ca)), Norma Jean ([normajean@businessaffairs.ca](mailto:normajean@businessaffairs.ca)) or

Doug ([doug@businessaffairs.ca](mailto:doug@businessaffairs.ca)).

## RRSP Limit for 2007

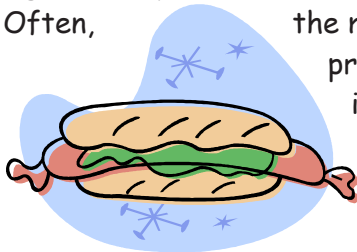
If you earned \$105,556 in insurable earnings in 2006, then you will be able to contribute a maximum of \$19,000 towards RRSP's in the 2007 tax year. You can make those contributions from March 1, 2007 to February 28<sup>th</sup>, 2008.

If your financial or tax plan calls for a maximum RRSP contribution, please ensure to contact Carolina (866-322-7022 in Mississauga), Norma Jean (800-387-7021 in Barrie) or Doug (in Barrie). They will aid you in setting up the appropriate RRSP contribution schedule.

## Boomers May Feel Sandwiched

Given the sheer size of the baby boomer demographic, there have been a number of stories stressing the importance of financial and retirement planning for this significant portion of the population.

Often, the message is prefaced with the idea that current government social systems will not be able to deal with the numbers of boomers that will be entering their retirement years. Therefore, the message is for boomers to ensure they have taken the appropriate steps to fund their own retirement.



However, an article appearing on Advisor.ca (financial services web site) informs us a recent BMO (Bank of Montreal) Financial survey of 2,200 baby boomers found 34%

of respondents were supporting both of their parents. Of the boomers who are supporting their parents, 44% are also supporting their children. These statistics re-enforce the importance of financial planning.

At the very least, boomers are encouraged to meet with their families to discuss long term goals for all stakeholders. In doing so, they will be able to better plan for themselves.

If they are so inclined, boomers who choose to work their parents and/or children into their retirement plan can ask their financial advisors for solutions that are multi-generational.



A multi-generational solution takes into consideration the impact of financial planning strategies on all stakeholders. This ensures all goals are met.

## Lesser Known Canadian Facts

- The narrowest house in North America is 6 Donnacona Street in Quebec City, Que. It is only 3.7 m wide.
- While grieving the loss of his wife in 1913, Gideon Sundback of St Catharines designed the modern zipper.

## Tax Tip and Traps

We have included a copy of Tax Tips and Traps for your reading pleasure.