

# SUMMARY

brought to you by

ADVISOR.CA

TAX  
RELIEF

## of FEDERAL TAX SAVINGS for 2007

Are your clients paying the government too much tax? The chances are pretty good they are, according to a survey conducted by Mackenzie Financial. The survey asked Canadians 10 true or false questions about 2007's tax changes and, on average, respondents were only able to answer three of the 10 questions correctly. It's important that your clients know how they'll be affected by the new rules, so here's a breakdown of the key tax changes that you can review with them. (A PDF version of this summary is available at [Advisor.ca](http://Advisor.ca)).

### PERSONAL

#### 1 Lowest personal income tax rate reduction

**EFFECTIVE: JANUARY 1, 2007**

The tax rate dropped from 15.5% to 15% for taxable income up to \$37,178.

#### 2 Increasing the basic personal amount

**EFFECTIVE: JANUARY 1, 2007**

The basic personal amount that an individual can earn without paying federal personal income tax for 2007 is \$9,600, up from \$8,839 last year.

#### 3 New child care tax credit

**EFFECTIVE: JANUARY 1, 2007**

Parents can claim a \$2,000, non-refundable tax credit for each child under the age of 18. Any unused part of the credit can be transferred to a spouse or common-law partner.

#### 4 Income splitting for pensioners

**EFFECTIVE: JANUARY 1, 2007**

Pensioners can 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%.

#### 5 Increase in spousal credit

**EFFECTIVE: JANUARY 1, 2007**

The spousal, or equivalent to spouse personal amount, is now \$9,600.

#### 6 Increase in lifetime capital gains exemption

**EFFECTIVE: JANUARY 1, 2007**

This has been increased to \$750,000 from \$500,000 for gains realized on dispositions of qualified farm and fishing property. The gains exemption has also been increased for qualified small business corporation shares, effective March 18, 2007.

#### 7 Children's Fitness Tax Credit

**EFFECTIVE: JANUARY 1, 2007**

This credit will cover eligible fees up to \$500 for enrolment in a physical activity program.

#### 8 Donating to private foundations

**EFFECTIVE: MARCH 18, 2007**

The capital gains inclusion rate for donations of publicly listed securities to private foundations has been cut from 50% to zero. The same change has been made for donations to private foundations of publicly listed securities acquired through employee stock options.

#### 9 Registered Education Savings Plan changes

**EFFECTIVE: JANUARY 1, 2007**

The annual contribution limit, which stood at \$4,000, has not been eliminated, while the lifetime contribution limit has been increased from \$42,000 to \$50,000.

#### 10 Increase in RRSP contribution age limit

**EFFECTIVE: JANUARY 1, 2007**

Seniors are now allowed to convert their RRSP to a RRIF at age 71, instead of 69. For RRSPs already converted into a RRIF, minimum RRIF withdrawal rules have been waived for people turning 70 or 71 in 2007.

#### 11 List of what qualified investments can be held in an RRSP expanded

**EFFECTIVE: MARCH 19, 2007**

RRSPs can now hold any debt obligation with an investment grade rating that is part of a minimum \$25 million issuance, and any security listed on a designated stock exchange.

#### 12 Extended eligibility for transit tax credit

**EFFECTIVE: JANUARY 1, 2007**

Electronic payment cards are eligible if used for at least 32 one-way trips during 31 consecutive days. Weekly passes used for unlimited travel within a five to seven day period, as long as the person buys at least four consecutive passes.

#### 13 Working Income Tax Benefit

**EFFECTIVE: JANUARY 1, 2007**

Low income earners over 19 can claim a refundable Working Income Tax Benefit (WITB) tax credit. The credit equals 20% of each dollar of earned income exceeding \$3,000, to a maximum credit of \$500 for single

Canadians and \$1,000 for families. If net family income exceeds \$9,500 for single people, or \$14,500 for families, the WITB will be reduced to 15%.

#### 14 Increase in meal expenses for truck drivers

**EFFECTIVE: MARCH 18, 2007**

Long-haul truck drivers can now claim 60% of their meal expenses, up from 50% at the start of the year. That number will increase by 5% every year until 2011, when truck drivers will be allowed to expense 80% of their meal costs.

#### 15 Increase in Canada Employment Credit

**EFFECTIVE: JANUARY 1, 2007**

The Canada Employment Credit has increased to \$1,000, up from \$500 last year.

#### 16 Increase in RRSP contribution limit

**EFFECTIVE: JANUARY 1, 2007**

The maximum RRSP contribution limit is now, \$19,000, which is a \$1,000 higher than last year's limit.

### 2008 AND BEYOND

#### 1 New Registered Disability Savings Plan

**EFFECTIVE: JANUARY 1, 2008**

People who qualify for the disability tax credit will be able to start an RDSP, which works in a similar capacity to the RESP. The maximum lifetime contribution limit is \$200,000; there's no annual limit and anyone can contribute. The RDSP must be redeemed when the individual turns 60.

#### 2 Further increase in basic personal amount

**EFFECTIVE: JANUARY 1, 2009**

The basic personal amount will be increased to \$10,100, from 2007 and 2008's personal amount of \$9,600.

#### 3 Further increase in RRSP contribution limit

**EFFECTIVE: JANUARY 1, 2008**

The RRSP contribution limit will be capped at \$20,000. In 2010 the ceiling will be \$22,000.

—Bryan Borzykowski