



## Michael's Tax Tips & Updates

taxation news and information bulletin

February 2009

### 2008 changes affecting individuals

- Tax-free savings account introduced starting in 2009. Individuals will acquire \$5,000 of TFSA contribution room each year indexed to inflation. Income, and gains inside the TFSA are not taxable, even upon withdrawal.
- The annual RRSP contribution limit was raised to \$20,000 in 2008 from \$19,000 in 2007.
- Effective for taxation years after 2007 the RESP contribution years have been increased from 21 to 31.
- Registered disability savings plan (RDSP) was introduced to provide long term security of a child with a disability. Contributions are not tax deductible, nor are they included in income when paid out. Federal government matching rates of 100, 200 or 300 per cent, depending on family net income. Yearly and lifetime maximums apply. Talk to your tax advisor for details.
- Where an employer reimburses an employee for business mileage usage, the maximum amount he may claim is 52 cents per km on the first 5,000, up from 50 cents and 46 cents per km after that, up from 44 cents.

- Beginning July 2008 the CCTB national child benefit supplement rose to \$2,025 for the first child, \$1,792 for the second child and \$1,704 for each subsequent child.

### Additional tax considerations

- Automobile provisions - CCA ceiling remains \$30,000 plus taxes. Deductible leasing costs remain at \$800 monthly. Maximum deductible interest remains at \$300 monthly.
- Employees who are required to pay their own automobile expenses are entitled to deduct business-related expenses that are not reimbursed by the employer. The employer must sign a form T2200 annually certifying the required conditions were met.
- Installments are required from all self-employed if the difference between tax payable and amounts withheld at source in the 2 preceding years is greater than \$3,000 in 2008.
- Pension income splitting with a spouse or common-law partner.
- Both spouses or common-law partners must file income tax returns in order to receive the Canada Child Tax Benefit and the National Child Benefit supplement.



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- The Universal Child-Care Benefit (\$100 per month) for each child under six, is taxable in the hands of the lower income spouse or common-law partner.
- Effective in 2007 the new child tax credit of \$2,000 for each child under 18 at the end of the taxation year.
- Computers acquired after March 18, 2007 fall into class 50 with a capital cost allowance rate of 55%.

### Corporations

- The December 2007 mini-budget increased Ontario's small business deduction threshold rate from \$400,000 to \$500,000 retroactive to January 1, 2007.
- Repair vs. capital issues are addressed in a Sept. 3, 2008 Interpretation bulletin. While there are no fixed rules in determining whether expenditure is on account of income or capital, it suggests a number of guidelines. The four main guidelines are "enduring benefit", "maintenance or betterment", "integral part or separate asset" and, "relative value".
- The 2007 budget introduced a 50% straight line CCA rate for machinery and equipment acquired after March 19, 2007 and before 2009. In the 2008 budget this deadline was extended to the end of 2011 on a declining balance basis after 2009.

- For tax years commencing after December 31, 2008, companies that have a permanent establishment in Ontario will only have to file a combined Federal return. CRA will assume responsibility for Ontario Corp. tax and various transition rules will apply.

### 2009 Budget Highlights

- Increased non-refundable tax credits.
- Increase in top end of two lowest personal tax brackets.
- Home Renovation Tax Credit.
- Increase in the maximum amount a first time homebuyer may withdraw from their RRSP.
- Increased CCA rate on eligible computers and software purchased before February 2011.
- Increased small business amount to \$500,000.
- Extension of the temporary 50% S/L accelerated CCA on manufacturing and processing machinery and equipment acquired before 2011.

***Please remember to book your tax preparation appointment early.***

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