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**FEDERAL BUDGET**

On January 27, 2009, the Conservative Party introduced a new Federal Budget. Here are some of the important changes which may affect your tax situation.

**Personal Tax Measures**

**Tax Credits**

- The basic personal exemption for individuals, and spouse or common-law partners, has increased to \$10,320 for 2009 from \$9,600 in 2008. This is the amount which an individual can earn without paying any personal income tax.
- The tax credit for individuals over 64 years old has increased to \$6,408 in 2009 from \$5,276 in 2008.

**Income Tax Brackets**

- The income tax brackets were increased so that the lowest tax bracket of 15% Federally goes up to \$40,726 and the second tax bracket of 22% applies to income from \$40,727 to \$81,452. This results in lower taxes of \$284 if someone earns at least \$81,452.

**Home Renovation Tax Credit**

- There is a new temporary home renovation tax credit for expenditures for expenditures on a principal residence. The 15% credit is applied to costs in excess of \$1,000 to a maximum of \$10,000 so that the maximum credit is 15% x 9,000 or \$1,350. There is only one single credit allowed a family. The expenditures do not apply to routine repairs, appliances, electronics or financing costs, and they must be incurred between the dates of January 27, 2009 and February 1, 2010.

**First – Time Home Buyers**

- The budget allows a tax credit of \$750 per family for first time buyers who purchase a house after January 27, 2009.
- The withdrawals allowed out of an RRSP which are tax free through the Home Buyers Plan are increased to \$25,000 after January 27, 2009.

## **Corporate Tax Measures**

### **Small Business Deduction**

- The low rate of tax as a result of the small business deduction is increased on active business income up to \$500,000 per year as of January 1, 2009. The previous limit was \$400,000 per year. The corporate tax rate on this amount of income is 16.5% in Ontario.

### **Capital Cost Allowance**

- The deduction for the amortization (called Capital Cost Allowance) of manufacturing and processing (M & P) equipment has been extended to be a 50% straight line per year for years 2010 and 2011. There is a further increase to 100% for certain M & P equipment.
- The deduction for Capital Cost Allowance for computers and software acquired after January 27, 2009 and before February, 2011 will be 100% per year with no reduction for the ½ year rule in the year of purchase. Clearly, 2009 and 2010 are years to consider new computer acquisitions because any purchases are fully deductible against income.