

JACK'S TAX TIPS

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On January 27, 2009, Finance Canada tabled its 2009 Federal Budget that ushered in a myriad of proposals many of which were included in Bill C-10 which received Royal Assent on March 12, 2009. This newsletter discusses a number of these changes and outlines several personal tax planning tips for 2009 and 2010.

What's new in Personal Tax Changes for 2009?

1. Tax-free Savings Account (TFSA)

The TFSA was introduced for 2009 and subsequent taxation years. Any Canadian resident who is 18 years of age or older can contribute a maximum of \$5,000 per year into a TFSA. The limit will be indexed after 2009 on an annual basis for inflation where any additions to the TFSA will be rounded to the nearest \$500. Unused contribution room can be carried forward. Any amounts withdrawn will be added to the individual's contribution room for the following year and can be carried forward indefinitely. Contributions in excess of the allowable amount will be taxed at 1% per month.

Contributions are not tax deductible and income earned, losses, gains and withdrawals will not be taxed nor will be taken into account for income-tested benefits such as the Canada Child Tax Benefit, GST and Age Credits, Old Age Security Benefits, Guaranteed Income Supplement or EI Benefits.

A TFSA will generally be eligible to invest in similar investments to a RRSP.

Interest on money borrowed to invest in a TFSA will not be deductible. However, a TFSA may be used as collateral for a loan.

Spouse's can contribute to the other spouse's TFSA without the income being attributed back to the contributing spouse. When there is a marital breakdown, a TFSA may be transferred without affecting the contribution room of the recipient. When an individual becomes a non-resident, a TFSA may continue and benefit from tax exemption on income and withdrawals..

After 2009, the CRA will determine contribution room for every individual who files a tax return.

2. 2009 Automobile Rules

For 2009, the limit on the deduction of tax-exempt allowances was increased to 52 cents per kilometer on the first 5,000 kilometres and 46 cents thereafter. The rate in the territories was increased to 56 cents and 50 cents thereafter respectively.

The taxable benefit that related to the personal portion of automobile operating expenses that is paid by employers was increased to 24 cents per kilometers. See appendix E on automobile amounts.

3. Accelerated Capital Cost Allowance (CCA) for Manufacturing and Processing and for Computers

Regulations recently introduced in the 2007, 2008 and 2009 Federal Budget proposals brought into force an accelerated 50% straight line CCA rate for equipment and machinery that are used primarily in the manufacturing sector and acquired on or after March 19, 2007 and before 2012.

The CCA rate was increased to 100% from 55% for eligible computers and systems software that are acquired after January 27, 2009 and before February 2011. The half-year rule will not apply to this measure.

4. Increase of Withdrawals Eligible for the Home Buyers' Plan (HBP)

Registered Disability Savings Plan (RDSP)

Individuals and their spouses/common law partners who have not owned their own home for the past five years, may qualify to withdraw tax-free money from their RRSPs. Effective for 2009 and subsequent years, the Budget increased the eligible amount that an individual can withdraw from \$20,000 to \$25,000.

5. Recognition of RRSP/RRIF Losses after Death

The Budget Implementation Act, 2009 amends the rules relating to RRSPs and RRIFs to recognize a decrease in the value of the investments between the annuitant's death and the final distribution of the account, where the final distribution is made after 2008. The post-death decrease in value, which will be determined as the difference between the distribution amount at the wind-up date of the RRSP/RRIF and the amount included in the annuitant's RRSP/RRIF income inclusion in the year of death, can be carried back

and applied against the RRSP/RRIF inclusion in the year of death. Generally, to qualify for this deduction, the RRSP must be wound by the end of the year following the year of death of the annuitant, and the RRSP cannot have held any non-qualified investments during the post-death period.

6. Revising the 2009 Personal Income Tax Brackets

The Budget Implementation Act, 2009 increased the income amounts for the lower tax brackets by 7.5% over 2008. The highest tax bracket was increased in accordance with previously announced indexing factors. Federally, taxable income up to \$40,726 will be taxed at 15%; taxable income between \$40,726 and \$81,452 will be taxed at 22%; taxable income between \$81,452 and \$126,264 will be taxed at 26% and taxable income above \$126,264 will be taxed at 29%. A comprehensive tax table is attached on appendix A..

7. Canada Child Tax Benefit/National Child Benefit Supplement

For the 2009-2010 year, the Child Tax Benefit will begin phasing out at the \$40,726 income threshold. Further, the National Child Benefit Supplement will be completely phased out at \$40,726 for most families.

8. Personal Tax Credits

The Budget Implementation Act, 2009 increased the basic personal amount on which the tax credit is calculated for 2009 to \$10,302 for a 15% tax credit of \$1,548. The spouse/common-law and wholly dependant tax credits have also been increased accordingly. These amounts will be indexed for 2010 and subsequent taxation years.

The Act increased the age credit to \$6,408 for a 15% tax credit of \$961.

A comprehensive personal tax credit table is attached on appendix B.

9. Home Renovation Tax Credit

The 2009 Federal Budget introduced a non-refundable temporary Home Renovation Tax Credit (HRTC) for expenses incurred for goods purchased and/or work performed after January 27, 2009 and before February 1, 2010. Eligible expenditures must exceed \$1,000 but not more than \$10,000. The maximum credit is \$1,350 (\$10,000 - \$1,000 = \$9,000 x 15%).

See HRTC fact sheet Appendix C.

10. First-time Home Buyer's Tax Credit

The 2009 Federal Budget introduced a non-refundable 15% tax credit calculated on \$5,000 to \$750 to first-time home buyers who acquire a home with a closing date after January 27, 2009.

Tax Planning Tips

I. Charitable Donations/Political Contributions

Donations

Tax credits can be claimed on donations on two levels. The first \$200 of charitable donations can result in a federal tax credit of 15% (about an additional 6% for Ontario residents) and 29% (around 11% for Ontario residents) for donations made in excess of \$200.

Accordingly, donations should be claimed by one spouse to maximize this credit.

The cumulative donation amount you can claim is restricted to 75% of your net income. However, don't worry if you forgot to claim a donation slip in a prior year. You can accumulate them and claim them in one year provided this is done within a five-year period. The cumulative donation amount is increased to 100% in the year of death and the year preceding death.

If you donate publicly traded securities, no taxable capital gain will result as the inclusion rate will be zero in your income. Moreover, you would be able to claim the full face value of the securities as your donation...kind of having your cake and eating it too! This measure was effective for donations made after May 1, 2006.

The capital gains inclusion rate on donations of eligible public shares that are listed on a prescribed stock exchange was reduced to zero for gifts to private foundations on or after March 19, 2007

Political Contributions

The limits for federal political contributions for 2009 are as follows:

- 75% of contributions that do not exceed \$400
- \$300 plus 50% of amounts over \$400 up to and including \$750 and
- When the total contributions exceed \$750, the lesser of:
 - \$650; and
 - \$475 plus 33 1/3% of the amount over \$750.

Some provinces will allow a tax credit for donations to a provincial party.

2. Capital Losses

Net Capital Losses

If you happen to have "losers" sitting in your portfolio, you should consider selling them before the final trading deadline of December 24, 2009 in order to be able to carry back these losses against capital gains you incurred in the previous three calendar years.

However, in order to ensure the loss will be allowed, you cannot reacquire the stock within 30 days of the sale because of the superficial loss rules in which case your loss will be denied.

Ask your accountant to quantify whether this exercise is worth it as the decision to do depends on what your marginal tax rates were in the prior years.

Any unused losses can be carried forward indefinitely against future capital gains.

Business losses (non-capital losses)

If you have business losses (possibly from starting a new business), you can apply these losses against income from other sources. If not, you can carry back these losses against taxable income reported in your tax return during the past three years. If that does not work, then you can carry forward your loss up to 20 years against future taxable income.

For a list of deductible business expenses please see appendix F.

Allowable Business Investment Losses (“ABILs”)

If you sell shares of a small business corporation at a loss to a non-related person or you establish that a loan owing to you by the corporation is uncollectible, you could claim an ABIL of which one-half is deductible against other sources of income. The unused portion of this loss becomes part of your non-capital losses and can be carried back three years and carried forward ten years. If you do not use all of your ABIL within that time frame, the balance is added to your net capital losses which can be carried forward indefinitely.

Rental losses

If you rent out property, and your rental expenses exceed your rental income, you can apply those losses against other sources of income. However, you cannot create or increase a rental loss arising from capital cost allowance (i.e. tax depreciation) from your property.

For a list of deductible rental expenses please see appendix G.

3. Medical Expenses and Related Tax Credits

Medical Expenses

You can claim medical expenses paid for any 12-month period that ends in the tax year or in the situation of a deceased taxpayer; any 24 month period that includes the date of death. Therefore, you should review all of your medical expenses to select the highest medical claim in that period.

The amount that you can claim for yourself, your spouse/common law partner and your dependants is based on a formula equal to the 15% times the medical expenses that exceed the lesser of 3% of one’s net income and \$2,011. In most cases, the lower income spouse should claim medical expenses.

A general list of qualified medical expenses are listed on Appendix D.

Caregiver Tax Credit

Individuals who live and give in-home care to a parent or grandparent including an in-law, 65 or older, who is dependant on the caregiver because of a mental or physical infirmity are eligible for a caregiver tax credit.

The \$630 tax credit (15% of \$4,197) is reduced by 15% of the dependant’s income over \$14,336 and is completely phased out at \$18,533. The credit is not available where an equivalent-to-spouse

tax credit or dependant tax credit has been claimed with respect to that person.

Infirm Dependant Age 18 or Older

If you support an infirm dependant age 18 or older who is either your own or spouse’s/common-law partner’s relative and a Canadian resident, you will be entitled to a 15% tax credit of \$630 (15% of \$4,198). This credit is not available where you have claimed the caregiver tax credit. The credit is reduced by the dependant’s income over \$5,956.

Disability Tax Credit

If you have a “severe and prolonged” mental or physical impairment that is certified by a medical practitioner, you may be eligible for a non-refundable tax credit of \$1,079 depending on the disability. For 2009, the amount used to determine the disability tax credit is \$7,196 (\$7,175 – Ontario). To qualify for the credit, you must need to file a medical certificate on Form T2201 that states that your ability to perform a daily activity is markedly restricted.

4. Registered Retirement Savings Plans (RRSP’s)

RRSPs allows taxpayers to receive an immediate tax deductions on their tax returns, save money for their future and effectively accrue tax-deferred earnings on their investments.

The annual contribution limit is 18% of a taxpayer’s earned income for the preceding year up to the under-noted limits:

Year Limit	RRSP Contribution Required in Prior Year	Earned Income
2009	\$21,000	\$116,667
2010	\$22,000	\$122,222
2011	Indexed	

plus any unused contribution room carried forward from previous years. If you are a member of a Registered Pension Plan (“RPP”) or Deferred Profit Sharing Plan (“DPSP”), your contribution limit will be reduced.

Earned income includes the following items:

- Gross salary
- Net business or professional income
- Research grants, net of related expenses
- Royalties from works or inventions
- Net rental income from real estate
- Disability income received under CPP

Earned income is reduced by:

- Deductible alimony, maintenance and child support
- Employment relate expenses
- Net business and rental losses

The deadline for making RRSP contributions for 2009 is March 1, 2010.

Please consult your 2008 notice of assessment issued by the Canada Revenue Agency ("CRA"), as it will report your contribution limit. However, check with your accountant that the Tax Department's records agree with the tax return you filed.

Please be aware that there is a 1% penalty per month on over-contributions over \$2,000.

The age deadline has been increased from 69 to 71 for when taxpayers must cease contributing to their RRSPs and begin a withdrawal program, effective for 2007 and subsequent years. For those who turn 71 in 2009, all of their RRSPs must be terminated by the end of the calendar year by either (a) receiving the entire amount as a lump sum payment in which case a large tax bill may result (b) transferring your RRSPs to a Registered Retirement Income Fund ("RRIF") or (c) purchasing an annuity.

You may still make RRSP spousal contributions after age 71 until your spouse reaches 71. However, any withdrawals made within 2 years of such contributions will be taxable in the contributor's income.

Interest incurred on loans to acquire an RRSP is not deductible.

If you or your spouse/common law partner has not owned a home for the past five years, you may be able to withdraw tax-free money from your RRSPs to a maximum of \$25,000 each for the purchase of your new home under the Home Buyers' Plan ("HBP"). However, you cannot withdraw such funds from an RRSP that is less than 90 days old as these amounts will be taxable. The plan must be repaid back over a 15-year period (minimum of 1/15 each year).

Finally, RRSPs investments are no longer restricted in the percentage of foreign property investments in RRSPs effective January 1, 2005.

5. Registered Disability Savings Plan (RDSP)

The RDSP was introduced in 2008 to help taxpayers save for the future financial security of a beneficiary who qualifies for the disability tax credit. The RDSP is accompanied by a Canada Disability Savings Grant (CDSG) and will operate similar to RESPs. The contributions are not tax deductible and can be made up until age 59 with a lifetime maximum of \$200,000 with no annual limit. The investment income earned in a RDSP will not be taxable while the funds remain in the plan but will be taxable to the RDSP beneficiary when withdrawn.

Contributions to an RDSP will qualify for the CDSG until the beneficiary turns 49 years old. The CDSG lifetime limit is \$70,000 and matches contributions at 100%, 200% or 300% depending on family net income and amount of contributions. Families with net income less than \$81,452 will receive a 300% grant on the first \$500 and 200% grant on the next \$1,000. Families with net income over \$81,452 will qualify for a 100% grant.

Payments must begin to be paid out of an RDSP by the end of the year in which the beneficiary turns 60 years old. A RDSP must repay all CDSGs and related investments in the previous 10 years, in the event that the beneficiary dies or is no longer eligible for the disability tax credit

6. Moving Expenses

If you moved in 2009 to commence new employment, a new business or attend university, you are able to deduct moving expenses up to the extent of income from the new work or business provided your move is at minimum 40 kilometers. Any unclaimed expenses can be carried forward to the subsequent year.

Moving expenses include the costs of moving your belongings, travel costs (including meals and temporary accommodations up to 15 days), lease cancellation costs, the costs of real estate commissions and legal fees arising from the sale of your old residence.

7. Child Care and Related Expenses/Tax Credits

Child Care Expenses

Taxpayers are allowed to deduct childcare expenses as indicated in the under-noted table:

Age of child as of December 31	"Non-Disabled" Child	Disabled Child
Under 7	\$7,000	\$10,000
7 to 16	\$4,000	\$10,000
Over 16	None	\$10,000

The maximum deductible would be the least amounts of (i) the figures listed above, (ii) the amount of child care expenses paid and (iii) 2/3 of taxpayer's earned income (lower income spouse in most cases).

The childcare expenses must be incurred to allow you to engage in employment, a business or attend post secondary education.

Payments include those made to a nursery, day care centre, day camp, and a childcare service centre provided by an educational institution for a child who is younger than the school age as well as to caregivers in which case you are required to have social insurance numbers.

Please note that payments made to an overnight camp are restricted to \$175/week and \$100/week for kids under 7, aged 7 to 16 and respectively. \$200/week can be claimed for disabled children.

Adoption Expenses Tax Credit

An adoption expense tax credit is calculated at the lesser of 15% of the indexed amount in 2009 of \$10,909 (\$10,836- Ontario) and eligible adoption expenses, which include:

- Fees paid to a provincial or territorial government licensed adoption agency
- Court costs
- Administrative and legal expenses
- Reasonable living and travel expenses
- Translation fees of documents
- Fees required to be paid to foreign institutions

The adoption period begins either at the earlier of the time that the child's adoption file is opened with a qualified adoption agency

or the time that the application is made to a Canadian court. The adoption period ends at the time of the adoption.

Canada Child Tax Benefit (CTTB)

As at July 2009, the basic CTTB is \$1,340 annually (\$111.67 monthly) for each child under 18. If you have three or more children, there is a supplement of \$93 annual (\$7.75 monthly) for the third and additional child.

These benefits are reduced by 2% of family net income of a one-child family in excess of \$40,726. The reduction is 4% for families with two or more children.

Child Disability Benefit

Families with a child who is eligible to receive the disability tax credit receive the Child Disability Benefit. The maximum benefit is \$2,455 per year (\$204.58 monthly) for each eligible child. The maximum benefit is reduced by net family income that exceeds a base amount that is determined by the number of children who receives the CCTB as follows:

- One child: Maximum benefit if net income < \$40,726 (benefit reduced by 2% of net income > \$40,726).
- Two or more children: Maximum benefit if net income < \$40,726 (benefit reduced by 4% of net income > \$40,726).

Universal Child Care Benefit (UCCB)

The UCCB effective July 1, 2006 budget introduced the universal childcare benefit where all families receive \$100 per month for each child under 6 commencing July 1, 2006. The amount received is taxable to the spouse with the lower income and is not included in income for income based benefits such as the GST tax credit, Canada Child Tax Benefit, Employment Insurance etc. nor will they affect the child care expense claim.

Children's Fitness Tax Credit

The children's fitness tax credit is effective for 2008 and subsequent years is calculated on a maximum of \$500 in registration fees per child who is under 16 years of age or, if eligible for the disability tax credit, under the age of 18.

To be eligible, programs that are held once a week must last a minimum of eight weeks. Camp programs qualify if they last a minimum of five consecutive days and devote more than 50% of children's time to physical activity. The programs must be supervised, suitable for children and include a significant amount of physical activity that involves cardio and one or more of balance, flexibility, muscular endurance or muscular strength.

Child Tax Credit

In 2007, a new child tax credit was introduced for all children under 18 years of age at the end of the calendar year. Either parent can claim the credit except for separated parents in which case, the parent who claims the dependant tax credit for the child can claim the credit. The non-refundable credit is calculated by multiplying the 2009 child amount of \$2,089 x 15% to a maximum of \$313.35 for each child.

8. Tuition Fees and Related Tax Credits

Tuition Fees

If you paid tuition fees in the amount of \$100 or more to a recognized post secondary educational institution, you would be able to claim a tuition tax credit of 15% of the tuition fees that you paid.

In addition, there is also an additional Educational Tax Credit available that one can claim equal to \$400/month for full-time (\$120/month for part-time) enrolment.

Unused tuition and education tax credits can be carried forward.

Students can transfer their unused tuition and education credits to a spouse/common-law partner, parent or grandparent to a maximum of \$5,000.

Student Loans

Students can also claim as tax credits interest paid on student loans that have been approved under the Canada Student Loans Program and corresponding provincial student loan programs.

The tax credits are calculated as 15% (6.05%-Ontario) of the interest expense on such loans.

Bursaries, Fellowships and Scholarships

Bursaries, fellowships and scholarships received in connection to the taxpayer's enrolment at a designated educational institute that qualifies for the education tax credit is exempt from the taxation. Qualifying education programs generally include post-secondary level programs and skills-training that is provided through educational institutions certified by the Minister of Human Resources and Skills Development Canada. This exemption also applies to scholarships and bursaries received by students to attend elementary and secondary schools.

Textbook Tax Credit

For 2009, the textbook tax credit for students who qualify for the education tax credit is calculated at 15% (Ontario-6.05%) of \$65 for each month a student qualifies for the full-time education tax credit amount and \$20 for each month a student qualifies for the part-time education tax credit amount.

9. Pensions/Pension Income Spousal Split

The amount of eligible pension income to be used to calculate the pension income tax credit is \$2,000. For 2009, the pension credit is \$300 (15% x \$2,000).

If you are under 65 but receive life annuity payments from a superannuation or pension plan, those payments may also qualify as well as some payments with respect to the death of a spouse.

Spouses and common-law partners can reallocate a maximum of one-half of eligible pension income between them for income tax purposes. A joint election must be made in prescribed form on or before their respective filing due dates for the taxation year and filed with their income tax returns.

10. Shareholder Loans

If you are incorporated, it is important that your accountant review your shareholder loan balance prior to the year-end. If you find yourself in a situation where you have withdrawn moneys to a point where you owe your company money (i.e. you are in accountant's terms a "debit" shareholder balance), consideration should be made to either (a) repay the money back by the year-end, (b) give yourself a higher salary and ensure deductions are paid by January 15th of the subsequent year or (c) declare this amount as a dividend paid to you.

Otherwise, failure to do so could result in adverse tax consequences if the debt is not repaid within 12 months after the end of your company's fiscal year-end.

You should also ensure that all business related expenses that you may have paid personally have been recorded so that you receive credit for these expenditures.

11. Apprentice Job Creation Tax Credit

A credit of 10% of salary and wages paid after May 2, 2006 was permitted to a taxpayer who employs an "eligible apprentice" up to \$2,000 per year. An eligible apprentice is a person in the first 24 months of his/her apprenticeship in a prescribed trade (see www.red-seal.ca).

12. Public Transit Tax Credit

The 2006 Budget introduced a non-refundable tax credit for the cost of a transit pass (minimum one month in duration) for a period that begins on or after July 1, 2006. Public transit includes transportation by commuter bus, commuter train, local bus, local ferry, streetcar and subway. The credit can be claimed by an individual or an individual's spouse/common-law partner in respect of transit costs of the individual, the individual's spouse/common-law partner and individual's children who are under 19 years of age. The 2007 Budget allowed electronic and weekly passes to qualify for the tax credit.

13. Canada Employment Tax Credit

For 2009, the Canada Employment tax credit is calculated at 15% (Ontario-6.05%) of the lesser of \$1,044 and the employee's income for the year.

14. Dividend Tax Credit

If you receive dividends from a Canadian corporation, such dividend income is grossed up by 25%. This amount is then offset by a federal dividend tax credit of 2/3 of the gross-up.

If you receive eligible dividends (dividend income distributed by corporations subject to paying the general corporate tax rate), such dividend income is grossed up by 45%. However, the rate of the dividend tax credit will also be increased from 13.5% of the grossed-up amount to approximately 19% of the grossed-up amount.

The amount of taxable dividends that can be received by an individual who has no other income, without resulting in any income tax liability is as follows:

	Other Dividend	Eligible Dividend
Personal credit only	\$37,510	\$50,320
Student with \$7,000 of tuition fees	\$45,938	\$57,320

15. Alimony and Child Support Payments

Generally speaking, child support payments are not deductible by the payor nor included in income by the recipient for any agreements made after April 30, 1997. However, these guidelines did not affect alimony payments which remain deductible to the payor and taxable in the hands of the recipient.

If you incurred legal fees to obtain alimony or child support payments, save the receipts as these amounts are generally deductible.

16. Acquisition of Capital Assets

If you have a business and plan to acquire new assets, consider acquiring the assets before your fiscal year-end is over and ensure that these assets are available for use as this will provide you with a capital cost allowance ("CCA") claim sooner. If you have a December 31st year-end and are thinking of acquiring an automobile for \$30,000 (business use-75%), acquiring the asset by December 31st would allow you to claim CCA of \$3,375 ($\$30,000 \times 30\% \times 50\% \times 75\%$) in 2009 and \$5,990 [$(\$30,000 - \$3,375) \times 30\%$] in 2009 as opposed to claiming the \$3,375 of CCA in 2010 if you delay the purchase until January 2010.

17. Lifetime Capital Gains Exemption.

The March 19, 2007 Federal Budget proposed that the lifetime capital gains exemption is to be increased from \$500,000 to \$750,000 on the disposition of qualified small business corporation shares (as well as on qualified farming and fishing property) on or after March 19, 2007.

18. Registered Education Savings Plans (RESPs)

Contributions to a RESP are not tax deductible but the investment earnings are sheltered as they are not subject to tax until withdrawn by the child when he or she is pursuing post-secondary education.

For 2008 and subsequent taxation years, the time an RESP can remain open was extended from 25 to 35 years and contribution time is extended from 21 to 31 years. For a beneficiary that qualifies for a disability tax credit, the time an RESP can remain open was extended from 30 to 40 years and the time contributions can be made was extended from 30 to 35 years.

In 2007, the annual maximum contribution threshold of \$4,000 was eliminated and the lifetime maximum contribution was been

increased from \$42,000 to \$50,000. In addition, the annual contribution eligible for the Canada Education Savings Grants (CESG) was increased from \$2,000 ($\times 20\% = \400) to \$2,500 ($\times 20\% = \500).

19. Interest free loans to spouses

CRA's prescribed interest rate is at 1% until at least Dec. 31, 2009, which provided couples with a significant income-splitting opportunity. Under this strategy, the higher-income spouse can lend money to the lower-income spouse at 1% for investment purposes, with interest paid annually by Jan. 30 of the following year.

If the loan is made before Dec. 31 while the prescribed rate is 1%, any investment returns above the 1% rate can be taxed in the hands of the lower-income spouse. Note that even though the prescribed rate varies quarterly, you need only use the rate in effect at the time the loan was originally extended.

CAUTION: The above information is very general in nature and not regularly updated, therefore may not reflect recent legislative or judicial proposals and/or changes. Tax laws are extremely complex and frequently change. In addition, each situation is unique and must be individually analyzed in light of its specific facts and circumstances of the particular situation and interpretation of the relevant legislation enacted at the time. The information above should not be acted upon without seeking professional advice. For more information and detailed advice about any of the above or the implementation of other tax planning arrangements, please contact your professional advisor.

A: 2009 Personal Tax Rates for Ontario Residents

Taxable Income	Tax	Marginal Rate			
		Income	Capital Gain	Eligible Dividend	Dividend
\$ 0	\$ 0	21.05%	10.53%	(7.71%)	3.23%
36,848	5,672	24.15	12.08	(3.21)	7.11
40,726	6,608	31.15	15.58	6.94	15.86
64,884	14,133	32.98	16.49	7.45	16.86
73,698	17,040	35.39	17.70	10.94	19.88
76,444	18,012	39.41	19.71	12.91	22.59
81,452	19,986	43.41	21.71	18.71	27.59
126,264	39,438	46.41	23.21	23.06	31.34
Tax on split income and inter vivos trusts starts at		40.16		2000	27.12

After deduction of Federal Basic Personal Credit of \$10,320 and Ontario Basic Personal Credit of \$8,881.

Ignores Ontario Health Premium

This chart should only be used for estimating the tax on certain types of income within rate brackets and not for doing detailed calculations.

C: Home Renovation Tax Credit Fact Sheet

The Home Renovation Tax Credit* is a non-refundable tax credit based on eligible expenses for improvements to your house, condo or cottage. It can be claimed on your 2009 income tax return. It applies to eligible purchases made after January 27, 2009, and before February 1, 2010. The HRTC applies to eligible expenses of more than \$1,000, but not more than \$10,000, resulting in a maximum non-refundable tax credit of \$1,350 [(\$10,000 – \$1,000) × 15%].

Eligibility period

The HRTC is based on eligible expenses for work performed or goods acquired after January 27, 2009, and before February 1, 2010, under an agreement entered into after January 27, 2009, related to an eligible dwelling.

Acceptable supporting documentation

Documentation, such as agreements, invoices, and receipts, must clearly identify the type and quantity of goods purchased or services provided, including, but not limited to, the following information:

- information that clearly identifies the vendor/contractor, their business address and, if applicable, the GST/HST registration number;
- a description of the goods and the date when the goods were purchased;
- the date when the goods were delivered (keep your delivery slip as proof) and/or when the work or services were performed;
- a description of the work performed including the address where the work was performed;
- the amount of the invoice; and
- proof of payment.

Receipts or invoices must indicate paid or be accompanied by other proof of payment, such as a credit card slip or cancelled cheque.

Examples of eligible expenses

- Renovating a kitchen, bathroom, or basement
- Windows and doors
- New carpet or hardwood floors
- New furnace, boiler, woodstove, fireplace, water softener, water heater, or oil tank
- Permanent Home ventilation systems
- Central air conditioner
- Permanent reverse osmosis systems
- Septic systems

- Wells
- Electrical wiring in the home (e.g., changing from 100 amp to 200 amp service)
- Home Security System (monthly fees do not qualify)
- Solar panels and solar panel trackers
- Painting the interior or exterior of a house
- Building an addition, garage, deck, garden/storage shed, or fence
- Re-shingling a roof
- A new driveway or resurfacing a driveway
- Exterior shutters and awnings
- Permanent swimming pools (in ground and above ground)
- Permanent hot tub and installation costs
- Pool liners
- Solar heaters and heat pumps for pools (does not include solar blankets)
- Landscaping: new sod, perennial shrubs and flowers, trees, large rocks, permanent garden lighting, permanent water fountain, permanent ponds, large permanent garden ornaments.
- Retaining wall
- Associated costs such as installation, permits, professional services, equipment rentals, and incidental expenses
- Fixtures - blinds, shades, shutters, lights, ceiling fans, etc.

Note

Window coverings, such as blinds, shutters and shades, that are directly attached to the window frame and whose removal would alter the nature of the dwelling are generally considered to be fixtures (i.e., has become part of the home) and therefore would qualify for the HRTC. In some circumstances, draperies and curtains may qualify for the HRTC, if they would not keep their value or usefulness if installed in another dwelling. If these qualifying criteria are not met, it is likely that draperies and curtains would not qualify for the HRTC.

Examples of ineligible expenses

- Furniture, appliances, and audio and visual electronics
- Purchasing of tools
- Carpet cleaning
- House cleaning
- Maintenance contracts (e.g., furnace cleaning, snow removal, lawn care, and pool cleaning)
- Financing costs

D: General List of Allowable Medical Expenses

Professional Services

- Acupuncturist
(if a qualified medical practitioner or, in Quebec only, a licensed acupuncturist)
- Chiropodist
- Chiropractor
- Christian Science practitioner
- Dental hygienist
(if authorized to practise under provincial law)
- Dental mechanic
(for the making or repairing of a complete upper or lower denture)
- Dentist
- Dermatologist
- Gynaecologist
- Neurologist
- Naturopath
- Obstetrician
- Oculist
- Optician
- Optometrist
- Orthopaedist
- Osteopath
- Paediatrician
- Physician
- Physiotherapist
- Plastic surgeon
- Podiatrist
- Practical nurse
(medical services only)
- Psychiatrist
- Psychoanalyst
- Psychologist
(if licensed by province to provide therapy or rehabilitation)
- Registered nurse
- Surgeon
- Speech therapist
(pathological or audiological impediments only)
- Therapist

Laboratory Examinations and Tests

- Blood tests
- Cardiographs
- Metabolism tests
- Spinal fluid tests
- Stool examination
- Urine analyses
- X-ray examinations

Dental Services

- Dental x-rays
- Extracting teeth
- Filling teeth
- Gum treatment
- Oral surgery
- Straightening teeth

Hospital Services

- Anaesthetist
- Hospital bills
- Oxygen masks, tent
- Use of operating room
- Vaccines
- X-ray technician

For comprehensive list of qualifying medicines, apparatus, medical treatments etc, please contact our office.

Source: CCH "Preparing Your Income Tax Returns".

E: Automobile Amounts

	2000	2001/2	2003/4	2005	2006/7	2008/9
Maximum capital cost (plus GST and PST)	\$27,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Maximum lease payment (plus GST and PST)	\$700	\$800	\$800	\$800	\$800	\$800
Interest expenses (per 30 day period)	250	300	300	300	300	300
Maximum deductible allowances						
First 5,000 km	37¢/km	41¢/km	42¢/km	45¢/km	50¢/km	52¢/km
Over 5,000 km	31¢/km	35¢/km	36¢/km	39¢/km	44¢/km	46¢/km
Operating benefit	15¢/km	16¢/km	17¢/km	20¢/km	22¢/km	24¢/km
Automobile Salespersons	12¢/km	13¢/km	14¢/km	17¢/km	19¢/km	21¢/km

F: General List of Deductible Business Expenses

Home Office

Calculated as percentage of office over total square area of home

- Mortgage interest/rent
- Realty taxes
- Insurance
- Utilities
- Repairs & maintenance

Automobile

- Gas/oil
- Repairs and maintenance
- Insurance
- Lease costs (\$800 monthly lease limit)
- Interest on car loan (\$300 monthly interest deduction limit)
- Licence and registration fees
- CAA dues
- ETR (Highway 407) fees
- Car washes
- Parking at clients (100% deductible)
- Calculated as a percentage of business kms/total kms

Entertainment

- Meals, sporting events, theatre (50% deductible)

Trade Shows/Travel

- Conventions, airline flights, hotels, taxis, business conferences, etc.

Advertising

- Newspaper ads
- Promotion, advertising, etc.
- Gifts to clients

Capital Assets subject to Depreciation

- Office furniture (desks, cabinets, chairs etc.) – 20%
- Computer hardware – 100% if acquired after January 27, 2009 (55% if acquired between March 18, 2007 and January 28, 2009)
- Computer software – 100% if acquired after January 27, 2009 (subject to 1/2 rule prior to January 28, 2009)
- Automobile – 30% (\$30,000 capital cost threshold level)
- Additions acquired during the current year depreciated at 50% of above rates except for computer hardware and software acquired after January 27, 2009.

Professional Fees

- Accounting & legal fees

Insurance

- Business insurance
- Professional liability insurance

Interest & Bank Charges

- Bank service charges
- Interest on loans used in business
- Credit card fees

Office Expenses

- Postage
- Stationery
- Courier
- Registration costs
- Computer Paper
- Supplies
- Books & publications
- Continuing education courses/seminars

Telephone

- Business telephone & fax line
- Cellular phone
- Internet fees

Salaries

- Salary to assistants including payroll levies

Dues & Membership

- Professional affiliation dues
- Business trade and networking membership dues

Note: Some of the expenses may not be permitted or restricted if taxpayer is earning income from employment.

G: General List Of Deductible Rental Expenses

- Property taxes
- Insurance
- Repairs and maintenance
(painting, plumbing, electrical, waste removal, garbage etc).
- Utilities
(hydro, natural gas, water, cable)
- Mortgage interest and financing fees
- Advertising
(for tenants)
- Janitorial services
- Property management fees
- Accounting fees
- Legal expenses not connected with purchase of property
- Commissions
(paid to obtain tenants)
- Landscaping of grounds and snow removal
- Office supplies
- Alarm fees and security
- Bank services charges
- Automobile expenses
(if more than one property is owned)
- Lease cancellation/inducement fees

Capital Assets Subject to Depreciation

- Buildings – 4%
- Furniture, fixtures and appliances
(desks, chairs, beds, stove, fridges, washer/dryers, etc.) – 20%
- Computer hardware – 100% if acquired after January 27, 2009
(55% if acquired between March 18, 2007 and January 28, 2009)
- Computer software – 100% if acquired after January 27, 2009
(subject to 1/2 rule prior to January 28, 2009)
- Automobile – 30%
- Additions during current year depreciated at 50% of above rates