

January 27, 2009

tax & business Alert

BUDGET HIGHLIGHTS:

- Reduced personal taxes
- Reduced corporate taxes
- Enhanced CCA deductions for businesses
- Improvements to the Employment Insurance program
- Tax support for homeownership and renovations
- Tax relief for seniors

INSIDE THIS ISSUE:

How the tax free savings account works	2
Enhanced CCA deductions for businesses	2
Tax relief for seniors	3
Tax support for Homeownership and renovations	3
Benefits for Canadian Workers	3
Employment Insurance proposals	4
Alert Dates	5

LEVI & SINCLAIR, SENCRL LLP

A member firm of Integra International with offices worldwide

4141 Sherbrooke Street West, Suite 240
Westmount, Quebec H3Z 1B8
Tel: (514) 931-7600 Fax: (514) 931-3600
alert@levifca.com

FEDERAL BUDGET 2009



The Minister of Finance, James M. Flaherty, presented the 2009 budget in the House of Commons this afternoon, a budget which projects a deficit of \$34 billion for the next fiscal year; and \$30 billion the year after that. The following is a summary of the highlights contained in the budget.

Individuals

Budget 2009 proposes \$20 billion in new personal income tax relief over 2008–09 and the following five fiscal years. These measures will provide immediate personal income tax relief, particularly for low-to middle-income Canadians.

PERSONAL INCOME TAX RELIEF FOR ALL TAXPAYERS

Budget 2009 proposes to increase the basic personal amount and the upper limit of the two lowest personal income tax brackets by 7.5 per cent above their 2008 levels, effective January 1, 2009.

- The basic personal amount will be increased to \$10,320 in 2009, allowing individuals to earn more income before paying federal income tax.
- The upper limit of the first personal income tax bracket will be increased to \$40,726 in 2009, allowing more

(Continued on page 2)

Corporations

REDUCING TAXES FOR SMALL BUSINESSES

Budget 2009 proposes to increase the amount of small business income eligible for the reduced federal tax rate of 11 per cent to \$500,000 from the current limit of \$400,000 as of January 1, 2009.

EXTENDING ASSISTANCE FOR CANADA'S MANUFACTURING AND PROCESSING SECTOR

Budget 2009 provides further assistance for Canada's manufacturing and processing sector by extending the temporary 50-per-cent straight-line accelerated capital cost allowance (CCA) rate to investment in manufacturing or processing machinery and equipment in 2010 and 2011.

(Continued on page 2)

How the Tax-Free Savings Account Will Work

- Starting in 2009, Canadian residents age 18 or older will be eligible to contribute up to \$5,000 annually to a TFSA, with unused room being carried forward.
- Contributions will not be deductible.
- Capital gains and other investment income earned in a TFSA will not be taxed.
- Withdrawals will be tax-free.
- Neither income earned within a TFSA nor withdrawals from it will affect eligibility for federal income-tested benefits and credits.
- Withdrawals will create contribution room for future savings.
- Contributions to a spouse's or common-law partner's TFSA will be allowed, and TFSA assets will be transferable to the TFSA of a spouse or common-law partner upon death.
- Qualified investments include all arm's-length Registered Retirement Savings Plan (RRSP) qualified investments.
- The \$5,000 annual contribution limit will be indexed to inflation in \$500 increments.
- Because the investment income within, and withdrawals from, a TFSA will not be taxable, interest on money borrowed to invest in a TFSA will not be deductible in computing income for tax purposes.
- Generally, an individual's TFSA will lose its tax-exempt status upon the death of the individual. However, an individual will be permitted to name his or her spouse or common-law partner as the successor account holder, in which case the account will maintain its tax-exempt status. Alternatively, the assets of a deceased individual's TFSA may be transferred to a TFSA of the surviving spouse or common-law partner, regardless of whether the survivor has available
- This measure will have effect after 2008.

TEMPORARY 100-PER-CENT CAPITAL COST ALLOWANCE RATE FOR COMPUTERS

Budget 2009 proposes a two-year 100-per-cent CCA rate for computers acquired after January 27, 2009 and before February 1, 2011. This will allow businesses to fully expense their investment in computers in one year.

ENCOURAGING MINERAL EXPLORATION

Budget 2009 proposes to extend the temporary 15-per-cent mineral exploration tax credit for an additional year, until March 31, 2010 to assist companies' efforts to undertake important exploration programs and facilitate adjustment to new commodity price conditions.

Individuals *(CONTINUED)*

income to be taxed at the lowest 15-per-cent rate, rather than the 22-per-cent rate.

- The upper limit of the second personal income tax bracket will be increased to \$81,452 in 2009, allowing more income to be taxed at the 22-per-cent rate, rather than the 26-per-cent rate.

Normal indexation will apply to the new basic personal amount and bracket thresholds.

Taxpayers will begin to benefit from the proposed personal income tax reductions as soon as the Canada Revenue Agency revises its tax withholding tables, in spring 2009.

(Continued on page 3)

Readers are reminded that while budget proposals are customarily given the effect of law immediately, the amending legislation, when ultimately adopted by Parliament, may be altered to some degree.

INCREASING THE NATIONAL CHILD BENEFIT SUPPLEMENT AND THE CANADA CHILD TAX BENEFIT

Budget 2009 proposes to allow low-income families to earn an additional \$1,894 and still receive the maximum National Child Benefit supplement. Families will also be able to earn an additional \$1,894 before their National Child Benefit supplement is fully phased out or before their Canada Child Tax Benefit base benefit begins to be phased out.

These increases will result in additional benefits of up to \$436 for a low-income family with two children.

TAX RELIEF FOR SENIORS

INCREASING THE AGE CREDIT AMOUNT

To provide further tax relief to seniors, Budget 2009 proposes to increase the Age Credit amount by \$1,000, effective January 1, 2009.

TAX SUPPORT FOR HOMEOWNERSHIP AND THE HOUSING SECTOR

Budget 2009 proposes three tax measures to help Canadians purchase and improve their homes.

EXAMPLES OF HRTC ELIGIBLE AND INELIGIBLE EXPENDITURES

Eligible

- ✓ Renovating a kitchen, bathroom, or basement
- ✓ New carpet or hardwood floors
- ✓ Building an addition, deck, fence or retaining wall
- ✓ A new furnace or water heater
- ✓ Painting the interior or exterior of a house
- ✓ Resurfacing a driveway
- ✓ Laying new sod

Ineligible

- ⊗ Furniture and appliances (refrigerator, stove, couch)
- ⊗ Purchase of tools
- ⊗ Carpet cleaning
- ⊗ Maintenance contracts (furnace cleaning, snow removal, lawn care, pool cleaning, etc.)

THE HOME RENOVATION TAX CREDIT

Budget 2009 proposes to implement a temporary 15-per-cent Home Renovation Tax Credit (HRTC). The HRTC will apply to eligible home renovation expenditures for work performed, or goods acquired, after January 27, 2009 and before February 1, 2010, pursuant to agreements entered into after January 27, 2009.

The 15-per-cent credit may be claimed on the portion of eligible expenditures exceeding \$1,000 but not more than \$10,000, and will provide up to \$1,350 in tax relief.

The HRTC can be claimed by homeowners for renovations and enduring alterations to a dwelling, or the land on which it sits.

A dwelling will generally be considered eligible for the credit if it is used for personal purposes, such as a house, cottage and condominium unit.

HOME BUYERS' PLAN WITHDRAWAL LIMIT

To provide first-time home buyers with additional access to their RRSP savings to purchase or build a home, Budget 2009 proposes to increase the Home Buyers' Plan (HBP) withdrawal limit to \$25,000 from \$20,000.

FIRST-TIME HOME BUYERS' TAX CREDIT

To assist first-time home buyers with the costs related to the purchase of a home, Budget 2009 proposes to introduce a First-Time Home Buyers' Tax Credit. A 15-per-cent credit will be applied to a \$5,000 amount, and will provide up to \$750 in tax relief to reduce the costs associated with first home purchases completed after January 27, 2009.

STRENGTHENING BENEFITS FOR CANADIAN WORKERS

Budget 2009 will support Canadian workers affected by the global economic downturn by:

- Increasing for two years all regular Employment Insurance (EI) benefit entitlements by five extra weeks

and increasing the maximum benefit duration to 50 weeks from 45 weeks.

- Providing \$500 million over two years to extend EI income benefits for Canadians participating in longer-term training, benefiting up to 10,000 workers.
- Extending work-sharing agreements by 14 weeks, to a maximum of 52 weeks, so more Canadians can continue working.
- Extending the Wage Earner Protection Program to cover severance and termination pay owed to eligible workers impacted by employers' bankruptcy.
- Consulting with Canadians and developing options to provide self-employed Canadians with access to EI maternity and parental benefits.

EMPLOYMENT INSURANCE PROPOSALS

KEEPING EMPLOYMENT INSURANCE RATES FROZEN

Budget 2009 proposes freezing EI premium rates at \$1.73 per \$100 for both 2009 and 2010—their lowest level since 1982—a projected \$4.5 billion stimulus relative to break-even rates.

AN EXTRA FIVE WEEKS OF EI BENEFITS

The EI program exists to provide financial support to Canadians who have lost their jobs. This support adjusts quickly and automatically to changing regional unemployment rates. For example, an insured person could be eligible for a maximum of 38 weeks of benefits when the local unemployment rate is 6.5 per cent. This would rise to 42 weeks if the local unemployment rate rose to 8.5 per cent.

Budget 2009 proposes to increase all regular benefit entitlements by five extra weeks to a maximum of 50 weeks for the next two years.

LIMITS AND RATES FOR AUTOMOBILE EXPENSES

For 2009, the deduction limits for automobile expenses are unchanged: the ceiling on the capital cost of passenger vehicles for capital cost allowance (CCA) purposes will remain at \$30,000, the monthly limit on deductible leasing costs will remain at \$800 and the monthly limit on interest deduction will remain at \$300.

WORK-SHARING

Work-sharing, a current element of the Employment Insurance program, is designed to avoid layoffs by offering EI income benefits to qualifying workers willing to work a reduced work-week while their employer recovers.

The 2009 Budget proposes to extend, over the next two years, work-sharing agreements by 14 weeks, to a maximum of 52 weeks, and increase access to work-sharing agreements through greater flexibility in the qualifying criteria and streamlining processes for employers. This measure is estimated to cost \$200 million over two years.

WAGE-EARNER PROTECTION PROGRAM

The Wage Earner Protection Program (WEPP) currently provides guaranteed and timely payment of wages and vacation pay owed to eligible workers by a non-paying employer following bankruptcy, up to an amount equalling four weeks of maximum insurable earnings under the Employment Insurance Act (currently \$3,254).

Budget 2009 will provide more protection to workers by extending the WEPP on an ongoing basis to also cover severance and termination pay, subject to the current maximum of four weeks of insurable earnings. The enhanced protection is estimated to cost \$50 million for the first two years.

tax & business ALERT has been prepared by LEVI & SINCLAIR, LLP for the general information of our clients, staff and other interested parties.

The enclosed comments are of a general nature and are not intended to cover all aspects of the subject matter. Prior to implementing any planning based upon information in this publication, the specific facts pertaining to any particular situation should be carefully considered. We will be pleased to assist in this regard and to provide further details pertaining to the matters discussed herein.

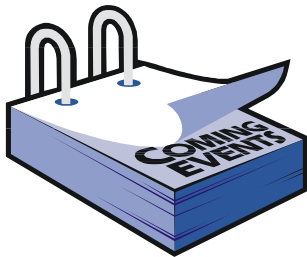
If you know of someone who should be added to our mailing list or if you require additional copies, please contact us at (514) 931-7600

VISIT US—www.levifca.com

Take a moment to visit our Web Site which offers a full profile of our firm and back issues of our newsletters.

Quebec Measures included in the January 2009 Economic Statement

- an increase in the minimum wage by \$0.50 an hour effective May 1, 2009, bringing it to \$9.00 an hour;
- a refundable tax credit for renovation and home improvement equal to 20% of eligible expenditures in excess of \$7,500, subject to a maximum tax credit of \$2,500 applicable for taxation year 2009;
- A program Administered by Investissement Québec, will offer assistance consisting of a loan or loan guarantee to businesses, chiefly SMEs;



ALERT DATES

February 28, 2009	T4 and Relevé 1, T5 and Relevé 3 Summaries and Supplementary reporting due.
March 1, 2009	Last day to make RRSP contribution for 2008.
March 15, 2009	First installment due for individuals required to make income tax installments.
March 31, 2009	Deadline for filing income tax returns by an inter-vivos trust and other personal trusts with a December 31, 2008 taxation year-end. Filing date for T-5013 of partnerships.
April 30, 2009	Deadline for filing personal income tax returns other than those permitted to file by June 15.

ABOUT LEVI & SINCLAIR

LEVI & SINCLAIR is a firm of chartered accountants that traces its origin in Montreal to 1950. We pride ourselves on being more than just an accounting firm. We offer an effective blend of personalized service, experience and technological leadership, coupled with a steadfast commitment to consistently deliver excellence. Our Chartered Accountants and Business Consultants provide advisory services on a broad range of issues to both our individual and corporate clients. The members of our firm possess unique talents, expertise and experience, giving our clients access to a knowledge base of considerable breadth and depth. Together with our support personnel, we share a commitment to developing practical solutions for the business challenges of today, and to devising strategies for tomorrow.

OUR SERVICES

Our firm takes pride in adding value to every client that we serve through our extensive expertise and proactive approach to your financial needs. We match our dedication to adding value with experience and expertise: we have experience in servicing virtually every type of industry and professional practice.

TAXATION

Our office has a strong basis in federal and provincial tax issues. Our tax group has been in existence for 50+ years and is highly qualified and experienced. Our accountants work hard to minimize your taxes, yet make sure that you fulfill your tax requirements ethically while working to add value. We can fill a variety of tax needs, both domestic and international as well as corporate and personal. Our specialties lie in tax reporting and representation, tax planning (business, personal, divorce and litigation), tax structuring of entities and transactions and tax research.

FINANCIAL

LEVI & SINCLAIR can meet all of your basic financial needs with our exemplary Accounting Services Group that can truly add value whether it's your business or your personal finances that we are reviewing. We work with business entities as well as non-profits and foundations. Our accounting services include; auditing and compilation review of financial statements, budgets and forecasts, and government reporting. We won't simply process your financial statements, our mission is to add value. We will go the extra mile to help you forecast or locate opportunities that you may be missing.

BUSINESS CONSULTING

LEVI & SINCLAIR's Business Consulting unit has proven itself as a valuable resource to businesses of all kinds. We can help you plan your future, whether you see it coming or not. We can help you bring seminal business events to life; like mergers and acquisitions, business valuation, leases and contracts, or business development plans, all of which take a huge amount of planning and attention to detail. If there are no big events on your horizon, we can still be of service by helping you to anticipate the unexpected through our forecasting, real estate projections, risk management assessments, or our feasibility studies. We look at your business and all of its many facets, to find both issues and opportunities and bring that valuable insight to you.

LITIGATION SUPPORT AND DISPUTE RESOLUTION SERVICE AREAS

- **Civil and criminal Fraud Investigation**
- **Management and employee fraud and theft**
- **Identification of secret commissions and kickbacks**
- **Sarbanes-Oxley compliance audits**
- **Sarbanes-Oxley 404 audits**
- **Intellectual Property Litigation Support**
- **Training on fraud awareness and prevention**
- **Due Diligence Audits**
- **Business valuation**
- **Fairness opinions**
- **Insurance claim assistance**
- **Retail sales audits**
- **Contract dispute resolution**
- **Professional negligence litigation support**
- **Fraud prevention program design, implementation and evaluation**
- **Bank due diligence audits**
- **Employee background audits**
- **Financial discrepancy analysis**
- **Divorce litigation support**
- **Insurance claim quantification**
- **Breach of contract quantification**
- **Electronic Discovery and Data Recovery**
- **Computer forensics**

CONTACT INFORMATION

LEVI & SINCLAIR SENCRL
LLP

4141 Sherbrooke Street West, Suite 240

Westmount, Quebec H3Z 1B8

Tel: (514) 931-7600 Fax: (514) 931-3600

Philip C. Levi, CMC, CFE, FCA, CPA, CA•IFA

plevi@levifca.com

WITH OFFICES WORLDWIDE THROUGH MEMBERSHIP IN

INTEGRA  **INTERNATIONAL**[®]

YOUR GLOBAL ADVANTAGE