



CANADA'S ECONOMIC ACTION PLAN

BUDGET 2009

Building On an
Impressive Record
of Tax Relief

JANUARY 27, 2009



In challenging economic times, tax reductions are an essential part of the Government's effort to stimulate the economy in the short-term. Reducing taxes also helps build a solid foundation for future economic growth, more jobs, and higher living standards for Canadians.

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.
- Tax support for home owners and first-time home buyers.

These measures reinforce the Government's strong record of tax relief.

Budget 2009 proposes measures that will help Canadian businesses surmount this challenging economic period by stimulating business investment.

Actions taken by the Government since 2006, including those proposed in Budget 2009, will reduce taxes for individuals, families and businesses by an estimated \$220 billion over 2008–09 and the following five fiscal years.

Tax Relief for 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 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.

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.

Personal Income Tax Relief—Examples

Taxpayers will benefit from considerable personal income tax relief and increased child benefits in 2009.

- Beverly earns \$35,000 and is a single parent of two children. Measures proposed in Budget 2009 will reduce her federal income taxes by \$66 and increase her National Child Benefit supplement by \$436 for a total benefit of \$502. This is in addition to the \$1,150 in tax relief provided by the Government prior to Budget 2009.
- Bob and Emily have two children. Bob earns \$45,000 and Emily earns \$85,000. Measures proposed in Budget 2009 will reduce their taxes by \$483. This is in addition to the \$1,455 in tax relief provided by the Government prior to Budget 2009.

Enhancing the Working Income Tax Benefit

The Government introduced the Working Income Tax Benefit (WITB) in Budget 2007 to help ensure that low-income Canadians are financially better off by obtaining employment. For low-income Canadians, working can often mean paying higher taxes and receiving less income support.

Building on this important first step, Budget 2009 proposes to enhance the tax relief provided by the WITB by \$580 million for 2009 and subsequent years, effectively doubling total tax relief through the WITB.

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.

This will benefit 2.2 million seniors who will now be eligible to receive up to \$961 of annual tax savings under the Age Credit.

The increase in the Age Credit amount builds on the significant tax relief provided since 2006 for seniors and pensioners, including:

- Doubling the pension income credit amount (from \$1,000 to \$2,000).
- A \$1,000 increase in the Age Credit amount in 2006.
- The introduction of pension income splitting in 2007.
- An increase in the previous 2007 maturation age limit for pensions and Registered Retirement Savings Plans from 69 to 71.

Together, these measures provide about \$1.9 billion annually in tax relief to seniors and pensioners.

Tax Support for Homeownership and the Housing Sector

A robust housing sector encourages growth by increasing demand for Canadian tradespeople, building materials and other goods and services. Budget 2009 proposes three tax measures to help Canadians purchase and improve their homes.

The Home Renovation Tax Credit

Budget 2009 proposes to implement a temporary 15-per-cent Home Renovation Tax Credit (HRTC) to provide some \$3 billion in tax relief to an estimated 4.6 million Canadian families. The HRTC will encourage investments in Canada's housing stock, provide employment for tradespeople and boost sales for those who make and sell building products.

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.

