

# ASPIRE

TO A STRONGER, SAFER, BETTER CANADA



CANADA'S NEW GOVERNMENT

*Tax Relief  
for Families  
and Businesses*

MARCH 19, 2007

Canada 

## INTRODUCTION

Canadians pay too much tax. That's why Canada's long-term economic plan, *Advantage Canada*, contains measures to build a Tax Advantage that rewards work and fuels job creation.

Budget 2007 focuses on tax relief for families and businesses.

## REDUCING THE TAX BURDEN ON FAMILIES

Budget 2007 proposes several tax measures to help Canadian families get ahead and stay ahead.

### Helping People Over the Welfare Wall

Canadian social assistance programs are designed to help people who are out of work, but they can also have unintended effects. For example, for a single mother struggling to get by, getting a job can mean higher taxes and reduced benefits for things like drug and dental coverage. This is often referred to as the "welfare wall."

Budget 2007 helps people over the welfare wall and into the dignity and independence that comes with a job.

A new \$550-million-per-year Working Income Tax Benefit (WITB) will serve as an important first step to help people over the welfare wall and on to a better, more prosperous life for themselves and their families.

The WITB will provide up to \$500 per year for individuals and \$1,000 for families to reward and strengthen incentives to work. More than 1.2 million low-income Canadians will benefit.

### Investing in Canadians

Canadians who care for persons with severe disabilities face unique financial hardships. Based on the recommendations of the Expert Panel on Financial Security for Children with Severe Disabilities, Budget 2007 proposes to invest \$140 million over the next two years (rising to \$200 million a year) to establish a Registered Disability Savings Plan.

This measure will provide these parents with greater peace of mind regarding the financial security of their loved ones when they can no longer care for them.

### Working Families Tax Plan

The most important investment we can make as a country is to help families raise their children. Budget 2007 proposes several measures that help parents to be better off and more secure through a new Working Families Tax Plan.

Together, the measures in this plan will benefit over 3 million taxpayers, removing 230,000 low-income Canadians from the tax rolls. More than 75 per cent of the tax relief will go to those with annual incomes below \$75,000.

- A new \$2,000 child tax credit will provide up to \$310 of tax relief for each child under 18 to more than 3 million Canadian families. More than 90 per cent of families will receive maximum relief, and almost 180,000 taxpayers will be removed from the tax rolls.
- The marriage penalty will be ended through an increase in the spousal and other amounts to the same level as the basic personal amount. This will provide up to \$209 of tax relief to two-parent families with one parent who earns little income. Single parents and someone caring for a dependant will also benefit.
- Strengthening registered education savings plans by eliminating the \$4,000 limit on annual contributions and increasing the lifetime contribution limit to \$50,000 from \$42,000.
- Increasing the maximum annual Canada Education Savings Grant amount to \$500 from \$400.
- Increasing the age limit to 71 from 69 for registered retirement savings plans and registered pensions.

## Tax Fairness Plan

Budget 2007 will implement the Tax Fairness Plan announced October 31, 2006, to provide Canadian seniors with more than \$1 billion of tax relief per year and help them keep more of their retirement savings.

- A \$1,000 increase in the age credit amount will provide up to about \$150 of additional tax relief to low- and modest-income seniors, bringing total tax relief under the credit to as much as \$800.
- Overall taxes for eligible pensioners will be reduced by allowing pension income splitting.

## HELPING BUSINESSES GROW AND COMPETE

Budget 2006 announced that the general corporate income tax rate would be reduced from 21 per cent to 19 per cent by 2010. The Tax Fairness Plan proposes to further reduce the rate to 18.5 per cent beginning in 2011.

Budget 2007 also proposes to build a Tax Advantage for Canada that will allow Canadian businesses to successfully compete with the best in the world.

## Assisting Canada's Manufacturers

Manufacturing and processing firms make a huge contribution to Canada's economy. They and their employees have faced significant challenges in recent years, including increased competition and a strong Canadian dollar.

To help these firms become more productive and globally successful, Budget 2007 proposes an incentive for their investments in machinery and equipment. This special temporary measure will allow these investments to be written off over a two-year period on average. It will apply to investments in new machinery and equipment on or after March 19, 2007, and before 2009.

In addition, the capital cost allowance rate for buildings used in manufacturing and processing will be increased to 10 per cent from 4 per cent to better reflect useful life.

## Moving Towards First Place in the G7

*Advantage Canada* committed Canada's New Government to establishing the lowest tax rate on new business investment in the Group of Seven (G7). Budget 2007 proposes changes to capital cost allowance rates that will move Canada from fifth-lowest in the G7 to third-lowest.

With these changes, if provincial governments eliminated their capital taxes and provinces that still have retail sales taxes replaced them with a value-added tax harmonized with the goods and services tax, Canada would have the lowest taxes on business investment in the G7.

## INCREASING TAX FAIRNESS

All Canadians, including corporations, must pay their fair share of taxes.

Budget 2007 proposes measures to ensure that those who have not been paying their fair share of taxes begin to do so. They include providing new resources to the Canada Revenue Agency to detect and close down tax avoidance through offshore tax havens.

## How Can I Get More Information on Budget 2007?

Information is available on the Internet at [www.fin.gc.ca](http://www.fin.gc.ca) or by phoning:

1 800 O-Canada (1 800 622-6232)

1 800 926-9105  
(TTY for the speech and hearing impaired/deaf)

You can also obtain copies of this brochure and other budget documents from the:

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