

Summary of Federal Tax Savings for 2007

PERSONAL

- 1 Lowest personal income tax rate reduction
EFFECTIVE: JANUARY 1, 2007
The tax rate dropped from 15.5% to 15% for taxable income up to \$37,178.2
- 2 Increasing the basic personal amount
EFFECTIVE: JANUARY 1, 2007
The basic personal amount that an individual can earn without paying federal personal income tax for 2007 is \$9,600, up from \$8,839 last year.
- 3 New child care tax credit
EFFECTIVE: JANUARY 1, 2007
Parents can claim a \$2,000, non-refundable tax credit for each child under the age of 18. Any unused part of the credit can be transferred to a spouse or common-law partner.
- 4 Income splitting for pensioners
EFFECTIVE: JANUARY 1, 2007
Pensioners can allocate to their resident spouse (or common-law partner) up to one-half of their pension income. For example, a typical senior couple with a single pension income of \$30,000 will save some \$1,100 in federal taxes, or 27%.
- 5 Increase in spousal credit
EFFECTIVE: JANUARY 1, 2007
The spousal, or equivalent to spouse personal amount, is now \$9,600.
- 6 Increase in lifetime capital gains exemption
EFFECTIVE: JANUARY 1, 2007
This has been increased to \$750,000 from \$500,000 for gains realized on dispositions of qualified farm and fishing property. The gains exemption has also been increased for qualified small business corporation shares, effective March 18, 2007.
- 7 Children's Fitness Tax Credit
EFFECTIVE: JANUARY 1, 2007
This credit will cover eligible fees up to \$500 for enrolment in a physical activity program.
- 8 Donating to private foundations
EFFECTIVE: MARCH 18, 2007
The capital gains inclusion rate for donations of publicly listed securities to private foundations has been cut from 50% to zero. The same change has been made for donations to private foundations of publicly listed securities acquired through employee stock options.



- 9 Registered Education Savings Plan changes
EFFECTIVE: JANUARY 1, 2007
The annual contribution limit, which stood at \$4,000, has not been eliminated, while the lifetime contribution limit has been increased from \$42,000 to \$50,000.
- 10 Increase in RRSP contribution age limit
EFFECTIVE: JANUARY 1, 2007
Seniors are now allowed to convert their RRSP to a RRIF at age 71, instead of 69. For RRSPs already converted into a RRIF, mini-minimum RRIF withdrawal rules have been waived for people turning 70 or 71 in 2007.
- 11 List of what qualified investments can be held in an RRSP expanded
EFFECTIVE: MARCH 19, 2007
RRSPs can now hold any debt obligation with an investment grade rating that is part of a minimum \$25 million issuance, and any security listed on a designated stock exchange.
- 12 Increase in Canada Employment Credit
EFFECTIVE: JANUARY 1, 2007
The Canada Employment Credit has increased to \$1,000, up from \$500 last year.
- 13 Increase in RRSP contribution limit
EFFECTIVE: JANUARY 1, 2007
The maximum RRSP contribution limit is now \$19,000, which is a \$1,000 higher than last year's limit.

2008 AND BEYOND...

- 1 New Registered Disability Savings Plan
EFFECTIVE: JANUARY 1, 2008
People who qualify for the disability tax credit will be able to start an RDSP, which works in a similar capacity to the RESP. The maximum lifetime contribution limit is \$200,000; there's no annual limit and anyone can contribute. The RDSP must be redeemed when the individual turns 60.
- 2 Further increase in basic personal amount
EFFECTIVE: JANUARY 1, 2009
The basic personal amount will be increased to \$10,100, from 2007 and 2008's personal amount of \$9,600.
- 3 Further increase in RRSP contribution limit
EFFECTIVE: JANUARY 1, 2008
The RRSP contribution limit will be capped at \$20,000. In 2010 the ceiling will be \$22,000.

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