



# TAX NEWS

## 2009

### WHAT'S NEW FOR YOU IN THE 2008 FEDERAL BUDGET?

#### FOR INDIVIDUALS

#### SALT SPRING OFFICE

207 Upper Ganges Centre  
#7-338 Lower Ganges Road  
Salt Spring Island, BC  
V8K 2V3

(250) 537-9742  
(250) 537-9792

cga@mlwaccounting.ca

#### STAFF EMAIL:

Frederic Lizotte, CGA  
flizotte@mlwaccounting.ca

Paula M. Wheadon, CGA  
pwheadon@mlwaccounting.ca

Lesley Clark  
lclark@mlwaccounting.ca

Evelyn Smith  
esmith@mlwaccounting.ca

#### VICTORIA OFFICE

#300A-3060 Cedar Hill Road  
Victoria, BC V8T 3J5

(250) 475-3000  
(250) 475-2224

cga@mlwaccounting.ca

#### STAFF EMAIL:

Catherine W. McLean, CGA  
cmclean@mlwaccounting.ca

Nina Pollock, CGA  
npollock@mlwaccounting.ca

Terry Will  
twill@mlwaccounting.ca

Tammy  
t@mlwaccounting.ca

#### Medical Expenses

The tax credit for medical expenses is expanded to include devices to assist with speech disorders, mobility, standing and balance, and for the cost of buying, training and caring for service dogs for those with autism or epilepsy. **See a complete medical expense listing on our website.**

**Low-income seniors** will be able to earn up to \$3,500 a year instead of \$2,500 before the government starts to reduce their guaranteed income supplement to the Old Age Security pension.

#### Canada Student Grant Program

Proposed to take effect in the fall of 2009. Students from low and middle income families will qualify based on clearly defined income thresholds.

The program will provide monthly grants of \$250 for low-income students and \$100 for middle-income students. The grant will be paid through all years of an undergraduate or college program.

#### LIVE SMART LIVE GREEN

The Province of BC has a website: LiveSmart BC, that has information about rebates, , incentives and tax exemptions that make it easier and more affordable for you to make green choices. ([www.livesmartbc.ca/](http://www.livesmartbc.ca/))

#### BC Fuel Tax Rebate

The BC Government offers a tax rebate for persons with disabilities, who own/lease their own vehicle. For more information see: [www.gov.bc.ca/sbr](http://www.gov.bc.ca/sbr)

#### Low Income Climate Action Tax Credit

A BC Government credit for \$100 per adult and \$30 per child for individuals who made \$30,000 or less (families under \$35,000) last year. The tax credit will be paid quarterly together with the federal Goods and Services Tax Credit in July, October, January and April.

#### SAVINGS

**NEW Tax-free Savings Account (TFSA)** - Something for everyone over 18! A new way to save for your first home, a vacation property, a rainy day, retirement or... you decide!

**Contributions** - \$5,000 per year with unlimited carryforwards.

**Investment Options** - GIC's, term deposits, mutual funds, publicly traded securities

**Earnings** - Tax Free - dividends, interest, capital gains.

**Withdrawals** - Tax Free. Withdrawals can also be Replaced without using new contribution room. See the link on the CRA website (<http://www.cra-arc.gc.ca/>)

#### Registered Education Savings Plan (RESP)

Receive an annual grant for 20% of your contributions to an RESP (\$500/yr max) Starting in 2008 an additional income-based amount is also available on the first \$500 contributed. Since 2007 annual contributions unlimited - maximum lifetime contributions \$50,000.

Also beginning this year, RESP education assistance payments would be permitted for up to six months after the beneficiary ceases enrolment, provided the student qualified for the payment before graduating.

#### Registered Disability Savings Plans

**(RDSP)** A RDSP is a trust arrangement between a holder and an issuer (a trust company in Canada). The purpose of such a plan is to provide for the long-term financial security of a beneficiary who has a prolonged and severe physical or mental impairment. The beneficiary named under an RDSP must be eligible for the disability tax credit.

Check out our website for additional resources and useful internet links. [www.mlwaccounting.ca](http://www.mlwaccounting.ca)

## RETIREMENT PLANNING

**RRSP's** - a tax assisted method of saving for retirement. With an *RRSP*, you contribute a portion of your income to the plan, and this reduces the taxable income by the same amount.

☉ An RRSP must mature before the end of the year in which you turn **71 years of age**.

☉ RRSP contributions must be made by March 2, to obtain a deduction from current year's income.

☉ Your maximum contribution can be found on your notice of assessment.

☉ **Married?** If one spouse's income is in a higher tax bracket instead of each buying RRSP's consider the possibility of additional tax savings through a spousal RRSP.

☉ **Interest on loans borrowed for the purpose of investing in an RRSP** is not deductible from income. It may be beneficial to borrow to maximize contributions. As there are several factors to consider call us to discuss if it makes sense for you.

☉ **Cashing RRSP's** - Tax will be withheld when you take money out of your RRSP. Depending on your tax bracket, more tax may be owing when your return is filed.

**RRIF** - A Registered Retirement Income Fund is designed to provide retirees with a source of income after they have retired.

Usually a RRIF is comprised of the funds that roll over from an RRSP, as an RRSP cannot be kept after the age of 71. The capital and interest in a RRIF accumulates tax-free, but is subject to tax upon withdrawal. Persons with an RRIF can withdraw any amount of money from the fund at any time, but any amount over the minimum will be reduced by taxes withheld.

## VOLUNTARY DISCLOSURE

The Canada Revenue Agency's (CRA) Voluntary Disclosures Program (VDP) is a fairness initiative that gives taxpayers the opportunity to correct inaccurate, incomplete, or previously unreported information, without penalties or prosecution. You will still have to pay the income tax owing plus interest.

*To find out how to make a voluntary disclosure and the requirements that must be met, please contact our office.*

## TAX TIPS

**What can I do to make my personal tax preparation easier?** Check out the Personal Income Tax Checklist on our website. ([http://mlwaccounting.ca/resources/T1\\_checklist.pdf](http://mlwaccounting.ca/resources/T1_checklist.pdf))

### Do you have Deductions?

You can claim Safety Deposit Box fees, investment loan interest, investment counsel fees. You can claim dues paid to a trade union, an association of public servants, certain professional boards and other recognized associations. \premiums for extended health care also qualify as a medical expense.

### Public Transit Passes

You may be able to claim the cost of **monthly** or **annual** public transit passes. Public transit includes local bus, streetcar, subway, commuter train, bus or local ferry.

### Student Loan Interest

Did you know that your student loan interest qualifies as a tax credit and may be carried forward for up to five years?



## GREEN ALTERNATIVE

Help us minimize our impact on the environment by reducing the amount of paper our office uses.

Instead of printing your tax return we can email it to you in PDF (electronic format) .

**Let us know when you drop off your records, if this is of interest to you.**

## FOR BUSINESSES

The 2008 budget contains a few significant business measures, including enhanced tax incentives for small and medium sized Canadian controlled private corporations (CCPC) wishing to claim a scientific research and experimental development (SR&ED) tax credit.

### Payroll Deduction Remittance Penalties

Penalties have been changed from a 10 per cent fixed penalty to a graduated penalty as follows:

- 3 % if received up to and including three days late
- 5 % if received four or five days late
- 7 % if received six or seven days late
- 10 % if received more than seven days late.

**REMEMBER - T4'S must be issued to employees and filed with the CRA by February 28.**

**We would like to take this opportunity to thank you for your continued business and referrals and as always, look forward to your next visit to the office. Please do not hesitate to contact us if you have any questions regarding these or any tax matters.**