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## Income Tax Changes for 2009

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The 2009 budget announced on January 27, 2009, introduced few changes to the provisions of the Income Tax Act. The most notable changes are summarized as follows:

### Age Amount

For 2009, the budget proposes to increase the maximum age amount by \$1,000 from \$5,408 to \$6,408 (indexed after 2009). However, the income level above which the age amount is reduced will remain at \$32,312.

### Home Buyers' Tax Credit (HBTC)?

For 2009 and subsequent years, the budget proposes to introduce a new non-refundable tax credit, based on an amount of \$5,000, for certain home buyers that acquire a qualifying home after January 27, 2009 (i.e., closing after this date). The HBTC is calculated by multiplying the lowest personal income tax rate for the year (15% in 2009) by \$5,000. For 2009, the credit will be \$750.

An individual will qualify for the HBTC if:

- they acquire a qualifying home; and
- neither the individual nor the individual's spouse or common-law partner owned and lived in another home in the year of purchase or any of the four preceding years.

If you are a person with a disability or are buying a house for a related person with a disability, you do not have to be a first time home buyer. However, the home must be acquired to enable the person with a disability to live in a more accessible dwelling or in an environment better suited to the personal needs and care of that person.

### Home Buyers' Plan

The Home Buyers' Plan (HBP) is a program that allows you to withdraw funds from your Registered Retirement Savings Plan (RRSP) to buy or build a qualifying home for yourself or for a related person with a disability. Currently, the maximum amount that an individual can withdraw in a calendar year from an RRSP to purchase or build a qualifying home without having to pay tax on the withdrawal is \$20,000. For 2009 and

subsequent years, for withdrawals made after January 27, 2009, the budget proposes to increase the maximum amount to \$25,000.

### Home Renovation Tax Credit (HRTC)

Under proposed changes, you can claim a non-refundable tax credit on your 2009 income tax return based on eligible expenses incurred for work performed or goods acquired after January 27, 2009, and before February 1, 2010, under an agreement entered into after January 27, 2009, related to an eligible dwelling. The HRTC applies to eligible expenses of more than \$1,000, but not more than \$10,000, resulting in a maximum non-refundable tax credit of \$1,350 [(\$10,000 - \$1,000) × 15%].

### Mandatory Electronic Filing for Information Returns

Any person, including a corporation, partnership, individual estate, and trust, who makes reportable transactions during the calendar year, must file an information return to report those transactions to the CRA. Currently, filers who submit more than 500 information returns of various types must file using either the Internet or electronic media such as a DVD, CD, or diskette. Starting in January 2010, filers who submit more than 50 information returns will be required to file electronically using the Internet. However, effective January 1, 2011, filers who submit more than 50 returns on paper, CD, DVD or diskette will be subject to penalties.

### Mandatory Internet Filing for Corporation Income Tax Returns

Under proposed changes, for taxation years ending after 2009, certain corporations with gross revenue in excess of \$1 million will be required to internet file their T2 return. Businesses can use CRA's Corporation Internet Filing service or file through CRA's My Business Account. These services are easy-to-use, convenient, secure, and confidential.

### Personal Amounts and Personal Income Tax Brackets

For 2009, the budget proposes to increase the basic personal amount, the maximum spouse or common-law partner amount, and the maximum amount for

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Income Tax Changes for 2009 - Continued

an eligible dependant from \$10,100 to \$10,320 (indexed after 2009).

Also For 2009, the budget proposes to increase the upper taxable income threshold of the 15% tax bracket from \$38,832 to \$40,726. You will be taxed at the higher rate of 22% only when your taxable income exceeds \$40,726. Further more, the upper taxable income threshold of the 22% bracket will be increased from \$77,664 to \$81,452. You will be taxed at the higher rate of 26% only when your taxable income exceeds \$81,452. The 29% bracket will continue to begin at \$126,264.

■ 29% of taxable income over \$126,264.

## Ontario tax rates for 2009

■ Under the current tax on income method, tax for all provinces (except Quebec) and territories is calculated the same way as federal tax. The combined rate of income tax in Ontario is as follows:

■ 6.05% on the first \$36,848 of taxable income, +  
9.15% on the next \$36,850, +  
11.16% on the amount over \$73,698

## Registered Retirement Savings Plans (RRSP) and Registered Retirement Income Funds (RRIF)

Currently, the value of an individual's RRSP or RRIF at the time of death is generally included in the deceased individual's income for the year of death. This income inclusion does not take into account any decreases in the value that may occur after death and prior to the final distribution from the RRSP or RRIF. To take into account any post-death decrease, the budget proposes to allow a deduction on the deceased individual's year-of-death return for the amount of post-death decreases in the value of the RRSP or RRIF up until the final distribution.

## Working Income Tax Benefit (WITB)

The WITB is a refundable tax credit intended to provide tax relief for eligible working low-income individuals and families who are already in the workforce and to encourage other Canadians to enter the workforce. For 2009 and subsequent years, the budget proposes to increase funding for WITB. The budget states that an additional \$580 million will be provided to the program. However, no details related to these upcoming changes have been announced. It is expected that changes will be introduced for the 2009 tax return filing season.

## Federal tax rates for 2009 are:

- 15% on the first \$40,726 of taxable income, +
- 22% on the next \$40,726 of taxable income (on the portion of taxable income between \$40,726 and \$81,452), +
- 26% on the next \$44,812 of taxable income (on the portion of taxable income between \$81,452 and \$126,264), +

## Corporate tax administration for Ontario

Under a tax collection agreement with the province of Ontario, the CRA now administers Ontario corporate tax on behalf of the province. For tax years ending in 2009 or later, corporations that have a permanent establishment in Ontario only have to file a single T2 Corporation Income Tax Return with the CRA. The harmonized federal T2 return for the 2009 tax year includes the following Ontario corporation taxes: corporate income tax, including refundable tax credits, corporate minimum tax, capital tax, and special additional tax on life insurance corporations. You can also file the Corporations Information Act Annual Return with the T2 return. New schedules for calculating Ontario taxes and credits are now available and the T2 Corporation - Income Tax Guide (T4012) describes and explains each one.

If a corporation's fluctuating fiscal period ends in January 2009 and it does not have a tax year ending in 2008, send your payments for the Ontario corporations tax to the Ontario Ministry of Revenue for that fluctuating fiscal period. File a CT23 Corporations Tax and Annual Return or a Corporations Tax Return CT8 with the Ontario Ministry of Revenue for that same fluctuating fiscal period.

Now that a single T2 return satisfies the corporation tax reporting requirements of both the CRA and the province of Ontario, consider filing it via the internet. If you already use CRA-approved software to prepare your T2 return, it's easy and will save even more time.

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