

# Federal Budget Spring 2007

On March 19, 2007, Finance Minister James Flaherty tabled the 2007 federal budget. The budget introduces a broad range of tax measures for individuals and businesses. Note that at the time of writing, these measures have not yet been passed into law:

- **The RRSP and RPP conversion age has been increased from 69 to 71 years of age.** Effective in 2007 and later years, this measure recognizes the reality of an aging population, many of whose taxpayers work past the “traditional” age of retirement at 65;
- **A non-refundable child tax credit of up to \$2,000 per child will be introduced in 2007.** This credit could provide tax relief for up to \$310 per child;
- **The personal exemption and the spousal amount have increased.** The spousal amount, on which a non refundable tax credit is based (assuming that the spouse is non-earning), will be increased in 2007 to match the basic personal exemption of \$8,929;
- **The maximum annual RESP contribution qualifying for a Canada Education Savings Grant (CESG) will be raised to \$2,500.** This measure will increase the CESG to \$500 (20% of \$2,500). The maximum lifetime CESG will remain at \$7,200;
- **The lifetime contribution limit to an RESP will be raised to \$50,000.** The contribution can be made in one lump sum rather than at a maximum of \$4,000 per annum;
- **Taxation of elementary and secondary school scholarships will be eliminated.** This follows along the lines of the 2006 budget which eliminated taxation of post secondary education scholarships;
- **For 2008, the budget introduces the Registered Disability Savings Plan (RDSP) to help parents and guardians save for the security of a disabled child.** Those eligible for the Disability Tax Credit may apply. Payments into the plan will not be tax deductible. Earnings will accrue tax free within the plan and amounts paid out will not be taxable. Lifetime maximum contributions cannot exceed \$200,000 and no contributions will be permitted after the beneficiary reaches 59 years of age. Payments out of the RDSP must commence by the end of the year a beneficiary turns 60;
- **The budget also introduces the Canada Disability Savings Grants (CDSG) which will match a taxpayer’s contributions at rates of 100%, 200% or 300% depending on Family Net Income.** There will be a lifetime limit of \$70,000 in CDSGs paid for a beneficiary and beneficiaries will be eligible to receive grants until the year they turn 49;
- **Canada Disability Savings Bonds (CDSB) are available to low income individuals with disabilities.** Up to \$1,000 per annum in CDSBs can be paid to their RDSP. The payments are not contingent on contributions to the plan and there is a lifetime limit of \$20,000 per beneficiary available until the individual reaches 49. The amount of payment is based on net family income;
- **The installment threshold for individuals will increase from \$2,000 to \$3,000 for 2008 and subsequent taxation years.** Individuals will be required to make quarterly installments in respect of income taxes, if the estimated tax payable for the current or preceding years exceeds \$3,000;
- **An employee can continue to accrue pension benefits from a Defined Benefit Pension Plan while receiving benefits from the plan starting in 2008.** This measure will be subject to various constraints.

