



DECEMBER 2006

Canada's New Government Establishes Program Eligibility for the Children's Fitness Tax Credit

The Honourable Jim Flaherty, Minister of Finance, today released guidelines on the Children's Fitness Tax Credit which is scheduled to become effective on January 1, 2007.

The Minister confirmed that as recommended by the Expert Panel for the Children's Fitness Tax Credit the definition of eligible programs will support children's participation in all programs that significantly contribute to their fitness. In addition, the Minister indicated that substantial additional support would be provided to children eligible for the disability tax credit to recognize the unique barriers they face in becoming more active.

"Studies show that regular physical activity has many positive effects on children, including balanced growth and development and improved physical fitness," said Minister Flaherty. "This measure will help parents offset some of the costs associated with these activities and start children down the road to a lifetime of healthy, active living."

Minister Flaherty noted that he would soon introduce regulatory changes that would define an eligible program for the purposes of the credit and amendments to the Income Tax Act to implement the proposed enhancements for children with disabilities (see the attached backgrounder for more information).

"We know that families have limited budgets, and the Children's Fitness Tax Credit will help make it possible for more young Canadians to get involved in sport and physical activity," said the Honourable Peter Van Loan, President of the Queen's Privy Council for Canada, Minis-

ter of Intergovernmental Affairs, and Minister for Sport. "I am pleased that we are delivering on this important commitment for families and taxpayers."

Backgrounder

1. Proposed Definition of a Program of Prescribed Physical Activity

An eligible program of prescribed physical activity, for the purposes of the credit, will be defined as an ongoing, supervised program, suitable for children, in which substantially all of the activities undertaken include a significant amount of physical activity that contribute to cardio-respiratory endurance, plus one or more of: muscular strength, muscular endurance, flexibility, and balance.

This definition will cover many sports, as well as other children's recreational programs that also involve significant physical activity, such as dance lessons. It recognizes that the practice of any sport or physical activity does not always call on cardio-respiratory endurance, notably in the initial learning stages. Eligibility of a program would be based on the general nature of the activities, and the benefits of involvement over time.

The definition will also take into account the average participants, age, health, skills, presence of a disability, and other relevant factors.

In keeping with the expressed purpose of the tax credit, and in the spirit of Canada's Physical Activity Guides for Children and Youth published by the Public Health Agency of Canada, programs of prescribed physical activ-

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ity for which tax receipts are issued should encourage children to strive towards at least 30 minutes of sustained moderate to vigorous physical activity per session for children under 10, and 60 minutes of sustained moderate to vigorous physical activity for children 10 and over.

By requiring a supervisory presence and by referring to activities that are “suitable for children”, the proposed definition acknowledges parents, role in assuring the safety of their children. It reminds those delivering programs of prescribed physical activity for children that safety is paramount and that such programs should comply with federal and provincial safety regulations.

2. Categories of Eligible Programs

In addition to the above definition, and in order to recognize the many ways in which children are enrolled and participate in organized physical activity, the Income Tax Regulations will provide that programs are eligible for the tax credit if they last at least eight weeks at a minimum of one session per week, or, in the case of children’s camps, five consecutive days-provided in the latter case that more than 50 per cent of the program time is devoted to physical activity.

A child’s membership in a club, association or other organization for two months or more would also be considered participation in an eligible program if more than 50 per cent of the programs available as a result of membership are in the nature of an “eligible program”, or more than 50 per cent of the available time is devoted to activities in an “eligible program”.

Membership and registration fees for programs where the eligible portion of the programs constitutes 50 per cent or less of available programs could in general be pro-rated for the purposes of the credit.

As well, that portion of a family membership covering a child’s participation in an eligible program will be eligible, and the organization will be able to issue a tax receipt for that portion.

While fees charged for extracurricular programs that take place at a school will be eligible, the credit will not cover fees charged for regular school physical education programming.

Sporting, recreational and other activities in which motorized vehicles (e.g., automobiles, motorcycles, power boats, airplanes, snowmobiles) are used as an essential component of the activity will also be excluded.

3. Measures for Children With Disabilities

In recognizing the particular challenges that children with disabilities face, the Income Tax Act will be amended to raise the age limit for disability tax credit -eligible children from under 16 to under 18 years of age for the purposes of the Children’s Fitness Tax Credit. The Act will also be amended to introduce a separate \$500 non-refundable amount for DTC-eligible children subject to spending a minimum of \$100 on registration fees for an eligible program. This additional non-itemizable amount provides general recognition of the extra costs that children with disabilities encounter in becoming involved in programs of physical activity, notably with regard to specialized equipment, transportation and attendant care.