



2010-2011 PERSONAL TAX TIPS

On March 4, 2010, Finance Canada tabled its 2010 Federal Budget that ushered in a myriad of proposals many of which were included in Bill C-9 which received Royal Assent on July 12, 2010. This newsletter discusses a number of these changes and outlines several personal tax planning tips for 2010 and 2011.

What's new in Personal Tax Changes for 2010?

1. GST/HST Rates

Effective July 1, 2010, Ontario and British Columbia implemented the Harmonized Sales tax ("HST") in their respective provinces and Nova Scotia increased the provincial portion of its HST rate.

As at July 1, 2010, the HST and other sales tax rates are as follows:

Province	Sales Tax Rate
Alberta	5% GST
British Columbia	12% (5% federal, 7% provincial)
Manitoba	5% GST and 7% PST
New Brunswick and Newfoundland	13% (5% federal, 8% provincial)
Nova Scotia	15% (5% federal, 10% provincial)
Ontario	13% (5% federal, 8% provincial)
Quebec (note 1)	5% GST and 7.5% QST on GST-included price
Prince Edward Island	5% GST and 10% PST on GST-included price
Saskatchewan	5% GST and 5% PST

Note 1: The QST rate will rise to 8.5% on January 1, 2011 and 9.5% on January 1, 2012

Businesses either pay quarterly installments or pay annually. For 2010, the net tax that requires quarterly installments is \$3,000.

2. 2010 Automobile Rules

For 2010, the limit on the deduction of tax-exempt allowances is 52 cents per kilometer on the first 5,000 kilometres and 46 cents thereafter. The rate in the territories was increased to 56 cents and 50 cents thereafter respectively.

The taxable benefit that related to the personal portion of automobile operating expenses that is paid by employers was increased to 24 cents per kilometers. See appendix C on automobile amounts.

3. Accelerated Capital Cost Allowance (CCA) for Manufacturing and Processing and Computer

Regulations introduced in the 2007, 2008 and 2009 Federal Budget proposals brought into force an accelerated 50% straight line CCA rate for equipment and machinery that are used primarily in the manufacturing sector and acquired on or after March 19, 2007 and before 2012.

The CCA rate was increased to 100% from 55% for eligible computers and systems software that are acquired after January 27, 2009 and before February 2011. The half-year rule will not apply to this measure.

4. U.S. Social Security Benefits

Under the Canada-US Income Tax Convention, Canadian residents who receive U.S. Social Security Benefits since before January 1, 1996, the Budget increased the exemption from 15% to 50% effective for benefits received after 2009.

5. Revising the 2010 Personal Income Tax Brackets

The 2010 Budget increased the income amounts for the lower tax brackets. The highest tax bracket was increased in accordance with previously announced indexing factors. Federally, taxable income up to \$40,970 will be taxed at 15%; taxable income between \$40,970 and \$81,941 will be taxed at 22%; taxable income between \$81,941 and \$127,021 will be taxed at 26% and taxable income above \$127,021 will be taxed at 29%. A comprehensive tax table is attached on appendix A.

6. RRSP Proceeds to an RDSP Rollver

Effective for deaths that occur on or after March 4, 2010, the 2010 Federal Budget proposed to permit a financially dependant child or grandchild to transfer a refund of premiums that is received from a deceased annuitant's RRSP or RRIF to their RDSP on a tax-deferred basis

7. Personal Tax Credits

The 2010 increased the basic personal amount on which the tax credit is calculated for 2010 to \$10,382 for a 15% tax credit of \$1,557. The spouse/common-law and wholly dependant tax credits have also been increased accordingly. These amounts will be indexed for 2010 and subsequent taxation years.

The Act increased the age credit to \$6,446 for a 15% tax credit of \$967.

A comprehensive personal tax credit table is attached on appendix B.

8. Ontario Children's Activity Tax Credit

The 2010 Ontario Budget introduced a non-refundable tax credit up to \$50 based on \$500 of expenditures for a child under 16 (\$100 for a child under 18 and disabled). Eligible expenditures include activities under the federal Children's Fitness Tax Credit but also includes non-fitness activities such as music, dramatic arts, visual arts, chess, language instruction and tutoring in academic subjects.

9. Scholarship Exemption and Education Tax Credit

Effective for 2010 and subsequent taxation years, the 2010 Federal Budget proposed to restrict the full tax exemption that is available on bursaries, fellowships and to post-secondary studies that qualify for the education tax credit where the post-secondary program is principally a research program.

10. Universal Child Care Benefit

Effective for 2010 and subsequent years, The Jobs and Economic Growth Act S.C. 2010 c. 12, permits a recipient single parent the option to include the entire Universal Child Care Benefit in their income, in the income of a dependant child who qualified for the equivalent to-spouse credit of the parent or, if no credit can be claimed, in the income of a dependant who qualifies for the Universal Child Care Benefit.

11. Entitlement to Benefits-Shares Custody

For benefits payable beginning July 2011, the 2010 Federal Budget proposed that the monthly Canada Child Care Benefit, the Universal Child Care Benefit and the child portion of the quarterly GST/HST Tax Credit can be allocated between parents who live separate and apart and share custody.

Tax Planning Tips

1. Charitable Donations/Political Contributions

Donations

Tax credits can be claimed on donations on two levels. The first \$200 of charitable donations can result in a federal tax credit of 15% (about an additional 6% for Ontario residents) and 29% (around 11% for Ontario residents) for donations made in excess of \$200.

Accordingly, donations (including unused carry forward amounts from a prior year) should be claimed by one spouse to maximize this credit as permitted under CRA's administrative policy.

The cumulative donation amount you can claim is restricted to 75% of your net income. However, don't worry if you forgot to claim a donation slip in a prior year. You can accumulate them and claim them in one year provided this is done within a five-year period. The cumulative donation amount is increased to 100% in the year of death and the year preceding death.

If you donate publicly traded securities, no taxable capital gain will result as the inclusion rate will be zero in your income. Moreover, you would be able to claim the full face value of the securities as your donation...kind of having your cake and eating it too! This measure was effective for donations made after May 1, 2006.

The capital gains inclusion rate on donations of eligible public shares that are listed on a prescribed stock exchange was reduced to zero for gifts to private foundations on or after March 19, 2007

Political Contributions

The limits for federal political contributions for 2009 are as follows:

- 75% of contributions that do not exceed \$400
- \$300 plus 50% of amounts over \$400 up to and including \$750 and
- When the total contributions exceed \$750, the lesser of:
 - \$650; and
 - \$475 plus 33 1/3% of the amount over \$750.

Some provinces will allow a tax credit for donations to a provincial party.

2. Capital Losses

Net Capital Losses

If you happen to have "losers" sitting in your portfolio, you should consider selling them before the final trading deadline of December 24, 2010 in order to be able to carry back these losses against capital gains you incurred in the previous three calendar years.

However, in order to ensure the loss will be allowed, you cannot reacquire the stock within 30 days of the sale because of the superficial loss rules in which case your loss will be denied.

Ask your accountant to quantify whether this exercise is worth it as the decision to do depends on what your marginal tax rates were in the prior years.

Any unused losses can be carried forward indefinitely against future capital gains.

Business Losses (Non-Capital Losses)

If you have business losses (possibly from starting a new business), you can apply these losses against income from other sources. If not, you can carry back these losses against taxable income reported in your tax return during the past three years. If that does not work, then you can carry forward your loss up to 20 years against future taxable income.

Allowable Business Investment Losses (ABILs)

If you sell shares of a small business corporation at a loss to a non-related person or you establish that a loan owing to you by the corporation is uncollectible, you could claim an ABIL of which one-half is deductible against other sources of income. The unused portion of this loss becomes part of your non-capital losses and can be carried back three years and carried forward ten years. If you do not use all of your ABIL within that time frame, the balance is added to your net capital losses which can be carried forward indefinitely,

3. Medical Expenses and Related Tax Credits

Medical Expenses

You can claim medical expenses paid for any 12-month period that ends in the tax year or in the situation of a deceased taxpayer, any 24 month period that includes the date of death. Therefore, you should review all of your medical expenses to select the highest medical claim in that period.

The amount that you can claim for yourself, your spouse/ common-law-partner and your dependants is based on a formula equal to the 15% times the medical expenses that exceed the lesser of 3% of one’s net income and \$2,024. In most cases, the lower income spouse should claim medical expenses.

A general list of qualified medical expenses are listed on Appendix D.

Caregiver Tax Credit

Individuals who live and give in-home care to a parent or grandparent including an in-law, 65 or older, who is dependant on the caregiver because of a mental or physical infirmity are eligible for a caregiver tax credit.

The \$633 tax credit (15% of \$4,223) is reduced by 15% of the dependant’s income over \$14,422 and is completely phased

out at \$18,644. The credit is not available where an equivalent-to-spouse tax credit or dependant tax credit has been claimed with respect to that person.

Infirm Dependant Age 18 or Older

If you support an infirm dependant age 18 or older who is either your own or spouse’s/common-law partner’s relative and a Canadian resident, you will be entitled to a 15% tax credit of \$633 (15% of \$4,198). This credit is not available where you have claimed the caregiver tax credit. The credit is reduced by the dependant’s income over \$5,992 and is completely phased out at \$10,216.

Disability Tax Credit

If you have a “severe and prolonged” mental or physical impairment that is certified by a medical practitioner, you may be eligible for a non-refundable tax credit of \$1,086 depending on the disability. For 2010, the amount used to determine the disability tax credit is \$7,239 ((\$7,225 – Ontario). To qualify for the credit, you must need to file a medical certificate on Form T2201 that states that your ability to perform a daily activity is markedly restricted.

4. Registered Retirement Savings Plans (RRSP’s)

RRSPs allows taxpayers to receive an immediate tax deductions on their tax returns, save money for their future and effectively accrue tax-deferred earnings on their investments.

The annual contribution limit is 18% of a taxpayer’s earned income for the preceding year up to the under-noted limits:

Year	RRSP Contribution Limit	Earned Income Required in Prior Year
2010	\$22,000	\$122,222
2011	\$22,450	\$124,722
2012	\$22,970	\$127,611
2013	Indexed for inflation	

plus any unused contribution room carried forward from previous years. If you are a member of a Registered Pension Plan (RPP) or Deferred Profit Sharing Plan (DPSP), your contribution limit will be reduced.

Earned income includes the following items:

- Gross salary
- Net business or professional income
- Research grants, net of related expenses
- Royalties from works or inventions
- Net rental income from real estate
- Disability income received under CPP

Earned income is reduced by:

- Deductible alimony, maintenance and child support
- Employment relate expenses
- Net business and rental losses

The deadline for making RRSP contributions for 2010 is March 1, 2011.

Please consult your 2009 notice of assessment issued by the Canada Revenue Agency (CRA), as it will report your contribution limit. However, check with your accountant that the Tax Department's records agree with the tax return you filed.

Please be aware that there is a 1% penalty per month on over-contributions over \$2,000.

The age deadline has been increased from 69 to 71 for when taxpayers must cease contributing to their RRSPs and begin a withdrawal program, effective for 2007 and subsequent years. For those who turn 71 in 2010, all of their RRSPs must be terminated by the end of the calendar year by either (a) receiving the entire amount as a lump sum payment in which case a large tax bill may result (b) transferring your RRSPs to a Registered Retirement Income Fund (RRIF) or (c) purchasing an annuity.

You may still make RRSP spousal contributions after age 71 until your spouse reaches 71. However, any withdrawals made within 2 years of such contributions will be taxable in the contributor's income.

Interest incurred on loans to acquire an RRSP is not deductible.

If you or your spouse/common law partner has not owned a home for the past five years, you may be able to withdraw tax-free money from your RRSPs to a maximum of \$25,000 each for the purchase of your new home under the Home Buyers' Plan (HBP). However, you cannot withdraw such funds from an RRSP that is less than 90 days old as these amounts will be taxable. The plan must be repaid back over a 15-year period (minimum of 1/15 each year).

Finally, RRSPs investments are no longer restricted in the percentage of foreign property investments in RRSPs effective January 1, 2005.

Recognition of RRSP/RRIF Losses after death

The Budget Implementation Act, 2009 amends the rules relating to RRSPs and RRIFs to recognize a decrease in the value of the investments between the annuitant's death and the final distribution of the account, where the final distribution is made after 2008. The post-death decrease in value, which will be determined as the difference between the distribution amount at the wind-up date of the RRSP/RRIF and the amount included in the annuitant's RRSP/RRIF income inclusion in the year of death, can be carried back and applied against the RRSP/RRIF inclusion in the year of death. Generally, to qualify for this deduction, the RRSP must be wound by the end of the year following the year of death of the annuitant, and the RRSP

cannot have held any non-qualified investments during the post-death period.

5. Registered Disability Savings Plan (RDSP)

The RDSP was introduced in 2008 to help taxpayers save for the future financial security of a beneficiary who qualifies for the disability tax credit. The RDSP is accompanied by a Canada Disability Savings Grant (CDSG) and will operate similar to RESPs. The contributions are not tax deductible and can be made up until age 59 with a lifetime maximum of \$200,000 with no annual limit. The investment income earned in a RDSP will not be taxable while the funds remain in the plan but will be taxable to the RDSP beneficiary when withdrawn.

Contributions to an RDSP will qualify for the CDSG until the beneficiary turns 49 years old. The CDSG lifetime limit is \$70,000 and matches contributions at 100%, 200% or 300% depending on family net income and amount of contributions. Families with net income less than \$81,452 will receive a 300% grant on the first \$500 and 200% grant on the next \$1,000. Families with net income over \$81,452 will qualify for a 100% grant.

Payments must begin to be paid out of an RDSP by the end of the year in which the beneficiary turns 60 years old. An RDSP must repay all CDSGs and related investments in the previous 10 years, in the event that the beneficiary dies or is no longer eligible for the disability tax credit.

6. Moving Expenses

If you moved in 2010 to commence new employment, a new business or attend university, you are able to deduct moving expenses up to the extent of income from the new work or business provided your move is at minimum 40 kilometers. Any unclaimed expenses can be carried forward to the subsequent year.

Moving expenses include the costs of moving your belongings, travel costs (including meals and temporary accommodations up to 15 days), lease cancellation costs, the costs of real estate commissions and legal fees arising from the sale of your old residence.

7. Child Care and Related Expenses/Tax Credits

Child Care Expenses

Taxpayers are allowed to deduct childcare expenses as indicated in the under-noted table:

Age of child as of December 31	"Non-disabled" Child	Disabled Child
Under 7	\$7,000	\$10,000
7-16	\$4,000	\$10,000
Over 16	None	\$10,000

The maximum deductible would be the least amounts of the figures listed above, (ii) the amount of child care expenses paid and (iii) 2/3 of taxpayer's earned income (lower income spouse in most cases).

The childcare expenses must be incurred to allow you to engage in employment, a business or attend post secondary education.

Payments include those made to a nursery, day care centre, day camp, and a childcare service centre provided by an educational institution for a child who is younger than the school age as well as to caregivers in which case you are required to have social insurance numbers.

Please note that payments made to an overnight camp are restricted to \$175/week and \$100/week for kids under 7, aged 7 to 16 and respectively. \$200/week can be claimed for disabled children.

Adoption Expenses Tax Credit

An adoption expense tax credit is calculated at the lesser of 15% of the indexed amount in 2010 of \$10,975 (\$10,911 – Ontario) and eligible adoption expenses, which include:

- Fees paid to a provincial or territorial government licensed adoption agency:
- Court costs
- Administrative and legal expenses
- Reasonable living and travel expenses
- Translation fees of documents
- Fees required to be paid to foreign institutions

The adoption period begins either at the earlier of the time that the child's adoption file is opened with a qualified adoption agency or the time that the application is made to a Canadian court. The adoption period ends at the time of the adoption.

Canada Child Tax Benefit (CTTB)

As at July 2010, the basic CTTB is \$1,348 annually (\$112.33 monthly) for each child under 18. If you have three or more children, there is a supplement of \$94 annual (\$7.83 monthly) for the third and additional child.

These benefits are reduced by 2% of family net income of a one-child family in excess of \$40,970. The reduction is 4% for families with two or more children.

Child Disability Benefit

Families with a child who is eligible to receive the disability tax credit receive the Child Disability Benefit. The maximum benefit is \$2,470 per year (\$205.83 monthly) for each eligible child. The maximum benefit is reduced by net family income that exceeds a base amount that is determined by the number of children who receives the CCTB as follows:

- One child: Maximum benefit if net income < \$40,726 (benefit reduced by 2% of net income > \$40,970).

- Two or more children: Maximum benefit if net income < \$40,970 (benefit reduced by 4% of net income > \$40,970).

Universal Child Care Benefit (UCCB)

The UCCB effective July 1, 2006 budget introduced the universal childcare benefit where all families receive \$100 per month for each child under 6 commencing July 1, 2006. The amount received is taxable to the spouse with the lower income and is not included in income for income based benefits such as the GST tax credit, Canada Child Tax Benefit, Employment Insurance etc. nor will they affect the child care expense claim.

Children's Fitness Tax Credit

The children's fitness tax credit is effective for 2008 and subsequent years is calculated on a maximum of \$500 in registration fees per child who is under 16 years of age or, if eligible for the disability tax credit, under the age of 18.

To be eligible, programs that are held once a week must last a minimum of eight weeks. Camp programs qualify if they last a minimum of five consecutive days and devote more than 50% of children's time to physical activity. The programs must be supervised, suitable for children and include a significant amount of physical activity that involves cardio and one or more of balance, flexibility, muscular endurance or muscular strength.

Child Tax Credit

In 2007, a new child tax credit was been introduced for all children under 18 years of age at the end of the calendar year. Either parent can claim the credit except for separated parents in which case, the parent who claims the dependant tax credit for the child can claim the credit. The non-refundable credit is calculated by multiplying the 2010 child amount of \$2,101 x 15% to a maximum of \$315.15 for each child.

8. Tuition Fees and Related Tax Credits

Tuition Fees

If you paid tuition fees in the amount of \$100 or more to a recognized post secondary educational institution, you would be able to claim a tuition tax credit of 15% of the tuition fees that you paid.

In addition, there is also an additional Educational Tax Credit available that one can claim equal to \$400/month for full-time (\$120/month for part-time) enrolment.

Unused tuition and education tax credits can be carried forward.

Students can transfer their unused tuition and education credits to a spouse/common-law partner, parent or grandparent to a maximum of \$5,000.

Student Loans

Students can also claim as tax credits interest paid on student loans that have been approved under the Canada Student Loans Program and corresponding provincial student loan programs.

The tax credits are calculated as 15% (6.05% – Ontario) of the interest expense on such loans.

Bursaries, Fellowships and Scholarships

Bursaries, fellowships and scholarships received in connection to the taxpayer's enrolment at a designated educational institute that qualifies for the education tax credit is exempt from the taxation. Qualifying education programs generally include post-secondary level programs and skills-training that is provided through educational institutions certified by the Minister of Human Resources and Skills Development Canada. This exemption also applies to scholarships and bursaries received by students to attend elementary and secondary schools.

Textbook Tax Credit

For 2010, the textbook tax credit for students who qualify for the education tax credit is calculated at 15% (Ontario – 6.05%) of \$65 for each month a student qualifies for the full-time education tax credit amount and \$20 for each month a student qualifies for the part-time education tax credit amount.

Tax-Free Savings Account (TFSA)

The TFSA was introduced for 2009 and subsequent taxation years. Any Canadian resident who is 18 years of age or older can contribute a maximum of \$5,000 per year into a TFSA. The limit will be indexed after 2009 on an annual basis for inflation where any additions to the TFSA will be rounded to the nearest \$500. Unused contribution room can be carried forward. Any amounts withdrawn will be added to the individual's contribution room for the following year and can be carried forward indefinitely. Contributions in excess of the allowable amount will be taxed at 1% per month.

Contributions are not tax deductible and income earned, losses, gains and withdrawals will not be taxed nor will be taken into account for income-tested benefits such as the Canada Child Tax Benefit, GST and Age Credits, Old Age Security Benefits, Guaranteed Income Supplement or EI Benefits.

A TFSA will generally be eligible to invest in similar investments to a RRSP.

Interest on money borrowed to invest in a TFSA will not be deductible. However, a TFSA may be used as collateral for a loan.

Spouse's can contribute to the other spouse's TFSA without the income being attributed back to the contributing spouse. When there is a marital breakdown, a TFSA may be transferred without affecting the contribution room of the recipient. When

an individual becomes a non-resident, a TFSA may continue and benefit from tax exemption on income and withdrawals.

After 2009, the CRA will determine contribution room for every individual who files a tax return.

9. Pensions/Pension Income Spousal Split

The amount of eligible pension income to be used to calculate the pension income tax credit is \$2,000. For 2010, the pension credit is \$300 (15% x \$2,000).

If you are under 65 but receive life annuity payments from a superannuation or pension plan, those payments may also qualify as well as some payments with respect to the death of a spouse.

Spouses and common-law partners can reallocate a maximum of one-half of eligible pension income between them for income tax purposes. A joint election must be made in prescribed form on or before their respective filing due dates for the taxation year an filed with their income tax returns.

10. Shareholder Loans

If you are incorporated, it is important that your accountant review your shareholder loan balance prior to the year-end. If you find yourself in a situation where you have withdrawn moneys to a point where you owe your company money (i.e. you are in accountant's terms a "debit" shareholder balance), consideration should be made to either (a) repay the money back by the year-end, (b) give yourself a higher salary and ensure deductions are paid by January 15th of the subsequent year or (c) declare this amount as a dividend paid to you.

Otherwise, failure to do so could result in adverse tax consequences if the debt is not repaid within 12 months after the end of your company's fiscal year-end.

You should also ensure that all business related expenses that you may have paid personally have been recorded so that you receive credit for these expenditures.

11. Apprentice Job Creation Tax Credit

A credit of 10% of salary and wages paid after May 2, 2006 was permitted to a taxpayer who employs an "eligible apprentice" up to \$2,000 per year. An eligible apprentice is a person in the first 24 months of his/her apprenticeship in a prescribed trade (see www.red-seal.ca).

12. Public Transit Tax Credit

The 2006 Budget introduced a non-refundable tax credit for the cost of a transit pass (minimum one month in duration) for a period that begins on or after July 1, 2006. Public transit includes transportation by commuter bus, commuter train, local bus, local ferry, streetcar and subway. The credit can be

claimed by an individual or an individual's spouse/common-law partner in respect of transit costs of the individual, the individual's spouse/common-law partner and individual's children who are under 19 years of age. The 2007 Budget allowed electronic and weekly passes to qualify for the tax credit.

13. Canada Employment Tax Credit

For 2010, the Canada Employment tax credit is calculated at 15% (Ontario – 6.05%) of the lesser of \$1,051 and the employee's income for the year.

14. Dividend Tax Credit

If you receive dividends from a Canadian corporation, such dividend income is grossed up by 25%. This amount is then offset by a federal dividend tax credit of 2/3 of the gross-up.

If you receive eligible dividends (dividend income distributed by corporations subject to paying the general corporate tax rate), such dividend income is grossed up by 45%. However, the rate of the dividend tax credit will also be increased from 13.5% of the grossed-up amount to approximately 19% of the grossed-up amount.

The amount of taxable dividends that can be received by an individual who has no other income, without resulting in any income tax liability is as follows:

	Other Dividend	Eligible Dividend
Personal credit only	\$37,485	\$50,382
Student with \$7,000 of tuition fees	\$43,566	\$57,382

15. Alimony and Child Support Payments

Generally speaking, child support payments are not deductible by the payor nor included in income by the recipient for any agreements made after April 30, 1997. However, these guidelines did not affect alimony payments which remain deductible to the payor and taxable in the hands of the recipient.

If you incurred legal fees to obtain alimony or child support payments, save the receipts as these amounts are generally deductible.

16. Acquisition of Capital Assets

If you have a business and plan to acquire new assets, consider acquiring the assets before your fiscal year-end is over and ensure that these assets are available for use as this will provide you with a capital cost allowance (CCA) claim sooner. If you have a December 31st year-end and are thinking of acquiring an automobile for \$30,000 (business use – 75%), acquiring the asset by December 31st would allow you to claim CCA of \$3,375 ($\$30,000 \times 30\% \times 50\% \times 75\%$) in 2010 and \$5,990

($[\$30,000 - \$3,375] \times 30\%$) in 2010 as opposed to claiming the \$3,375 of CCA in 2011 if you delay the purchase until January 2011.

17. Lifetime Capital Gains Exemption

The March 19, 2007 Federal Budget proposed that the lifetime capital gains exemption is to be increased from \$500,000 to \$750,000 on the disposition of qualified small business corporation shares (as well as on qualified farming and fishing property) on or after March 19, 2007.

18. Registered Education Savings Plans (RESPs)

Contributions to a RESP are not tax deductible but the investment earnings are sheltered as they are not subject to tax until withdrawn by the child when he or she is pursuing post-secondary education.

For 2008 and subsequent taxation years, the time an RESP can remain open was extended from 25 to 35 years and contribution time is extended from 21 to 31 years. For a beneficiary that qualifies for a disability tax credit, the time an RESP can remain open was extended from 30 to 40 years and the time contributions can be made was extended from 30 to 35 years.

In 2007, the annual maximum contribution threshold of \$4,000 was eliminated and the lifetime maximum contribution was increased from \$42,000 to \$50,000. In addition, the annual contribution eligible for the Canada Education Savings Grants (CESG) was increased from \$2,000 ($\times 20\% = \400) to \$2,500 ($\times 20\% = \500).

CAUTION: The above information is very general in nature and not regularly updated, therefore may not reflect recent legislative or judicial proposals and/or changes. Tax laws are extremely complex and frequently change. In addition, each situation is unique and must be individually analyzed in light of its specific facts and circumstances of the particular situation and interpretation of the relevant legislation enacted at the time. The information above should not be acted upon without seeking professional advice. For more information and detailed advice about any of the above or the implementation of other tax planning arrangements, please contact your professional advisor.

A: 2010 Combined Personal Tax Rates

Taxable Income	Tax	Income	Marginal Rate		
			Capital Gain	Eligible Dividend	Other Dividend
\$ 0	\$ 0	20.05%	10.03%	(6.23%)	2.77%
37,106	5,431	24.15	12.08	(0.32)	7.90
40,970	6,364	31.15	15.58	9.76	16.65
65,342	13,956	32.98	16.49	10.55	17.81
74,214	16,882	35.39	17.70	14.02	20.82
76,988	17,864	39.41	19.71	16.49	23.82
81,941	19,816	43.41	21.71	22.25	28.82
127,021	39,385	46.41	23.21	26.57	32.57
Tax on split income and inter vivos trusts starts at		40.16		22.73	27.91

After deduction of Federal Basic Personal Credit of \$10,382 and Ontario Basic Personal Credit of \$8,943.

Ignores Ontario Health Premium

This chart should only be used for estimating the tax on certain types of income within rate brackets and not for doing detailed calculations.

B: Indexed Amounts for 2010

	Federal	Ontario
Basic personal amount	10,382	8,943
Spousal/equivalent-to-spouse	10,382	7,594
Net income threshold	0	759
Child under 18	2,101	0
Infirm dependant amount (over 18)	4,223	4,215
Net income threshold	5,992	5,992
Caregiver amount	4,223	4,216
Net income threshold	14,422	14,421
Age amount	6,446	4,366
Net income threshold	32,506	32,506
Adoption credit	10,975	10,911
Pension credit	2,000	1,237
Employment credit	1,051	0
Disability amount	7,239	7,225
Supplementary if under 18	4,223	4,215
Child care and disability supports deduction threshold	2,473	2,468
Medical expense tax credit	2,024	2,024
3% of net income ceiling	67,467	67,467
Education and Textbook – full time	465	481
– part time	140	144
Tuition and education transfer (max)	5,000	6,184
Old Age Security – threshold to repay	66,733	0

C: Automobile Amounts

	2000	2001/2	2003/4	2005	2006/7	2008/10
Maximum capital cost (plus GST and PST)	\$27,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Maximum lease payment (plus GST and PST)	\$700	\$800	\$800	\$800	\$800	\$800
Interest expenses (per 30 day period)	250	300	300	300	300	300
Maximum deductible allowances						
First 5,000 km	37¢/km	41¢/km	42¢/km	45¢/km	50¢/km	52¢/km
Over 5,000 km	31¢/km	35¢/km	36¢/km	39¢/km	44¢/km	46¢/km
Operating benefit	15¢/km	16¢/km	17¢/km	20¢/km	22¢/km	24¢/km
Automobile Salespersons	12¢/km	13¢/km	14¢/km	17¢/km	19¢/km	21¢/km

D: General List of Allowable Medical Expenses

Professional Services

- Acupuncturist
(if a qualified medical practitioner or, in Quebec only, a licensed acupuncturist)
- Chiropracist
- Chiropractor
- Christian Science practitioner
- Dental hygienist
(if authorized to practise under provincial law)
- Dental mechanic
(for the making or repairing of a complete upper or lower denture)
- Dentist
- Dermatologist
- Gynaecologist
- Neurologist
- Naturopath
- Obstetrician
- Oculist
- Optician
- Optometrist
- Orthopaedist
- Osteopath
- Paediatrician
- Physician
- Physiotherapist
- Plastic surgeon
- Podiatrist
- Practical nurse
(medical services only)
- Psychiatrist
- Psychoanalyst
- Psychologist
(if licensed by province to provide therapy or rehabilitation)
- Registered nurse
- Surgeon
- Speech therapist
(pathological or audiological impediments only)
- Therapist

Laboratory Examinations and Tests

- Blood tests
- Cardiographs
- Metabolism tests
- Spinal fluid tests
- Stool examination
- Urine analyses
- X-ray examinations

Dental Services

- Dental x-rays
- Extracting teeth
- Filling teeth
- Gum treatment
- Oral surgery
- Straightening teeth

Hospital Services

- Anaesthetist
- Hospital bills
- Oxygen masks, tent
- Use of operating room
- Vaccines
- X-ray technician

For comprehensive list of qualifying medicines, apparatus, medical treatments etc, please contact our office.

Source: CCH "Preparing Your Income Tax Returns".

E: General List of Deductible Business Expenses

Home Office

Calculated as percentage of office over total square area of home

- Mortgage interest/rent
- Realty taxes
- Insurance
- Utilities
- Repairs & maintenance

Automobile

- Gas/oil
- Repairs and maintenance
- Insurance
- Lease costs (\$800 monthly lease limit)
- Interest on car loan (\$300 monthly interest deduction limit)
- Licence and registration fees
- CAA dues
- ETR (Highway 407) fees
- Car washes
- Parking at clients (100% deductible)
- Calculated as a percentage of business kms/total kms

Entertainment

- Meals, sporting events, theatre (50% deductible)

Trade Shows/Travel

- Conventions, airline flights, hotels, taxis, business conferences, etc.

Advertising

- Newspaper ads
- Promotion, advertising, etc.
- Gifts to clients

Capital Assets Subject to Depreciation

- Office furniture (desks, cabinets, chairs etc.) – 20%
- Computer hardware – 100% if acquired after January 27, 2009 and before February 1, 2011
- Computer software – 100% if acquired after January 27, 2009 and before February 1, 2011
- Automobile – 30% (\$30,000 capital cost threshold level)

- Additions acquired during the current year depreciated at 50% of above rates except for computer hardware and software acquired after January 27, 2009.

Professional Fees

- Accounting & legal fees

Insurance

- Business insurance
- Professional liability insurance

Interest & Bank Charges

- Bank service charges
- Interest on loans used in business
- Credit card fees

Office Expenses

- Postage
- Stationery
- Courier
- Registration costs
- Computer Paper
- Supplies
- Books & publications
- Continuing education courses/seminars

Telephone

- Business telephone & fax line
- Cellular phone
- Internet fees

Salaries

- Salary to assistants including payroll levies

Dues & Membership

- Professional affiliation dues
- Business trade and networking membership dues

Note: Some of the expenses may not be permitted or restricted if taxpayer is earning income from employment.

F: General List Of Deductible Rental Expenses

- Property taxes
- Insurance
- Repairs and maintenance
(painting, plumbing, electrical, waste removal, garbage etc).
- Utilities
(hydro, natural gas, water, cable)
- Mortgage interest and financing fees
- Advertising
(for tenants)
- Janitorial services
- Property management fees
- Accounting fees
- Legal expenses not connected with purchase of property
- Commissions
(paid to obtain tenants)
- Landscaping of grounds and snow removal
- Office supplies
- Alarm fees and security
- Bank services charges
- Automobile expenses
(if more than one property is owned)
- Lease cancellation/inducement fees

Capital Assets Subject to Depreciation

- Buildings – 4%
- Furniture, fixtures and appliances
(desks, chairs, beds, stove, fridges, washer/dryers, etc.) – 20%
- Computer hardware – 100% if acquired after January 27, 2009 and before February 1, 2011
- Computer software – 100% if acquired after January 27, 2009 and before February 1, 2011
- Automobile – 30%
- Additions during current year depreciated at 50% of above rates