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Finance Minister Jim Flaherty

PTC Canada Update Bulletin

*****For General Information and Distribution*****

Budget 2008

Hello, Friends and Clients!

The [Federal Budget](#) is out for 2008, and here are the highlights:

Individuals and Families—Tax-free Savings Account. A new savings vehicle that allows individuals to contribute up to \$5,000 a year in a registered account that grows tax-free. There is no tax deduction for money invested, but withdrawals can be made tax-free and at any time. The money can be used for anything from retirement to financing a major purchase.

Students—\$350 million per year for a new consolidated Canada Student Grant Program that will reach 245,000 college and undergraduate students. Does not take effect until the fall of 2009. Money will increase to \$430 million by 2012-13. The Canada Student Grant Program coincides with the wind-down of the Millennium Scholarship Foundation. \$123 million over four years starting in 2009-10 to streamline and modernize the Canada Student Loans Program. Some of that money will go to expand online services, allowing students to manage their loans from application to repayment. More flexibility for Registered Education Savings Plans. They will be allowed to remain open for 35 years instead of 25 years. \$25 million over two years to establish a new Canada Graduate Scholarship award aimed at attracting top Canadian and international doctoral students. When fully in place, the program is expected to support up to 500 students and will be worth up to \$50,000 per year for three years for top doctoral students. \$3 million over two years for Canada Graduate Scholarship recipients to help pay some of the expenses if they pursue part of their studies at universities in other countries.

Seniors—Increase in the exemption for employment earnings to \$3,500 for seniors collecting the Guaranteed Income Supplement (GIS). Currently, the GIS is reduced by 50 cents for every dollar over \$500 that seniors earn.

Aboriginal Canadians—\$70 million over two years to establish a new framework for aboriginal economic development by the end of 2008. \$70 million over two years for First Nations education in support of agreements between the federal government, provincial governments, and First Nations communities. \$147 million over two years for First Nations and Inuit health programs, with the goal of more closely integrating those programs with provincial systems. \$330 million over two years to improve access to safe drinking water in First Nations communities. \$43 million over two years to improve child and family services on reserves.

Immigrants—\$22 million over two years to “modernize” the immigration system, allowing speedier processing of permanent residents. The program is designed to shorten wait times for immigrants who have skills that would have an “immediate impact” on the economy.

Businesses—Allowing manufacturers and processors an extra year of tax relief on investments in machinery and equipment. Increasing tax credits that small- and medium-sized businesses can claim under Canada’s scientific research and experimental development tax incentive program. Streamlining recordkeeping requirements to support motor vehicle expense claims.

Farmers—\$50 million for hog farmers to reduce the supply of breeding stock and to help hog producers who want to leave the industry. \$22 million to improve access for livestock producers to the Advance Payments Program, which is designed to help livestock producers address the rising cost of production. \$20 million for the Biofuels Opportunities for Producers Initiative to assist farmers in developing business proposals and feasibility studies for biofuel facilities.

Security—A higher-security electronic passport by 2011 that won’t have to be renewed for 10 years. \$6 million for provinces to develop higher-security driver’s licenses. \$26 million over two years to introduce the use of biometric data in visas issued to foreign nationals. \$400 million to set up a Police Officers Recruitment Fund to encourage provinces and territories to hire 2,500 new front-line police officers.

Environment—\$300 million to the Atomic Energy of Canada Limited (AECL) for its operations, including development of the Advanced CANDU nuclear reactor. \$66 million over two years to set up the regulatory framework for industrial air emission targets that are due to come into effect in 2010. \$240 million to be placed in trust for Saskatchewan to develop a full-scale commercial demonstration of carbon capture and storage in the coal-fired electricity sector. This money is to be matched by the province. \$5 million for Nova Scotia to research the potential for carbon storage in that province. \$10 million over two years for research and analysis on biofuels emissions.

Research and Development—\$140 million to support research at Genome Canada. \$250 million over five years for the automotive sector to research and develop greener and more fuel-efficient vehicles. \$10 million over two years for the Canadian Light Source research synchrotron in Saskatoon.

Sports and Culture—\$25 million for the 2010 Olympic and Paralympic Torch Relays. \$24 million over two years and \$24 million per year ongoing to support athletes for the Summer Olympics. \$9 million over two years for operating and infrastructure expenses for Canada’s national museums.

Please be sure to check out detailed commentary from [The National Post](#), [Globe and Mail](#), and [Knowledge Bureau](#). As most of you are aware, the 2007 fall mini-budget offered other tax cuts that you can check out in our [bulletin archives](#). In his speech, Finance Minister Jim Flaherty explained, “The fundamentals of the Canadian economy are strong: We are running surpluses and paying down substantial amounts of debt. We are reducing the tax burden to the lowest level since the government of John George Diefenbaker. Inflation is low and stable. Interest rates are low, and unemployment is the lowest it has been in 33 years.” It is expected that the Opposition will support the budget and there will not be an election in the near future!

Always at your tax service,

Neel



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