

FEDERAL BUDGET 2011 HIGHLIGHTS

A SPECIAL REPORT FROM ADVISOR.DYNAMIC.CA

On June 6, 2011, Minister of Finance Jim Flaherty re-introduced the 2011 budget first tabled on March 22, 2011. With the Government's new majority, it is quite certain that the budget will pass this time around. The budget is essentially the same with a few additions/alterations. Here is a brief overview of some of the budget measures that may be relevant to you or your family members:

Family Caregiver Tax Credit

In recognition of the growing issue of taking care of elderly or infirm family members, a Family Caregiver Tax Credit has been introduced that will apply to not only elderly family members but also to infirm dependent spouses, and minor children. The credit will be 15% on \$2,000 or \$300. In addition, beginning in the 2011 tax year, the \$10,000 limit on claimable expenses for a financially dependent relative with respect to the Medical Expenses Tax Credit will be waived.

Children's Arts Tax Credit

To acknowledge the importance of children's programs relating to the arts and culture, a new Children's Arts Tax Credit has been introduced. The credit will be 15% on the first \$500 per child spent on qualifying expenses for eligible arts or cultural activities.

ecoENERGY Retrofit - Homes Program

To assist homeowners in making their residences more energy efficient, the government has proposed to extend the ecoENERGY Retrofit - Homes Program for one year. For more details, please visit [ecoENERGY Retrofit - Homes Program](#).

Registered Education Savings Plans

Budget 2011 proposes to allow transfers (after 2010) between individual RESPs for siblings, without tax penalties and without triggering the repayment of Canada Education Savings Grants. The beneficiary of a plan receiving a transfer of assets needs to be under 21 when the plan was opened.

'Kiddie' Tax on Capital Gains

The tax on split income was instituted to limit the amount of low-tax dividends that could be flowed through a private corporation into the hands of minors. However, over time, tax-planning techniques have been developed that allowed for the tax-advantaged flow of capital gains. The budget has introduced measures that will ensure that both income and capital gains directed to minors through a private corporation will be taxed similarly.

Increases in the Guaranteed Income Supplement (GIS)

As a measure to assist low-income seniors, a top-up benefit to the GIS has been introduced. This new measure will provide up to \$600 extra per year for single seniors, and up to \$840 per year for senior couples.

OTHER MEASURES

Forgiveness of Student Loans

To promote health services to underserved rural and remote communities, the budget proposes to forgive up to \$40,000 in student loans for doctors and up to \$20,000 for nurses who choose to work in those communities.

Donations of Publicly Listed Flow-Through Shares

Flow-through shares allow companies, typically in oil, gas and mining, to pass on exploration expenses to investors who can use them personally to reduce tax. However, for tax purposes, the cost of the shares is deemed to be zero, which will result in capital gains when the shares are sold. Budget 2011 proposes to allow the donation of flow-through shares to registered charities without any capital gains being incurred.

Mineral Exploration Tax Credit

Flow-through shares enable companies to flow through exploration expenses to investors who can use the losses personally. This enhances the attractiveness of the shares and promotes exploration. An added attraction is a 15% tax credit on eligible flow-through expenses. Budget 2011 proposes an extension of the Mineral Exploration Tax Credit to flow-through share agreements entered into before March 31, 2012.

Individual Pension Plans (IPPs)

IPPs are defined benefit pension plans that are usually established to supplement a Registered Retirement Savings Plan for high-income earners. Over the years, some strategies have been used that provide advantages to IPPs over other savings vehicles. The budget has introduced measures to limit the advantages so that all savings plans are treated equitably.

Small Business Hiring Credit

This credit will provide a one-year EI break for some 525,000 Canadian small businesses. As well, the Government is extending a tax break (Accelerated Capital Cost Allowance) for manufacturing or processing machinery and equipment by an additional two years.

Volunteer Firefighters Tax Credit

In recognition of the important role played by volunteer firefighters in contributing to the security and safety in Canadian communities, Budget 2011 proposes a Volunteer Firefighters Tax Credit to allow eligible volunteer firefighters to claim a 15% non-refundable tax credit on \$3,000 where they have performed 200 hours of community service.

Registered Disability Savings Plans (RDSPs) - Shortened Life Expectancy

In recognition of the greater immediate need for RDSP beneficiaries with shortened life expectancies to access their savings, Budget 2011 proposes to provide more flexibility to allow beneficiaries to withdraw their RDSP assets without requiring the repayment of Canada Disability Savings Grants (CDSGs) and Canada Disability Savings Bonds (CDSBs).

Elimination of Mandatory Retirement for Federal Employees

The requirement that federally regulated employees must retire at a specified age will be eliminated, giving older workers the option of continuing to be employed.

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