

I Don't Want to Invest My Money Now because...

Posted on January 1, 2008

On October 30, the federal government presented a 'mini-budget,' which outlined a number of initiatives designed to create **tax savings for Canadians**.

Tax cuts were the main thrust of Finance Minister Jim Flaherty's announcement, which means there are a few new ways you can save your money. In case you haven't had time to follow the media coverage on this issue, the summary below outlines the recent tax changes and how they'll benefit you and your family.

The most noticeable savings will come into effect on January 1, 2008 when the government plans to reduce the GST by 1%, bringing the total tax to 5%. This means that someone spending \$10,000 to renovate their home will save \$100.

Basic Personal Amount increase

Come tax time in April, Canadians will be able to claim a basic personal amount of \$9,600 up from \$8,929. This is retroactive to January 1 of this year. On January 1, 2009 the basic personal amount will be raised again this time to \$10,100.

Lowest personal income tax rate reduced

One of the government pledges is to reduce the lowest personal income tax rate to 15% from 15.5%, retroactive to January 1, 2007. That translates into savings of about \$180 for families earning between \$15,000 and \$30,000, and about \$400 of savings for families that make between \$45,000 and \$60,000. Families earning between \$80,000 and \$100,000 will pay about \$602 less tax in 2008.

Corporate tax cut

For businesses, the Tories have promised to gradually reduce the corporate income tax rate to 15% by 2012, starting with a 1% drop in 2008. This new rate also applies to income trusts, which Flaherty announced last year would be taxed in 2011, meaning trusts will see their distribution tax rate fall to 16.5% in 2011 and an additional 1.5% the following year.

Small business tax cut

Small business owners will receive an early tax break when the small business income tax rate falls to 11% in 2008, one year earlier than scheduled. Currently, the tax rate for small companies sits at 13.1%.

Need help with tax planning?

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