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## 2007 Federal Budget Update 2- Certain Provisions Became Law

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### **BILL C-52 BECAME LAW**

Bill C-52 received Royal Assent on June 22<sup>nd</sup>. This Bill contained provisions to implement a number of changes introduced in the 2007 federal budget.

### **WHAT'S INCLUDED IN BILL C-52**

The following is a summary of relevant budget announcements that are included in Bill C-52:

- Tax on distributions from certain publicly traded income trusts and limited partnerships, effective beginning with the 2007 taxation year;
- Increase in the age credit amount by \$1,000 from \$4,066 to \$5,066, effective January 1, 2006;
- Income splitting for pensioners, effective beginning in 2007;
- A new child tax credit of \$2,000, effective beginning in 2007;
- Increase the spousal and other amount to equal the basic personal amount, effective beginning in 2007.
- Increase in the age limit for maturing registered retirement savings plans, registered pension plans and deferred profit sharing plans to 71 years of age, effective beginning in 2007.
- Expansion of the types of investment eligible for registered retirement savings plans and other deferred income plans, effective March 19, 2007;
- Increase in the contribution limits for registered education savings plans and expansion of eligible payments for part-time studies, effective beginning in 2007, and;
- Amendment to the Canada Education Savings Act to increase the maximum annual grant payable on contribution made to a registered education savings plan after 2006.

Some of the notable items that are not included in this bill are:

- The increase in the lifetime capital gains exemption to \$750,000 from \$500,000.
- Elimination of non-resident withholding tax on interest income (pending changes to the Canada/US Tax Treaty)

- Elimination of capital gains tax on donated securities to private foundations
- Implementation of a new Registered Disability Savings Plan

The government indicated that it is their intention to include the proposals above that are not included in Bill C-52 in another bill/(s).

Please note that although the Bill received Royal Assent, financial institutions and, in some cases, the government may not yet have made the required changes to their processes and procedures to allow you to proceed with certain transactions under the new tax rules. As a result, you may not be able to complete certain transactions immediately. For example, you may not be able to make the maximum RESP contribution of \$50,000 until all systems, including the government's systems, have been updated to allow this higher maximum.

If you have any questions or require clarification of any of the issues discussed in this document, do not hesitate to discuss these with your advisor.