

FEDERAL BUDGET – MARCH 2010

OVERVIEW

There were not many surprises in the March 2010 federal budget announcement. The budget from Finance Minister Jim Flaherty was called “Leading the Way to Jobs and Growth”. The government continues committed to the job and growth stimulus that was announced in the 2009 budget, however in 2010, there are no new stimulus spending programs announced. Personal taxes continue to benefit from the 2009 plans including \$3.2 billion in personal income tax relief and corporate taxes continue to benefit from the Canadian government’s course to have the lowest corporate tax rates in the G7 by 2012. The following are highlights only of areas that may impact the average individual or business:

PERSONAL TAX

- **Shared Custody = Shared Benefits:** The government is recognizing the changing landscape of the Canadian family. In the past, one parent claimed the dependant child and received the government payments applicable for those dependants. Going forward, where families share custody, each parent may receive one-half of the Canada Child Tax Benefits, Universal Child Card Benefits and GST/HST credit amounts, for benefits payable after July 2011.
- **Single Parents and Universal Child Care Benefit (UCCB):** In the past, the single parent would include the UCCB on their tax return and would not receive the choice, where the parent with the lowest income could claim the UCCB. Recognizing this, the single parent may now elect to include the UCCB in their income or in the income of the dependant.
- **Deceased Annuitant RRSP:** Currently, RRSP distributions paid to a deceased’s surviving spouse or partner or a disabled dependent child may be transferred to the recipient’s RRSP, resulting in a deferral of tax. Similar rules have been added, by election, to allow for the tax deferral transfer of a registered disability savings plan.
- **Employee Stock Options:** This is a hot topic for many employees in Alberta as stock options were used as an incentive in a previously competitive personnel environment. For employees who did or may exercise stock options, you should be aware of the changes. In the past, you were able to defer the income inclusion, under certain circumstances, until you sold the stock. This deferral election is now gone and all stock option exercises will be immediately taxable, as employment income, and the employer now has a withholding requirement. Offsetting this negative impact is a new tax relief election for taxpayers who had previously elected the tax deferral for stock option exercises, where the stock had now declined in value. If you dispose of these stocks, prior to 2015, you may elect to minimize your tax liability to that of your actual proceeds. An election must be made prior to filing the tax return related to the year in which the disposition occurred and the election is available retroactively.

BUSINESS TAX

- **Corporate Tax Reductions:** Although no new ones were announced, the commitment to a low corporate tax rate is ongoing. Federal corporate tax rates are as follows:

	2010	2011	2012
General Corporate Rate	18.0%	16.5%	15.0%
Small Business Rate	11.0%	11.0%	11.0%

- **Employment Insurance Premiums:** Remain frozen, until the end of 2010, at the lowest rate since 1982, equal to \$1.73 per \$100.
- **Several Other Changes in More Specialized Areas and International Tax.**