

## WHAT'S NEW FOR 2007?

With personal tax return filing deadlines just around the corner, this article provides you with 10 changes for 2007 which may affect your personal income tax return:

1. **Pension Income Splitting:** Starting in 2007, up to 50% of eligible pension income can be transferred to your spouse when filing your tax returns. It may be beneficial to transfer pension income if your spouse is in a lower tax bracket. You may also be able to increase the total pension credit to \$4,000 (maximum of \$2,000 per person).
2. **Child Credit:** The "Child Credit" was introduced in 2007 and can be claimed for children if they lived with you throughout 2007 and were under the age of 18 at the end of the year. In 2007, the credit is \$2,000 per child (the cash value is approximately 21% in Ontario or \$400). This credit is in addition to the Universal Child Care Benefit and Child Tax Benefit.
3. **Children's Fitness Tax Credit:** The Children's Fitness Tax Credit can be claimed if a child under the age of 16 at the beginning of the year is enrolled in an eligible fitness program. Please refer to our previous "Did You Know?" on our website for more details.
4. **RRSP Contribution Limit:** The maximum RRSP deduction limit for 2007 is \$19,000 (\$20,000 for 2008). You should review your 2006 notice of assessment to verify your limit. A non-deductible over-contribution is also allowed up to \$2,000. Consider contributions to a spousal plan, monthly instead of annual contributions, and delaying a deduction in 2007 if you will be in a higher tax bracket in 2008.
5. **RRSP Age Limit:** You can now contribute to your RRSP until December 31<sup>st</sup> of the year you turn 71 (previously 69). Even if you are already 71, you may be able to contribute to a spousal RRSP if you have earned income and your spouse has not reached the age of 71 in the year.
6. **Capital Gain Exemption:** Every individual now has a lifetime capital gains exemption of \$750,000 for dispositions of "qualified small business corporation shares" and certain farming and fishing property.
7. **Scholarships, Bursaries, Fellowship:** Commencing in 2006, scholarships received by students claiming the education credit are exempt from tax. Starting in 2007, scholarships and bursaries from elementary and secondary schools are also exempt from tax.
8. **Flat Rates for Meals and Mileage – moving and medical:** The 2007 flat rates for claiming moving and medical expenses in Ontario without receipts are \$17 per meal to a maximum of \$51 a day, per person and 49.5 cents per kilometer. Alternatively, taxpayers can claim actual amounts paid supported by receipts.
9. **Mileage Allowance Rates:** In 2007, mileage rates for employment use of vehicles were 50 cents for the first 5000 kilometers, and 44 cents for each additional kilometer. In 2008,

the rates have been increased to 52 cents for the first 5000 kilometers, and 46 cents for each additional kilometer.

10. **Installments:** For 2008, the installment threshold for individuals has been increased from \$2,000 to \$3,000.

*Please contact Gary Aslett at 905-465-3313 or [gary@aslettca.ca](mailto:gary@aslettca.ca) if you require further information on the above.*

\* \* \* \* \*

This information is based on existing legislation or legislation which is expected to be passed into law. Such legislation is subject to change without notice. Readers are advised to obtain specific professional advice before acting on the basis of material contained in this article.

March 2008