Strong Leadership. A Better Canada.

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Member of Parliament
Edmonton—Mill Woods—Beaumont

Are You Paying Too Much Tax?

Learn how to get the most out of recent tax cuts on your 2007 return.

You pay too much tax.

With Conservatives, you are paying less tax.

We have:

- Cut the GST to **5%** (saving consumers **$12 billion** over the next year).
- Paid down the national debt by more than **$37 billion**—the equivalent of $1,570 for each man, woman and child in Canada.
- Lowered personal income taxes for all Canadians by almost **$11 billion** over this and the next five years.

But believe it or not, many Canadians still don't claim all of the tax relief they are entitled to.

Since taking office, we have enacted or announced more than **$37 billion** worth of tax cuts for individuals and families.

The purpose of this booklet is to ensure that you and your family receive the full benefit of these important changes. I hope you find it helpful!

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Goods & Services Tax (GST) Credit

The GST credit is a tax-free quarterly payment that helps individuals and families with low and modest incomes offset all or part of the GST that they pay.

To receive the GST credit, **you have to apply for it**, even if you received it last year. On page 1 of your return, check the "Yes" box in the GST/HST credit application area and enter your marital status in the identification area. If you did not apply for it in the previous year, complete and send Form T1-ADJ, *T1 Adjustment Request*, or write a letter to your tax centre stating that you would like to apply for the GST credit. Include your SIN and, if applicable, your spouse or common-law partner's SIN **and** net income.

If you have a spouse or common-law partner, be sure to complete the information in the identification area on page 1 of your return. Include his or her net income, **even if it is zero**. Enter his or her SIN if it is not on your personal label or if you are not attaching a label. Without this information, your application may be delayed. Only one of you can apply for the credit. **No matter which one of you applies, the credit will be the same. You must file your tax return every year to remain eligible.**

Need help? Please call 1-800-959-1953.

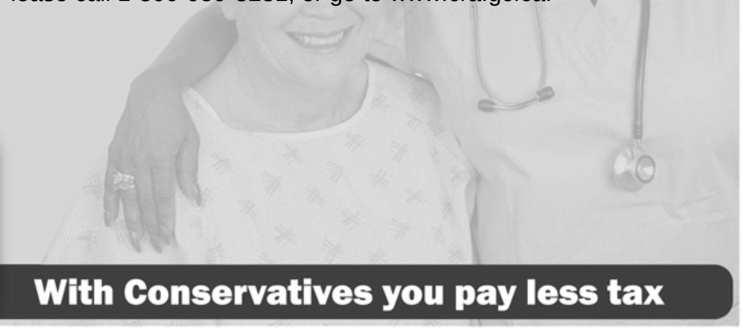
Claiming Medical Expenses

You can claim eligible medical expenses paid for by you, or your spouse or common-law partner, and incurred by:

- Yourself;
- Your spouse or common-law partner; or
- Your, or your spouse's or common-law partner's, dependent children born in 1990 or later.

You can claim medical expenses paid in any 12-month period ending in 2007 and not claimed in 2006. Generally, you can claim all amounts paid, even if they were not paid in Canada. On the return for a person who died in 2007, you can claim an amount for expenses paid in any 24-month period that includes the date of death, if they were not claimed for any other year.

Need help? Please call 1-800-959-8281, or go to www.cra.gc.ca.



Public Transit Passes Amount

You can now claim the cost of monthly public transit passes or passes of longer duration, such as an annual pass. Public transit includes transportation by local bus, streetcar, subway, commuter train or bus, and local ferry.

You, or your spouse or common-law partner, may claim the cost of transit passes (to the extent that these amounts have not already been claimed) for:

- You;
- Your spouse or common-law partner; or
- Your, or your spouse's or common-law partner's, dependent children under 19 years of age.

Receipts - If you are filing a paper return, do not include your receipts and passes. Keep them in case the CRA asks to see them. If you are filing electronically, keep all of your documents.

Need help? Please call 1-800-959-8281.

Child Care Expenses

Child care expenses are amounts that you or another person paid to have someone look after an eligible child so that you or the other person could: earn income from employment; carry on a business either alone or as an active partner; or attend school (under certain conditions).

For the expense to qualify, the child must have lived with you or the other person when the expense was incurred. Usually, you can only deduct payments for services provided in Canada by a Canadian resident. The parent with the **lower net income** must claim the child care expense.

Child care expenses can only be claimed for an eligible child, which is defined as your, or your spouse's or common-law partner's, child; **or** a child who was dependent on you, or your spouse or common-law partner, and whose net income in 2007 was $9,600 or less.

The child must have been **under 16** years of age at some time in the year. However, the age limit does not apply if the child was dependent on you, or your spouse or common-law partner, and was mentally or physically infirm.

To deduct child care expenses, please see:
<u>Form T778</u>, *Child Care Expenses Deduction for 2007.*

Need help? Please call 1-800-959-8281.

Children’s Fitness Tax Credit

Starting in 2007, a non-refundable tax credit will be available on eligible amounts of up to $500 paid by parents to register a child under 16 years of age (as of January 1, 2007) in an eligible program of physical activity. As with most other non-refundable tax credits, the Children’s Fitness Tax Credit is calculated by multiplying the eligible amount by the lowest marginal tax rate (15% in 2007).

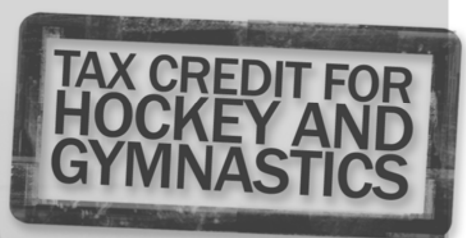
In order to qualify for the tax credit, a program must:

- Be ongoing (either a minimum of eight weeks in duration with a minimum of one session per week or, in the case of children's camps, five consecutive days);
- Be supervised;
- Be suitable for children; and
- In substantially all of the activities, include a significant amount of physical activity that contributes to cardio-respiratory endurance, plus one or more of muscular strength, muscular endurance, flexibility, or balance.

You can only claim fees that are related to the cost of registering a child in an eligible program of physical activity. You can claim the tax credit for each child who was under 16 at any time during the year, provided that another person has not already claimed the same fees, and that the total claimed does not exceed the maximum amount that would be allowed if only one of you were claiming the tax credit. The year in which the tax credit can be claimed is determined by the date on which the fees are paid, regardless of when the activity takes place.

Don't forget to ask for a receipt

You should request a receipt from organizations providing eligible programs of physical activity in which your child is enrolled. The organizations will determine the part of the fee that qualifies for the tax credit.



Need help? Please call 1-800-959-8281.

Child Disability Benefit (CDB)

The Child Disability Benefit (CDB) is a tax-free benefit of up to $2,351 per year ($195.91 per month) for each child under age 18 with a severe and prolonged impairment in mental or physical functions in accordance with the Income Tax Act. A prolonged impairment is one that has lasted, or can reasonably be expected to last, for a continuous period of at least 12 months.

Applying for the Child Disability Benefit

The CDB is based on your income and is available to all those who qualify for the Canada Child Tax Benefit (CCTB). To receive the CDB, you must complete Part A of Form T2201, *Disability Tax Credit Certificate*, and have Part B completed and signed by a qualified practitioner. Send the completed form to your tax centre. These applications are processed throughout the year, so you don't have to wait until it is time to file your tax return to send in your form.

Need help? Please call 1-800-959-8281.

Caregiver Amount

If you **live with** a relative who is dependent on you because of a physical or mental impairment, or in the case of a parent or grandparent, born in 1942 or earlier, you may be able to claim the caregiver amount.

If, at any time in 2007, you (either alone or with another person) maintained a dwelling where you and one or more of your dependants lived, you may be able to claim a maximum amount of $4,019 for each dependant. Each dependant **must** have been one of the following individuals:

- Your, or your spouse's or common-law partner's, child or grandchild; or
- Your, or your spouse's or common-law partner's, brother, sister, niece, nephew, aunt, uncle, parent, or grandparent who was resident in Canada. You cannot claim this amount for a person who was only visiting you.

In addition, each dependant must meet **all** of the following conditions. The person must have:

- Been 18 years of age or older when he or she lived with you;
- Had a net income in 2007 (Line 236 on his or her return, or what Line 236 would be if he or she filed a return) of less than $17,745; and
- Been dependent on you due to mental or physical impairment or, if he or she is your, or your spouse's or common-law partner's, parent or grandparent, born in 1942 or earlier.

If you were required to make support payments for a child, you cannot claim an amount on Line 315 for that child. However, if you were separated from your spouse or common-law partner for only **part of 2007** due to a breakdown in your relationship, you can still claim an amount for that child on Line 315 (plus any allowable amounts on Line 305 and Line 318) as long as you do not claim any support amounts paid to your spouse or common-law partner on Line 220. You may claim whichever is better for you.

Need help? Please call 1-800-959-8281.

Pension Income Splitting for Seniors

How will pension income splitting work?

Both the individual receiving the eligible pension income and his or her spouse or common-law partner must agree to the allocation in their tax returns for the year in question. The pension income splitting allocation will be available for the 2007 and subsequent tax years and must be made one year at a time.

How much pension income can an individual split?

An individual can split up to 50 per cent of eligible pension income.

What income qualifies?

- Income in the form of a pension from a registered pension plan (RPP), regardless of the recipient's age (i.e. a pension from an employer-sponsored defined benefit plan or defined contribution plan); and
- Income from a registered retirement savings plan (RRSP) annuity, a registered retirement income fund (RRIF), a LIF (a locked-in RRIF), or a deferred profit sharing plan (DPSP) annuity, if the recipient is 65 years of age or older.

While CPP income does not qualify as eligible pension income for the pension income credit, existing rules already permit CPP pensioners to split their CPP retirement benefit.

Spouses or common-law partners who are both at least 60 years of age can share up to 50 per cent of their CPP retirement benefit, with the split between the partners determined by the number of years they lived together during the period they were required to contribute to the plan.

Does pension income splitting really matter?

Jonathan Chevreau offered the following example in the November 1, 2006 edition of the *National Post,* involving two retired couples with equal household incomes of $62,000. One couple has incomes of $51,000 and $11,000, while the other has incomes of $31,000 each. Until now, the first couple paid $2,400 more in income tax each year. Beginning in 2007, that penalty has disappeared and each couple now pays the lower amount.

Need help? Please call 1-800-959-8281.

With Conservatives you pay less tax

Age Tax Credit for Seniors

Under the Tax Fairness Plan, the amount of income eligible for the non-refundable age tax credit increased by $1000. The age credit is targeted to low and middle income Canadians aged 65 or older as of December 31, 2007. Increasing the age credit amount also means that more middle income seniors will be eligible for a portion of the credit.

For 2007, the non-refundable Age Amount is $5,177 for an individual with net income up to $30,936. The amount is reduced by 15 cents for every additional dollar of net income above this limit and is fully phased out when net income reaches $65,449.

In the 2008 tax year, these amounts will again increase to ensure that minor income increases do not make Canada's seniors ineligible when filing their tax returns the next year.

To calculate your eligibility, please refer to Line 301 on Federal Worksheet 5000-D1. The age credit can reduce taxes to zero. Although unused portions will not be refunded, they may be transferred to a spouse or common-law partner to reduce his or her taxes owing.

Need help? Please call 1-800-959-8281.

Transportation Employees

If you are a transportation employee, you can deduct the cost of meals and lodging (including showers) on Form TL2, *Claim for Meals and Lodging Expenses*, if you meet **all four** of the following conditions:

- You work for an airline, railway, bus, or trucking company, or for any other employer whose main business is the transport of goods, passengers, or both;
- You travel in vehicles that your employer uses to transport goods or passengers;
- You **regularly** have to travel away from the municipality and the metropolitan area (if there is one) where your employer's relevant establishment (home terminal) is located; and
- You **regularly** incur meal and lodging expenses while travelling away from the municipality and the metropolitan area (if there is one) where your employer's relevant establishment (home terminal) is located. This means that you must generally be away from home overnight to do your job.

If you do not meet all of the above four conditions, you may still be able to claim the cost of meals you incur during the year. For more information, please see the CRA *Employment Expenses* Guide by visiting:

www.cra-arc.gc.ca/E/pub/tg/t4044/t4044-07e.pdf

If your employer has paid or will pay you for any part of your meal and lodging expenses, subtract that amount from your claim.

Need help? Please call 1-800-959-5525.

Apprenticeship Job Creation Tax Credit

This is a non-refundable tax credit equal to 10% of the eligible salaries and wages payable to eligible apprentices in respect of employment after May 1, 2006. The maximum credit an employer can claim is $2,000 per year for each eligible apprentice.

Who is an "eligible apprentice"?

An eligible apprentice is someone who is working in a prescribed trade in the first two years of their apprenticeship contract.

The contract must be registered with a federal, provincial or territorial government under an apprenticeship program designed to certify or license individuals in the trade. A prescribed trade includes the 45 trades currently listed as Red Seal Trades. A full listing of eligible trades is available at www.red-seal.ca.

To Claim: If you are an employer, you will be able to claim the credit on your Income Tax Return, on Line 412 - *Investment Tax Credit*, by filing Form T2038(IND), *Investment Tax Credit (Individuals)*. In addition, any unused credit may be carried back 3 years and carried forward 20 years.

Need help? Please call 1-800-959-5525.

Benefits for Farmers

Capital Cost Allowance (CCA)

Many farmers will acquire depreciable property, such as a building, machinery, or equipment, to use in their farming business. You cannot deduct the cost of the property when you calculate your net farming income for the year.

However, because these properties may wear out or become outdated over time, you can deduct their cost over a period of several years. The deduction for this is called capital cost allowance (CCA). Similar types of depreciable properties are grouped into various classes of capital cost. The class will determine the amount of CCA you can claim. Recent tax changes have in some cases accelerated the CCA deductions making it more effective for business including farmers.

Capital Gains

The lifetime capital gains exemption was recently increased from $500,000 to $750,000, meaning you will pay significantly less tax through the sale of qualified farm property over your lifetime.

Need help? Please call 1-800-959-8281.

Tradesperson Deduction for Tools

If you were a tradesperson in 2007, you may qualify for a new tax deduction for the cost of eligible tools you bought in 2007.

The total cost of eligible new tools acquired by an employed tradesperson in a taxation year, in excess of $1,000, are deductible up to a maximum of $500 for that year.

For the cost of tools to qualify for the deduction, you will need to complete two forms. To claim your credit, you will need to attach a completed Form T777, *Statement of Employment Expenses*, to your income tax return. Your employer will have to certify (using Form T2200, *Declaration of Conditions of Employment)* that you are required to acquire those tools as a condition of, and for use in, the employment.

Need help? Please call 1-800-267-6999.

Employed Apprentice Mechanics

If you are an eligible apprentice mechanic, you may be able to deduct a part of the cost of eligible tools you bought in 2007 over and above the tradesperson's deduction for tools.

Are you an eligible apprentice mechanic?

You are if:

- You are registered in a program established in accordance with the laws of a province or territory that leads to a designation under those laws as a mechanic licensed to repair self-propelled motorized vehicles (such as automobiles, aircraft, boats, or snowmobiles); and
- You are employed as an apprentice mechanic.

An eligible tool is a tool (including associated equipment such as a toolbox) that:

- You bought to use in your job as an eligible apprentice mechanic and was not used for any purpose before you bought it; and that
- Your employer certified as being necessary for you to provide, as a condition of, and for use in, your job as an eligible apprentice mechanic.

Need help? Please call 1-800-959-8281.

Tax Information for Students

Education Tax Credit

You can claim this credit for **each whole or part month** in 2007 for which you were enrolled in a qualifying educational program. If you were under 16 at the end of the year, you can claim this credit **only** for courses you took at the post-secondary level.

Generally, you **cannot** claim the education credit if you:

- Received a grant or were reimbursed for the cost of your courses from your employer or another person with whom you deal at arm's length, other than by award money received;
- Received a benefit as part of a program (such as free meals and lodging from a nursing school); or
- Received an allowance for a program such as a training allowance.

The following credits apply for each month in which you were enrolled:

- If you were enrolled full-time, you can claim $400 per month;
- If you attended only part-time, and you can claim a credit on Line 316 - *Disability Credit*, you can claim $400 per month;
- If you could attend only part-time because you had an impairment that restricted you in one of the activities listed at Line 316, but your condition was not **severe** and **prolonged**, you can claim $400 per month. In this case, have an authorized person either complete Part 3 of Form T2202 or give you a signed letter certifying your impairment;
- If you were enrolled part-time, you can claim $120 per month.

Note: You can claim the education credit if you received a salary or wages while you were taking courses related to your job. This change applies to 2004 and subsequent years.

Textbook Tax Credit

You can claim the textbook credit if you are eligible to claim the education credit.

If you are eligible to claim the education credit:

- Claim $65 for each month you qualify for the full-time education credit; or
- Claim $20 for each month you qualify for the part-time education credit.

Need help? Please call 1-800-959-8281.

SAVINGS FOR STUDENTS

Tuition Tax Credit

Eligible tuition fees

The purpose of the tuition tax credit and the education and textbook credit is to allow students to reduce their income taxes by taking into account eligible tuition fees and the education and textbook credits.

Generally, a course qualifies if it was taken at the post-secondary level or (for individuals aged 16 or over at the end of the year) it develops or improves skills in an occupation and the educational institution has been certified by Human Resources and Social Development Canada (HRSDC).

In addition, you must have taken the course in 2007. Not all fees can be claimed. More than $100 for the year must have been paid to each educational institution whose fees you claim.

Forms you should have received

For you to claim tuition fees paid to an educational institution in Canada, your institution has to give you either an official tax receipt or a completed Form T2202A, *Tuition, Education, and Textbook Amounts Certificate*.

For you to claim tuition fees paid to an educational institution outside Canada, your institution has to complete and give to you whichever of these forms apply: Form TL11A, *Tuition, Education, and Textbook Amounts Certificate - University Outside Canada*, Form TL11C, *Tuition, Education, and Textbook Amounts Certificate - Commuter to the United States*, or Form TL11D, *Tuition Fees Certificate - Educational Institutions Outside Canada for a Deemed Resident of Canada*.

Need help? Please call 1-800-959-8281.

General Information

For more information on any of these programs please go to **www.cra.gc.ca** or call **1-800-267-6999**.

To download any of the forms and publications required to take advantage of the programs listed in this guide, please visit:

www.cra.gc.ca/formspubs

For help accessing My Account,
or using NETFILE or TELEFILE, please call:

1-800-714-7257

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