

2009 tax changes



Every year on January 1st tax changes take place across the country. Your CTF keeps an eye on these changes to keep you and the public informed.

Overall, taxpayers are being handed a mixed bag in 2009. Most Canadians will benefit from small personal income tax cuts thanks to an increase in the basic personal exemption. But, most will pay higher payroll taxes due to higher contribution ceilings for EI and CPP.

Of course, all taxpayers can potentially benefit from the new Tax-Free Savings Account (TFSA). The TFSA allows every Canadian over the age of 18 to contribute up to \$5,000 per year into an account where any interest, dividend or capital gain earned is completely tax-free for life [see page 30].

More tax-free income

On January 1st, the federal basic and spousal exemptions rose to \$10,100. An automatic inflationary increase accounts for \$240 of this \$500 bump. The remaining \$260 represents a bona fide tax cut that will save most Canadian taxpayers about \$39 in 2009.

Budget 2009 further increases basic and spousal exemptions to \$10,320. This additional \$220 rise means another

\$33 savings for taxpayers in 2009.

Higher payroll taxes

Most years, CPP contributions rise while EI rates drop, making the overall increase to payroll taxes very small. In 2009, however, both EI and CPP contribution limits go up. For those making more than \$42,800, such premiums will rise by \$188 (\$98 more for employers, \$90 more for employees). This is the largest hike in payroll taxes since 2002.

Higher EI premiums are hard to justify considering the long history of massive, multi-billion dollar surpluses in the EI fund.

Provincial winners and losers

Albertans were the clear winners on January 1st, with elimination of the Alberta Health Care Insurance Premium. The premium taxed individuals \$528 and families \$1,056 per year.

Your CTF campaigned hard for six years in Alberta for the elimination of the health care premium tax, and on January 1st, we achieved a very significant victory, both for the organization and for Albertans.

Low-to-middle income families will benefit the most from this tax cut, as health care premiums represented a significant portion of their income, compared to very low and higher-income families.

Even those Albertans whose employers paid their premium in part or in full will bene-

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fit from lower taxes in 2009. Any payment made on an employee's behalf was considered a taxable benefit, subject to federal and provincial income taxes.

Saskatchewan residents were also big winners in 2008 with significant retroactive tax cuts that were announced in October. B.C. saw its two lowest tax rates retroactively drop last fall, unfortunately they were off-set by the introduction of a provincial carbon tax. Newfoundland and Labrador lowered all of their tax rates effective



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last summer. This reduction moved the province from having some of the highest income tax rates in Canada to middle of the pack – a significant improvement.

Advocacy by your CTF in the 1990s led to the elimination of “bracket creep” in Ottawa and most provinces. This means that tax brackets automatically rise at the rate of inflation. However, this is not the case in Manitoba, Prince

Edward Island and Nova Scotia where tax hikes by stealth continue. The fight for lower taxes is far from over.■

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Employer, employee and total payroll taxes at maximum contribution rates (Incomes \$42,800 and above) 1994 to 2009

