

THIS MONTH:

- ◆ 2010 Auto Deduction Limits & Expense Benefit Rates
- ◆ 2010 Tax System Indexation
- ◆ CPP Financially Sound
- ◆ Rates and Maximums Chart

2010 Tax System Indexation

On January 1, 2010, all indexed personal income tax amounts, including tax bracket thresholds and amounts used to calculate non-refundable tax credits, were adjusted by 0.6%. The Canada Child Tax Benefit and the goods and services tax credit will take effect July 1, 2010.

For 2010 the federal tax bracket thresholds are:

- 22% for taxable income above \$40,970;
- 26% for taxable income above \$81,941 ; and
- 29% for taxable income above \$127,021.

Canada Pension Plan Financially Sound

The Government of Canada announced that the Canada Pension Plan (CPP) is financially sound at least for the next 75 years at the currently legislated 9.9% contribution rate. Canadians can count on the CPP as an important part of their retirement savings.

2010 Automobile Deduction Limits and Expense Benefit Rates for Business

The ceiling on the capital cost of passenger vehicles for capital cost allowance (CCA) purposes remains at \$30,000 (plus applicable federal and provincial sales taxes) for purchases after 2002. This ceiling restricts the cost of a vehicle on which CCA may be claimed for business purposes.

The limit on deductible leasing costs remains at \$800 per month (plus applicable federal and provincial sales taxes) for leases entered into after 2002. This limit, which ensures that the level of deductions for leased and purchased vehicles is consistent, is one of two restrictions on the deduction of automobile lease payments. A separate restriction prorates deductible lease costs where the value of the vehicle exceeds the capital cost ceiling.

The limit on the deduction of tax-exempt allowances paid by employers to employees remains at 52¢ per kilometre for the first 5,000 kilometres driven and at 46¢ for each additional kilometre. For the Yukon Territory, Northwest Territories and Nunavut, the tax-exempt allowance remains at 56¢ for the first 5,000 kilometres driven and at 50¢ for each additional kilometre. The allowance amounts reflect the key cost components of owning and operating an automobile, such as depreciation, financing, maintenance and fuel costs.

The maximum allowable interest deduction for amounts borrowed to purchase an automobile remains at \$300 per month for loans related to vehicles acquired after 2002. This limit reflects the reasonable cost of financing a vehicle for business purposes.

The general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers remains at 24¢ per kilometre. For taxpayers employed principally in selling or leasing automobiles, the prescribed rate remains at 21¢ per kilometre. The amount of the benefit reflects the costs of operating an automobile. The additional benefit of having an employer-provided vehicle available for personal use (i.e., the automobile standby charge) is calculated separately and is also included in the employee's income.

CPP/QPP—2010

Year's Maximum Pensionable Earnings	\$47,200.00
Year's Basic Exemption (by pay period type):	
- Annual	\$3,500.00
- Monthly (12)	\$291.66
- Semi-Monthly (24)	\$145.83
- Bi-Weekly (26)	\$134.61
- Weekly (52)	\$67.30
Maximum Contributory Earnings	\$43,700.00
Contribution Rate—Employee/Employer	4.95%
Contribution Rate—Self-Employed	9.9%
Maximum Contribution—Employee/Employer	\$2,163.15
Maximum Contribution—Self-Employed	\$4,326.30

EMPLOYMENT INSURANCE—2010

Maximum Annual Insurable Earnings	\$43,200.00
Premium Rate (Employee)	1.73%*
Premium Rate (Employer, 1.4 x Employee)	2.42%*
Annual Maximum Premium (Employee)	\$747.36*
Annual Maximum Premium (Employer)	\$1,046.30*
*Unless a reduced premium rate applies	

TD1—PERSONAL TAX CREDIT RETURN (FEDERAL)—2010

Basic Personal Amount	\$10,382.00
Eligible Dependant or Spouse or Common-Law Partner Amount	\$10,382.00
Canada Child Tax Benefit-Base Benefit	\$1,348.00
Pension Income Amount	\$2,000.00
Age 65 Amount	\$6,446.00
Disability Amount	\$7,239.00
Caregiver Amount or Infirm Dependant Amount	\$4,223.00
Education Amount—Full Time	\$400.00/month
Education Amount—Part Time	\$120.00/month

PADGETT BUSINESS SERVICES

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Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.