HIGHLIGHTS FROM THE FEDERAL BUDGET
February 26, 2008

1. ASSISTANCE ESTABLISHING A DENTAL HYGIENE BUSINESS

A. Tax-Free Savings account

(This new tax-free savings account will help dental hygienists to save for the start up costs associated with a new business.)

Helping Canadians save with a new Tax-Free Savings Account, a flexible savings vehicle that allows Canadians to contribute up to $5,000 a year to the account. Investment income, including capital gains, earned within the account will not be taxed and withdrawals will be tax-free.

How the Tax-Free Savings Account Will Work

- Starting in 2009, Canadian residents age 18 or older will be eligible to contribute up to $5,000 annually to a TFSA, with unused room being carried forward.
- Contributions will not be deductible.
- Capital gains and other investment income earned in a TFSA will not be taxed.
- Withdrawals will be tax-free.
- Neither income earned within a TFSA nor withdrawals from it will affect eligibility for federal income-tested benefits and credits.

- Withdrawals will create contribution room for future savings.
- Contributions to a spouse’s or common-law partner’s TFSA will be allowed, and TFSA assets will be transferable to the TFSA of a spouse or common-law partner upon death.
- Qualified investments include all arm’s-length Registered Retirement Savings Plan (RRSP) qualified investments.
- The $5,000 annual contribution limit will be indexed to inflation in $500 increments.

An example of how it works

Gillian saves $3,000 a year for 10 years in a TFSA. She decides to start a small business and withdraws her TFSA savings, which have accumulated to $40,000, with no tax consequences. Gillian runs her business for 10 years and then sells it. With the proceeds from the sale, Gillian decides to re-contribute to her TFSA the $40,000 she withdrew from it 10 years ago. She may do so without reducing her other available contribution room.

B. Health-Related Tax Measures

(This new tax exemption will mean that dental hygienists, who establish dental hygiene clinics with corporations, will no longer have to charge GST on their services. For example, to facilitate ease of access for workers, some dental hygienists are establishing dental hygiene clinics on the job site.)

GST/HST Exempt Health Services Supplied Through a Corporation

Consistent with the tax policy objective of exempting basic health care services from GST/HST, most professional services rendered by doctors, dentists and a number of other provincially-regulated health professionals are exempt. Under the GST/HST legislation, however, corporations must charge GST/HST for the services of a health professional in certain circumstances, although the same services would be exempt if supplied directly by the professional.

Budget 2008 proposes that the services of these health professionals be treated as GST/HST exempt regardless of whether their services are supplied directly by the health professional or through a corporation. This change will ensure that the GST/HST exemption for the services of health professionals applies consistently.

The proposed change will apply to supplies made after February 26, 2008.

2. ASSISTANCE FOR STUDENTS AND THEIR FAMILIES
(Dental hygiene education costs may be prohibitive for some low to middle income individuals and their families. This assistance helps them to better access post-secondary education.)

Advantage Canada recognized that a high-quality education system— from early childhood development to higher education to ongoing learning —is critical for Canada's prosperity. The Government's action to implement the *Advantage Canada* framework is delivering important benefits through:

- A $350-million investment in 2009–10—rising to $430 million in 2012–13—for a new, consolidated Canada Student Grant Program.
    - Students from low- and middle-income families will qualify based on clearly defined income thresholds.
    - The program will provide defined monthly grants of $250 for low-income students and $100 for middle-income students, for whom predictable financial assistance will have a direct impact on their decision to pursue post-secondary education.
    - The Canada Student Grant will be provided up-front.
    - The new grant will be paid through all years of an undergraduate or college program so that students and their families can plan the funding of their education.
    - In the first year, the new grant is expected to reach 245,000 college and undergraduate students, an increase of over 100,000 students currently receiving debt remission and grants.
- $123 million over four years to streamline and modernize the Canada Student Loans Program, building on the $20 million a year provided in Budget 2006.
- Making Registered Education Savings Plans more attractive by increasing limits and flexibility.
- $28 million over two years in this budget for new scholarships for Canadian and international doctoral students, and support for Canadian graduate students to study abroad. This builds on the additional 1,000 Canada Graduate Scholarships provided for in Budget 2007.
- $800 million per year, starting in 2008–09 and growing by 3 per cent annually, for provinces and territories to strengthen the quality and competitiveness of Canada's post-secondary education system, building on the $1 billion provided in Budget 2006 for post-secondary education infrastructure.

- A Textbook Tax Credit amount of $65 per month of full-time study, or $520 for a typical full-time academic year, and a full exemption of scholarship, fellowship and bursary income.

Making RESPs More Responsive to the Changing Needs of Families and Students

Current Registered Education Savings Plan (RESP) termination limits may be constraining, particularly for plans with more than one beneficiary or for students who pursue their post-secondary studies over an extended period of time. Budget 2008 proposes to enhance the flexibility of RESPs by raising the maximum time limit that an RESP may remain open from 25 to 35 years and by extending the maximum contribution period by 10 years. Corresponding changes will be made to individual RESPs for beneficiaries who are eligible for the Disability Tax Credit.

Budget 2008 also proposes to introduce a six-month grace period for making a withdrawal from an RESP, to ensure that students who are delayed in their application are still able to receive Educational Assistance Payments.

The changes to the plan termination limits and maximum contribution period for RESPs will apply to all existing and future RESPs, effective January 1, 2008. The six-month grace period will apply to students whose periods of study end after December 31, 2007. It is estimated that these measures will have a small fiscal impact in 2007–08 and in subsequent years.

3. IMPROVING ACCESS TO ORAL HEALTH SERVICES

A. ASSISTANCE TO LOW INCOME CANADIANS

(Financial assistance to low income Canadians will ease the economic burden on individuals who pay for oral health services.)

Removing Disincentives to Work for Low-Income Seniors

- Removing disincentives to work for seniors by raising the current Guaranteed Income Supplement earned income exemption to $3,500 from its current maximum exemption level of $500.

Today's seniors are living longer and healthier lives. Their participation in the labour market is growing. To further encourage this labour market participation, Budget 2008 is investing $60 million per year to ensure that low-income seniors who work can realize greater benefits from their earnings through an increase in the Guaranteed Income Supplement (GIS) exemption.

The GIS is a monthly benefit provided to low-income seniors who receive the Old Age Security benefit, which is provided to all Canadians aged 65 and over who meet residence requirements. To ensure that the GIS is targeted to seniors most in need, it is income-tested and reduced by 50 cents for every dollar of other income individuals receive. There is an exemption for employment earnings to encourage labour market participation. The exemption is currently 20 per cent of earned income up to $2,500, providing a maximum exemption of $500.

Budget 2008 is proposing to fully exempt the first $3,500 of earnings— the average amount of earned income by seniors in receipt of the GIS. This means the typical GIS recipient will be able to keep more of her or his hard-earned money without any reduction in GIS benefits, encouraging labour market participation and providing support for low-income seniors.

Supporting the Vulnerable

The Government is committed to supporting those Canadians less able to help themselves. Budget 2008 and recent federal initiatives to support the vulnerable provide assistance to those Canadians faced with difficult and unique challenges:

- $550 million per year for the new Working Income Tax Benefit to help low-income families over the "welfare wall."
- More than $3 billion per year in personal income tax relief for Canadians in the lowest tax bracket (taxable incomes under $37,885). These individuals pay about 10 per cent of all personal income taxes, but will receive almost 30 per cent of all personal income tax relief each year. Almost 700,000 low-income Canadians will be taken off the tax rolls by 2009, as a result of all measures.

B. STRENGTHENING FIRST NATIONS AND INUIT HEALTH PROGRAMS

(Aboriginal peoples have a much higher rate of dental disease than other Canadians and these measures will improve general and oral health.)

The Government has made significant progress in supporting Aboriginal Canadians over the past two years with a new practical approach that is paying off. *Advantage Canada* recognized the most effective way to close the gap in socio-economic conditions faced by Aboriginal Canadians is to increase their workforce participation. Budget 2008 takes action toward this goal by:

- Committing $147 million over two years to stabilize current First Nations and Inuit health programs and promote closer integration with provincial systems in order to achieve better health outcomes.

- Committing $43 million over two years for prevention-based models of child and family services on reserve.

Over the last two years, provinces and First Nations groups have indicated a willingness to discuss integration of the First Nations and Inuit health programs with provincial health systems to allow more effective and efficient delivery, recognizing the comparative advantage of each level of government.

Budget 2008 provides funds to lay the groundwork for a transition to this new approach. It will build on recent success in British Columbia by continuing to pursue innovative partnerships with willing provinces and First Nations groups leading to integration agreements.

Budget 2008 commits $147 million over the next two years to stabilize current programs and put in place concrete improvements aimed at better health outcomes for First Nations and Inuit. Funds will support improvements in health care delivery through greater integration with provincial and territorial health systems.

4. TACKLING TOBACCO WITH TAXATION

The Government is committed to improving the health of Canadians by taking action to discourage tobacco consumption. The Government's comprehensive national strategy includes prevention, product regulation and cessation programs, and aims to reduce the prevalence of smoking from 19 per cent of Canadians to 12 per cent by 2011.

A key part of the Government's plan to discourage smoking is to reduce the availability of contraband tobacco products. Budget 2008 announces actions to achieve this objective by:

- Limiting the possession and importation of tobacco manufacturing equipment to persons holding a tobacco manufacturer's licence to make it more difficult to obtain the equipment necessary to produce cigarettes.
- Making explicit the Minister of National Revenue's authority to deny a tobacco manufacturer's licence where access to the premises of a licensee is impeded.
- Changing the way manufactured tobacco is taxed to discourage the multiplicity of package sizes, thereby facilitating the implementation of the Canada Revenue Agency's new stamping and marking regime. Budget 2008 also proposes other changes to the excise duties on certain tobacco products to support the health goal of reducing smoking. Details on the measures related to excise duties on tobacco products that are proposed in Budget 2008 are provided in Annex 4. These measures are expected to increase federal tax revenues by $5 million in each of 2008–09 and 2009–10.

To read more details of the Federal Budget 2008, please visit
http://www.fin.gc.ca/fin-eng.html