

94 Cumberland Street, Suite 200, Toronto, Ontario M5R 1A3  
Telephone: (416) 961-5612 Fax: (416) 961-6158  
e-mail: [valuators@marmrpenner.com](mailto:valuators@marmrpenner.com)

# Marmer Penner Inc. Newsletter

Written by Steve Z. Ranot, CA•IFA/CBV  
Edited by James A. DeBresser CA•IFA/CBV

---

## 2007 Federal Finance Minister's Economic Statement

The 2007 federal economic statement presented this week by the Minister of Finance, Mr. Jim Flaherty, contains a number of proposed changes to personal and corporate income tax. Many of these changes will impact family law practitioners. We comment below on some of the major changes and highlight where there are family law implications:

- (a) The lowest personal income tax rate, which had been expected to be 15.5% in 2007 is being reduced to 15% retroactively effective January 1, 2007. This results in maximum savings of under \$200 per person earning at least \$37,178 of taxable income in 2007;
- (b) The Basic Personal Credit will be increased to \$9,600 for 2007 and 2008 and to \$10,100 for 2009. There will be similar adjustments made to the spousal and equivalent-to-spouse credits;
- (c) Both the general and small business corporate income tax rates are scheduled to decrease effective January 2008 and the general corporate income tax rate will continue to decline in subsequent years. The reduction in corporate tax rates may also create the incentive for business owners to leave a greater amount of the income inside the corporation. As a result, it may lead to lower amounts indicated as line 150 income on their personal income tax returns;

- (d) As a result of the reduction in the general corporate income tax rate, a review of the enhanced dividend tax credit introduced in 2006 will be undertaken to determine whether any additional adjustments are required. As a result, just when family law practitioners are getting used to the 45% dividend gross-up and the 25% effective tax rate on most public company dividends, the tax rates may change again; and
- (e) The GST rate drops to 5% after December 31, 2007. Clients will be happier as their legal and accounting fees drop by about 1%. Furthermore, professionals may wish to delay December 2007 invoicing by one day in order to save clients 1% of GST as a January 2008 invoice (even for December 2007 services) is subject to the new GST rate.

These comments are not intended to be a complete analysis of the proposed legislation. They are intended to provide you with an indication of the proposed changes that may impact the practice of family law.

This newsletter is intended to highlight areas where professional assistance may be required. It is not intended to substitute for proper professional planning. The professionals at Marmer Penner Inc. will be pleased to assist you with any matters that arise. Please feel free to visit our website at [www.marmerpenner.com](http://www.marmerpenner.com).