



Budget 2006 Highlights

Individuals and families

- GST will drop to 6% from 7 on July 1.
- The lowest tax rate, applied to earned income to about \$36,400, will continue to be 15% until June 30. After that, it will rise to 15.5% for income earned in the last 6 months of 2006, and stay at 15.5% after that. (The rate was 16% until the previous Liberal government cut it to 15 in November 2005.)
- The basic personal amount that is tax-exempt for the 2006 tax year will rise slightly as of July 1, and will continue to increase in later years so that by 2009, it will reach \$10,000, the same amount earlier promised by the Liberals.
- Working people can claim a new \$250 Canada employment credit in 2006, rising to \$1,000 in 2007.
- **The universal child-care benefit will provide \$1,200 a year to parents for each child under the age of six, taxable at the rate applied to whichever spouse earns the lower income.**
- **\$250 million has been allocated to create new child-care spaces, beginning in 2007.**
- People who buy monthly or annual public transit passes will get a new tax credit, amounting to 15.5 per cent of the cost of the passes, effective July 1.
- Children under 16 enrolled in fitness activities will bring their parents a tax credit of up to \$500.
- Middle- and high-income families will be eligible for the child disability benefit for the first time, to an annual maximum of \$2,044, effective July 1.

Students

- Canadians attending university or college can claim an annual \$500 tax credit on textbook costs, which translates into a benefit of about \$80 a year for a typical full-time student.
- All scholarship, fellowship and bursary money will now be income-tax exempt, compared to the current exemption limit of \$3,000 a year.
- More people will be eligible for Canada Student Loans because of a reduction in the amount parents are expected to contribute toward the cost of post-secondary education, as of Aug 2007.
- Up to \$1 billion to provinces and territories for "urgent investments in post-secondary education infrastructure."
- Apprentices in the skilled trades will get a new \$1,000 annual grant in their 1st and 2nd years, plus a tax deduction of up to \$500 for the cost of tools they need for the job, above an initial cost of \$1,000.

Immigrants

- As promised, the Right of Permanent Residence Fee drops from \$975 to \$490, effective immediately.
- **Settlement program funding will rise by \$307 million.**

Low-income earners

- The government estimates that tax measures will remove about 655,000 low-income individuals from the tax rolls.
- Up to \$800 million has been set aside that the provinces and territories can tap for urgently needed affordable housing projects.

Aboriginal Canadians

- \$450 million more for water quality and housing on reserves, as well as **"education outcomes"** and socio-economic conditions for aboriginal women, children and families."

Business

- Corporate income tax rates will drop, the general rate falling from 21.9% by 2010 and the small business tax rate dropping from 12 to 11.5% in 2008 and 11 in 2009.
- Small business can earn \$400,000 instead of \$300,000 before higher rate applies
- A new tax credit of up to \$2,000 for companies that hire apprentices.
- The corporate surtax for all corporations will disappear as of Jan. 1, 2008.
- Federal capital tax - eliminated effective Jan. 1, 2006.

Federal departments and agencies

- Treasury Board will review all government programs before identifying \$1 billion in spending cuts for the 2006-07 fiscal year, followed by another \$1 billion in the 2007-08 fiscal year. (Tories had earlier promised to reign in spending in all departments except Defence and Indian Affairs.)

Arts

- Canada Council for the Arts will get \$50 million extra over 2 years – \$20 million in new money for 2006-07 and \$30 million more in 2007-08.

See CBC for more highlights

www.cbc.ca/news/background/budget2006/

Thank you

Patricia Parulekar, National Director

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