

New Federal Budget

Well we have a new federal budget and in true Jean Crétien fashion it's a "*big spender's*".

I have taken the liberty to jot down some highlights, what will affect most of us are the new RRSP limits for 2003 and beyond. With the increasing limits you should take advantage of that and further raise your monthly contributions or at least top up at the end of the year. Please give me a call if we should be adjusting the monthly amount. If you are in business for yourself then the new rules governing Capital Gains on the sale of your business and Net Profit taxes payable are great news.

I am not sure if now is the right time to go spending more by our government...being more psychically responsible with our hard earned tax dollars might have been my preferred choice. However improving health care is one that I agree with.

Budget Highlights

Debt reduction

There was no debt reduction. 21% of every tax dollar covers debt -\$16,355 of debt for every, man, women, and child in Canada.

Personal tax

RRSP contribution limit increases

2003	\$14,500
2004	\$15,500
2005	\$16,500
2006	\$18,000

Money Purchase (DC Contribution) Plan increases

2003	\$15,500
2004	\$16,500
2005	\$18,000

Change in this budget: Employee can now keep funds in a Money Purchase Plan and be paid out like a RRIF. Under the old rules an employee was allowed only to transfer to a locked in Retirement Account or an Annuity.

Defined Benefit Plan increases

2003	\$1,722
2004	\$1,833
2005	\$2,000

Example: In 2005, an employee with 30 years of service times \$2,00 per year will receive a pension of \$60,000 per year.

Business Tax

Under the old rules when an owner sold a small business for profit he was able to defer the tax if he bought a new small business up to a maximum of \$2,000,000. Under the new rules, the limit is removed.

Presently, small business is taxed at approximately 19% on the first \$200,000. Under the new rules, this amount has been increased:

2003	\$225,000
2004	\$250,000
2005	\$275,000
2006	\$300,000

Employee benefits

Under the old rules for an employee using a company car the taxable benefit was reduced if the employee used the vehicle 90% for business purposes. This taxable benefit has been changed to 50% use of vehicle for business purposes.

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