INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

Summary of 2009 Key Budget Points for IIAC Members

The federal Budget proposes a broad range of initiatives that provide short-term support to individual Canadians and businesses and facilitate the flow of credit through the capital markets. The federal stimulus package will result in a $34 billion deficit for the fiscal year 2009-10 and a $30 billion deficit in the following year.

The summary below focuses on the proposed measures that may be of interest to IIAC members.

The budget introduces the Extraordinary Financing Framework (EFF) to strengthen the capacity of Canadian financial institutions to expand credit and respond to gaps in the credit markets. Included as part of the EFF are the following proposals:

- The Government will purchase $50 billion of insured mortgage pools in the first half of 2009-10 under the Insured Mortgage Purchase Program, in addition to the $75 billion of purchases already authorized. This will provide long-term stable funding to lenders and help them to continue lending to Canadian consumers and businesses.
- The Government will allocate up to $12 billion to a new Canadian Secured Credit Facility to purchase term asset-backed securities backed by loans and leases on vehicles and equipment.
- The Government will extend the period for issuing guaranteed instruments under the Canadian Lenders Assurance Facility from April 30, 2009 to December 31, 2009, to ensure that Canadian lenders are not at a competitive disadvantage when raising funds in global markets.
- The Government will establish the Canadian Life Insurers Assurance Facility to guarantee wholesale term borrowings for life insurers, based upon the model of the Canadian Lenders Assurance Facility.
- The Government has expanded the Canada Mortgage Bond program to include a 10 year maturity, to allow financial institutions to raise supplementary funding.

Other proposed measures to strengthen Canada's financial system:

- The Government will provide new authority for the Minister of Finance to enter into transactions that promote financial stability and maintain efficient and well functioning markets, including providing loans, lines of credit, and the provision and payment of guarantees.
- The Government will provide the Canadian Deposit Insurance Corporation with the authority to hold shares in its member institutions, subject to the approval of the Minister of Finance, where this would promote stability of the financial system in Canada.
- The Government will provide a "standby" authority to allow it to inject capital into federally regulated financial institutions as required to support financial stability.

A single Canadian Securities Regulator:

- The Government intends to move forward with willing provinces and territories on a Canadian securities regulator that respects constitutional jurisdiction, regional interests, and expertise on the basis of the Expert Panel's report.
- The Government intends to provide the resources necessary to establish a Canadian securities regulator as quickly as possible, including the establishment and funding of an office to assist in the transition to a Canadian securities regulator. The office would be expected to deliver a transition plan with one year.
- The Government intends to table a new common securities act this year based on the Expert Panel's recommendations.

Proposed tax relief for individual Canadians:

- The Government will increase the Basic Personal Amount to $10,320 in 2009 from $9,600 in 2008.
- The Government will raise the ceiling of the two lowest personal income tax brackets by 7.5% above their 2008 levels, effective January 1, 2009:
    - The ceiling of the first personal income tax bracket will be increased to $40,726 in 2009 from $37,885 in 2008.
    - The ceiling of the second personal income tax bracket will be increased to $81,452 in 2009 from $75,769 in 2008.

- The Government will increase the Age Credit amount by $1,000 for 2009 and subsequent taxation years.
- The Government will proceed with the announced proposals to reduce the required minimum Registered Retirement Income Fund withdrawal for 2008 by 25%.

- The Government will increase the maximum eligible RRSP withdrawal amount under the Home Buyers' Plan from $20,000 to $25,000 per individual.
- The Government will implement a temporary Home Renovation Tax Credit that will provide up to $1,350 in tax relief to homeowners.

Proposed tax relief for Canadian business:

- The Government intends to repeal sections of the *Income Tax Act (Canada)* dealing with interest deductibility constraints imposed upon the financing of foreign investments by Canadian multinational corporations.
- The Government will increase from $400,000 to $500,000 the amount of small business income eligible for the reduced small business tax rate of 11%.
- The Government will provide temporary increases in Capital Cost Allowance rates for certain capital assets: computers, machinery and equipment used in manufacturing or processing.

Please refer to the Federal Budget for additional details:

http://www.budget.gc.ca/2009/home-accueil-eng.html