

October 31, 2007

2007 Federal Economic Statement

The Federal Government issued an Economic Statement on Tuesday, October 30, 2007. The main message in this statement, which many are calling a mini-budget – Canada's economy is strong but the outlook for the global economy remains uncertain. As a result of higher than expected revenues, the Government is able to offer Canadian businesses and individuals a series of tax incentives.

Advantage Canada, the Government's economic plan released in November 2006, included a commitment to establish the lowest overall tax rate on new business investment in the G7. Since that time, the Government has moved towards what it considers a more competitive business tax environment by:

- Eliminating the federal capital tax in 2006
- Eliminating the corporate surtax for all corporations in 2008;
- Reducing the general corporate income tax rate from 21 per cent (22.12 per cent including the corporate surtax) in 2007 to 18.5 per cent by 2011;
- Establishing a financial incentive to encourage provinces to eliminate their capital taxes as soon as possible.

This Economic Statement goes further. Calling it "A New Era for Business Taxation in Canada", the Federal Government proposes to:

- Reduce the general corporate income tax rate to 15 per cent by 2012 from its current 22.1 per cent, starting with a 1 percentage point rate reduction in 2008 beyond already-scheduled reductions, to bring the rate to 19.5 per cent in that year – a overall reduction of 7.12 percentage points or one-third between 2007 and 2012;
- Reduce the tax rate to 11 per cent for small business by January 1, 2008 rather than in 2009;
- Seek the collaboration of the provinces and territories to reach a 25 per cent combined federal-provincial-territorial statutory corporate income tax rate;
- Reduce the goods and services tax (GST) by a further 1 percentage point as of January 1, 2008;
- Reduce Employment Insurance rates – the Employment Insurance Chief Actuary's 2008 Report forecasts the break-even rate in 2008 will decline by 10 cents per \$100 of insurable earnings for employers and 7 cents for employees.

Focusing particularly on small businesses, which the government considers "an important source of economic growth and job creation", the current federal income tax system provides a special lower tax rate of 12 per cent on qualifying income earned by a Canadian-controlled private corporation. Budget 2006 increased the annual amount of active business income qualifying for the reduced tax rate to \$400,000 from \$300,000, as of January 1, 2007, and put in place a schedule to reduce the small

business tax rate by 0.5 percentage points in 2008 and a further 0.5 percentage points in 2009 to reach 11 per cent. This Economic Statement proposes to accelerate to 2008 the 0.5 percentage point reduction in the income tax rate applying to qualifying small business income currently scheduled for 2009, reducing the tax rate from 13.12 per cent in 2007 to 11 per cent in 2008.

For a copy of the Economic Statement, click [here](#).

CPISC needs your help

Two of our projects need your help. It is important for us to benefit from your experience in the industry.

CPISC is presently developing national skill standards for the industry and is seeking volunteers to participate in the validation process. Regional focus groups are being organized across the country from November 16 to November 30th. Help us help you! If you or someone you know would be interested in participating, please contact Trisha Cruise at 1-888-688-0293, ext. 8 or by e-mail at t.cruise@cpisc-csic.ca

CPISC is also in the process of developing a database of accurate, current labour market statistics, indicators and information on the printing and graphic communications industry. To accomplish this, we need your help. Please take a few minutes to complete the survey questionnaire by visiting our website at <http://www.cpisc-csic.ca>