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Tax Tips 2007

Children's Fitness Tax Credit

Starting in 2007, the Government of Canada is proposing a non-refundable tax credit on amounts of up to \$500 paid by parents to register a child in an eligible program of physical activity. [Canada Revenue Agency](#) will work with organizations in determining whether a particular program qualifies.

In order for a program to qualify for the tax credit, it must be:

- Ongoing (either a minimum of eight weeks duration with a minimum of one session per week, or in the case of children's camps, five consecutive days);
- Supervised;
- Suitable for children; and
- Substantially all of the activities must include a significant amount of physical activity that contributes to cardio-respiratory endurance plus one or more of: muscular strength, muscular endurance, flexibility, or balance.

Organizations providing eligible programs of physical activity will determine the part of the fees that qualifies for the tax credit.

This credit can be claimed for each child who was under 16 at any time during the year; provided that another person has not already claimed the same fees and that the total claim does not exceed the maximum amount that would be allowed if only one of you were claiming the tax credit.



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Tax Tips 2007, cont'd

Pension Income Splitting

Beginning with 2007 income tax returns, Canadian residents will generally be able to allocate up to half of his or her eligible pension income to be taxed in the hands of the lower-income spouse. Since this will increase the transferee's taxes payable, both have to jointly elect in each tax return for the year in question and each year after that.

The types of pension income that can be split:

- If you are 65 or over, eligible pension income includes lifetime annuity payments under registered pension plan (RPP), registered retirement savings plan (RRSP) or a deferred profit-sharing plan, and payments out of or under a registered retirement income fund (RRIF).
- If you are under 65, eligible income includes lifetime annuity payments under an RPP and certain other payments received as a result of the death of your spouse.

New Child Tax Credit

There is now a new non-refundable child tax credit for parents based on \$2,000 for each child who is under the age of 18 at the end of the taxation year. This tax credit is calculated using the lower personal tax rate, being 15.5% in 2007, which provides personal income tax relief of up to \$310 per child. Any unused portion of the credit is also transferable by a parent to their spouse or common-law partner.