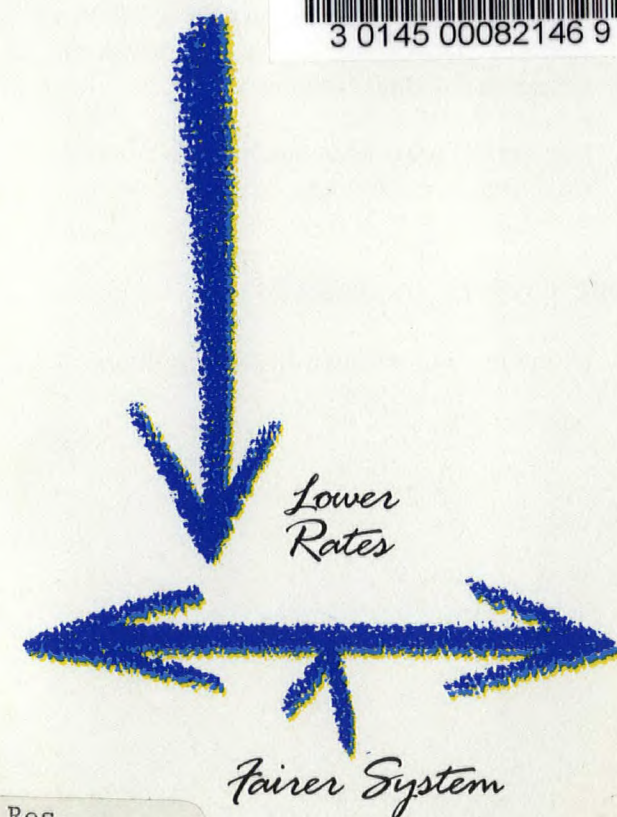


Tax Reform 1987

A Fairer System: Enriching the Refundable Federal Sales Tax Credit

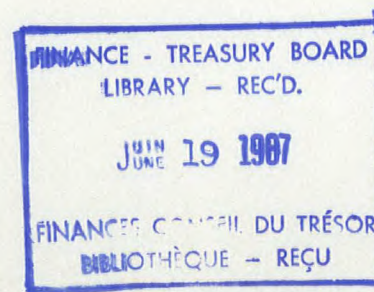


More Help for Low-Income Canadians

Improving assistance to low-income individuals and families is an important part of the fairer system that tax reform will bring. One way will be by increasing the current refundable sales tax credit and making it available to more low-income Canadians.

Beginning in 1988, the credit will be increased to \$70 from \$50 per adult and to \$35 from \$25 per child. The full credit will be provided to families with net incomes below \$16,000. For a couple with two children under 18, the credit will rise by \$60 to a total value of \$210 per year (see table).

The increase will take account of interim adjustments being made to the current federal sales tax before the second stage of tax reform, when a new sales tax system is implemented. At that time, *the refundable sales tax credit will be significantly enriched and extended to more households.*



What is the Refundable Federal Sales Tax Credit?

The refundable sales tax credit provides financial assistance to low-income Canadians, including those who do not pay any federal income tax. To obtain the credit, eligible families and individuals must file for it on their income tax return.

Who is Eligible for the Credit?

- All lower-income families and individuals 18 or over are eligible to claim the credit.
- Married people and single parents under 18 can also claim the credit on their own behalf.
- Married couples combine their income to determine the amount of their credit.
- The credit will be reduced by \$5 for every \$100 of net family income over \$16,000.

How Much Will the Enriched Credit Be?

- Adults and married persons and single parents under 18 will be entitled to \$70 each, an increase of \$20.
- The credit for children and dependants under 18 will be \$35 each, an increase of \$10.

The table opposite shows the maximum credit for families of different sizes and the amount that will be refundable as net income rises over \$16,000.

For example:

- An individual with net income of \$16,000 or less will receive \$70.
- A married couple with two children and net income of \$16,000 or less will receive \$210.

How is the Credit Claimed?

- Claimants fill out the sales tax credit schedule in their income tax returns.
- They deduct the credit from their federal income tax.
- If the credit is larger than their tax, they receive a cheque for the difference.

When Will the Increased Credit Be Available?

- The first payment of the increased credit - for 1988 - will be made in early 1989.



Credit Eligibility

Net family income	Single person	Married couple: number of children under 18*				
		None	One	Two	Three	Four
Up to \$16,000	\$70	\$140	\$175	\$210	\$245	\$280
17,000	20	90	125	160	195	230
18,000	-	40	75	110	145	180
19,000	-	-	25	60	95	130
20,000	-	-	-	10	45	80
21,000	-	-	-	-	-	30

* Single parents with income up to \$16,000 will receive a tax credit of \$70 plus \$35 for each child under 18. The credit will be reduced by \$5 for every \$100 of net family income over \$16,000.

Credit to Be Increased Again

With the second stage of tax reform, a new sales tax will replace the current system. At that time, the refundable sales tax credit will be significantly enriched and made available to many more households. In addition, because the amount of the credit will be much larger, it will be prepaid. That is, it will be paid to eligible Canadians before purchases are made and sales taxes paid on them. As a result, those in need will not have to wait until income tax filing time to receive their cheques.

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How Will Payments Be Made?

- Revenue Canada will send a refund to eligible claimants based on information they provide in their tax returns.

Who Will Benefit?

- Almost 5 million Canadian families and individuals will receive the credit in 1988, an increase of about 265,000 families.
- Almost 70 per cent of recipients will receive full benefits.

What Will the Credit Cost?

- The credit will cost approximately \$450 million.