

MILLER THOMSON LLP

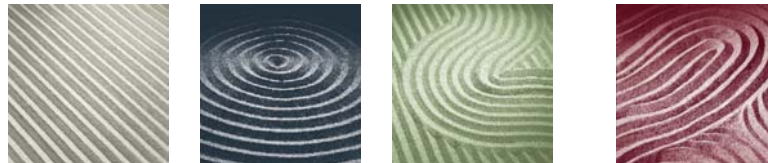
Barristers & Solicitors, Patent & Trade-Mark Agents

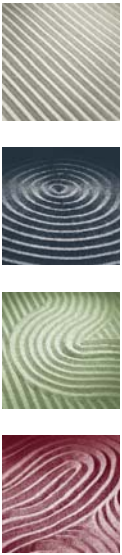
Canadian Life and Health Insurance Association

Legislation & Budget Update

May 13, 2008

Gerald D. Courage



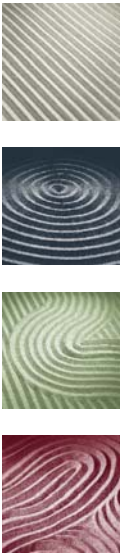


Legislation & Budget Update

2008 Federal Budget

February 26, 2008

- \$10.2 b reduction in national debt in 2007 – 08
- \$12.9 b surplus projected for 2007 – 08
- Projected surplus of \$2.3 b and \$1.3 b for 2008 – 09 and 2009 – 10
- Federal debt to GDP ratio reduced from 32.3% in 2006 – 07 to 29.9% in 2007 – 08 and projected to fall to 27.5% in 2009 – 10



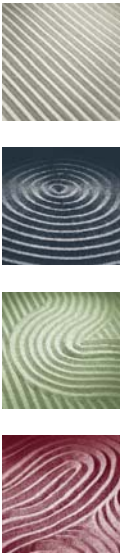
Legislation & Budget Update

2008 Federal Budget

February 26, 2008

- **Tax Measures**

- New tax free savings account (TFSA) permits contributions of up to \$5,000 a year with investment income to accumulate tax free starting in 2009
- Capital gain on donation of certain exchangeable securities acquired on the exchange are eligible for capital gains exemption if donated to a registered charity within 30 days of the exchange

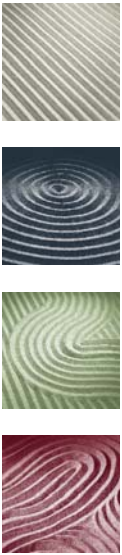


Legislation & Budget Update

2008 Federal Budget

February 26, 2008

- Extension of contribution time limits and termination dates for RESPs
 - Contributions for up to 31 years after plan has been entered into (currently 21)
 - Plans must terminate during 35th anniversary year of the plan (presently 25)
 - Contribution to family plan can be made until the beneficiary obtains the age of 31 (currently 21)



Legislation & Budget Update

2008 Federal Budget

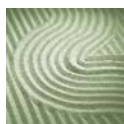
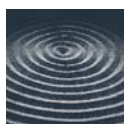
February 26, 2008

- Changes to dividend tax credit to reflect lower tax rates

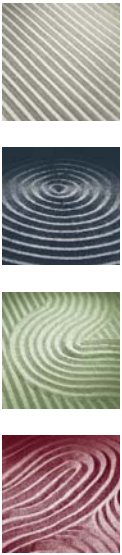
Legislation & Budget Update

2008 Federal Budget

February 26, 2008



- Extension of 50% straightline accelerated CCA treatment for machinery equipment and equipment in the manufacturing and process sector by one year, followed by a two-year period in which accelerated treatment will be on a declining balance basis
 - For assets acquired in 2009, a 50% straightline rate applies; for assets acquired in 2010, a 50% declining balance rate will apply in the first year, 40% in the second year and 30% thereafter; for assets acquired in 2011, a 40% declining rate will apply in the first year and 30% rate thereafter

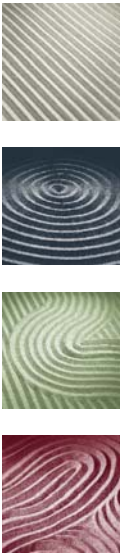


Legislation & Budget Update

2008 Federal Budget

February 26, 2008

- 35% investment tax credit for small CCPCs on first \$2 m of expenditures is extended to first \$3 m of expenditures with upper limit for taxable capital phase out to be increased from \$15 m to \$50 m and upper limit of taxable income phase out to be increased from \$600,000 to \$700,000 effective for taxation years ending on or after February 26, 2008
- A variety of CCA improvements to expand eligibility for Class 43.2 for ground source heat pump systems, biogas production equipment and waste energy applications

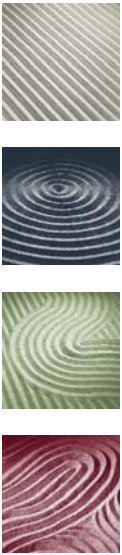


Legislation & Budget Update

2008 Federal Budget

February 26, 2008

- Alignment of CCA rates with useful life for railway locomotives and carbon dioxide pipelines and related equipment
- Mineral exploration tax credit extended to March 31, 2009 for flow-through share agreements entered into on or before March 31, 2009, effectively permitting funds to be spent on exploration to end of 2010
- Further pitch for provincial GST harmonization

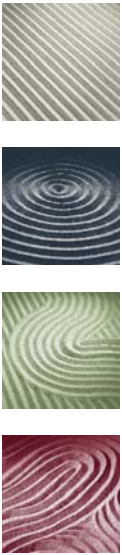


Legislation & Budget Update

2008 Federal Budget

February 26, 2008

- Changes to section 116 clearance certificate rules
 - Exemption from withholding requirements for treaty protected property and, if a related party transfer, related party purchaser to send notice to CRA within 30 days of disposition
 - Purchaser not required to withhold if after reasonable inquiry vendor is resident in a tax treaty jurisdiction, property is treaty protected property and purchaser sends notice to CRA within 30 days of acquisition

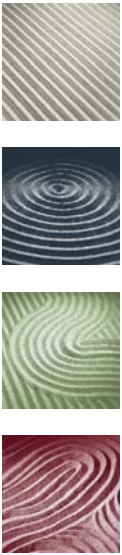


Legislation & Budget Update

2008 Federal Budget

February 26, 2008

- Non-resident vendors exempt from filing Canadian income tax returns if:
 - no Part I tax payable for the year,
 - no tax owed for prior years, and
 - each TCP disposed of is excluded property (including treaty protected property) or a certificate has been issued



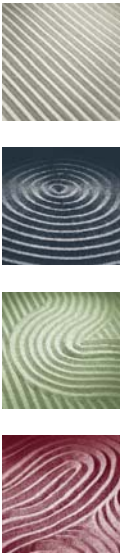
Legislation & Budget Update

2008 Federal Budget

February 26, 2008

- **Previously Announced Measures**

- The following previously announced measures, with revisions, will proceed:
 - Taxation of foreign affiliates
 - Proposals for taxation of financial institutions (draft legislation November 7, 2007)
 - Technical modifications to SIFT Rules (December 20, 2007)
 - Extension from 10 to 20 years of carryforward for unused ITCs (January 29, 2008)



Legislation & Budget Update

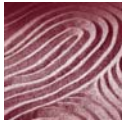
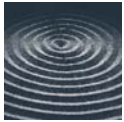
2008 Federal Budget

February 26, 2008

- Increase in automobile expense figures for 2008 period
- No mention of interest deductibility proposals or cross-border share-for-share exchange proposal

Legislation & Budget Update

Provincial Budgets

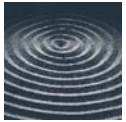


British Columbia (February 19, 2008)

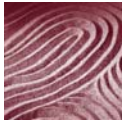
- Surplus of \$2 b forecasted for 2007 – 08
- Estimated surplus of \$50 m for 2008 – 09 and \$150 m for each of 2009 – 10 and 2010 – 11
- Taxpayer supported debt to GDP ratio forecast to decline from 14.8% in 2006 – 07 to 14.1% in 2007 – 08 (and to 13.7% by 2010 – 11)
- New carbon tax to be introduced effective July 1, 2008 on a revenue neutral basis to encourage environmentally responsible choices

Legislation & Budget Update

Provincial Budgets



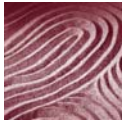
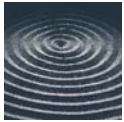
British Columbia (February 19, 2008)



- Goal is to reduce BC's greenhouse gas emissions by 33% by 2020
- Estimated \$1 b in personal and business tax reductions over three years with revenue generated by the carbon tax
- Carbon tax will apply to virtually all fossil fuels including gasoline, diesel, natural gas, coal, propane and home heating fuel

Legislation & Budget Update

Provincial Budgets

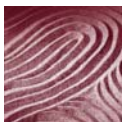
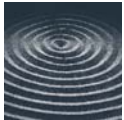


British Columbia (February 19, 2008)

- Will be phased in at the rate of \$10 per tonne of associated carbon or carbon equivalent emissions and increase by \$5 a year for the next four years reaching \$30 per ton in 2012
- Revenues from carbon tax to be returned to economy through:
 1. climate action tax credit of \$100 per adult and \$30 per child,

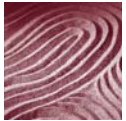
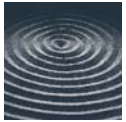
Legislation & Budget Update

Provincial Budgets



British Columbia (February 19, 2008)

2. reduction in personal income tax by 2% on first \$70,000 of income in 2008 (and 5% in 2009),
 3. lowering of general corporate income tax rate to 11% effective July 1, 2008 (from 12%),
 4. lowering of small business rate to 3.5% effective July 1, 2008 (from 4.5%), and
 5. payment of a \$100 one-time climate action dividend
- Dividend tax credit rates to be reduced to reflect one percentage point reduction in general and small business corporate income tax rates effective January 1, 2009

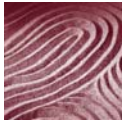
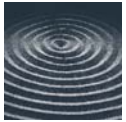


Legislation & Budget Update Provincial Budgets

British Columbia (February 19, 2008)

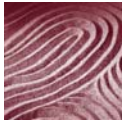
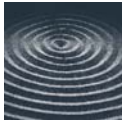
Legislation & Budget Update

Provincial Budgets



British Columbia (February 19, 2008)

- Combined federal and provincial corporate tax rate to be 25% by 2012 meeting challenge set by federal government
- Small business rate expected to fall to 2.5% by 2011
- Existing corporation capital tax to be phased out over three years by one-third reductions effective April 1, 2008, 2009 and 2010

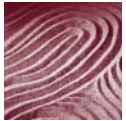
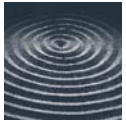


Legislation & Budget Update Provincial Budgets

British Columbia (February 19, 2008)

Legislation & Budget Update

Provincial Budgets

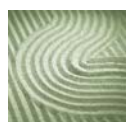
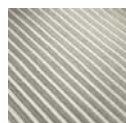


British Columbia (February 19, 2008)

- Effective April 1, 2010 a minimum tax will apply to financial institutions with net paid-up capital in excess of \$1 b, calculated as 1% of BC paid-up capital less BC corporate income taxes paid

Legislation & Budget Update

Provincial Budgets

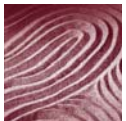
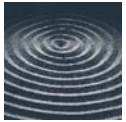


Alberta (April 22, 2008)

- 15th consecutive balanced budget
- Surplus of \$4.031 b forecast for 2007 – 08
- Budgeted surplus for 2008 – 09 of \$1.6 b
- Spending to increase by 12% over three years
- Oil prices forecasted to trend down and natural gas prices to trend up
- Considerable uncertainty in wide range of views on energy prices (US \$65 to \$110 for oil and CDN \$5.20 to \$8.20 for natural gas)

Legislation & Budget Update

Provincial Budgets

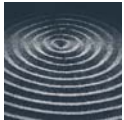


Alberta (April 22, 2008)

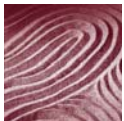
- Healthcare premiums will be eliminated effective January 1, 2009 (\$1 b saving)
- \$180 m of personal income tax reductions
- Personal indexing tax credits 4.7%
- Lowest general corporate tax rate
- Income eligible for small business rate of 3%, increased from \$430,000 to \$460,000 effective April 1, 2008 and will increase further to \$500,000 on April 1, 2009

Legislation & Budget Update

Provincial Budgets



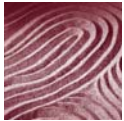
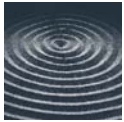
Alberta (April 22, 2008)



- Second lowest small business rate
- No capital taxes, payroll taxes or general sales taxes on inputs
- New royalty framework to start January 1, 2009
- New royalty regime to produce \$1.8 b more royalties per year by 2009 – 2010

Legislation & Budget Update

Provincial Budgets

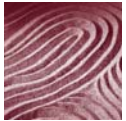
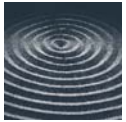


Alberta (April 22, 2008)

- Alberta to follow a variety of federal measures relating to capital cost allowance (including extension of accelerated rate for M&P equipment, increases for rates for certain clean energy generation equipment, railway locomotives and carbon dioxide pipelines and related equipment)

Legislation & Budget Update

Provincial Budgets

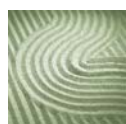
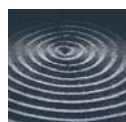
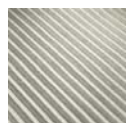


Saskatchewan (March 19, 2008)

- 15th consecutive balance budget
- Buoyant projections for GDP growth
- Forecast surplus of \$1.2 b for 2007 – 08
- Surplus of \$260 m forecast for 2008 – 09
- \$1 b infrastructure initiative
- Education property taxes reduced

Legislation & Budget Update

Provincial Budgets

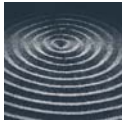


Saskatchewan (March 19, 2008)

- Refundable income tax credit to rebate up to \$20,000 of tuition fees paid by eligible graduates of Saskatchewan post-secondary institutions beginning January 1, 2008 (to replace graduate tax exemption)
- Enhancement to a variety of disability related tax credits
- Effective July 1, 2008, general corporate income tax rate will be reduced from 13% to 12%

Legislation & Budget Update

Provincial Budgets

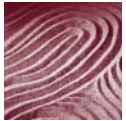
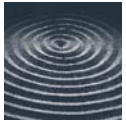


Saskatchewan (March 19, 2008)

- Effective July 1, 2008 income eligible for small business rate of 4.5% will be increased from \$450,000 to \$500,000
- Mineral exploration 10% tax credit reintroduced for flow-through share agreements entered into after March 31, 2008 to parallel federal credit for investments by Saskatchewan taxpayers in support of Saskatchewan mineral activity

Legislation & Budget Update

Provincial Budgets

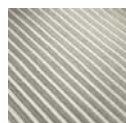


Saskatchewan (March 19, 2008)

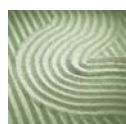
- General corporation capital tax eliminated as of July 1, 2008 but will continue to apply to financial institutions
 - Financial institution rate is 0.7% below \$1 b of taxable paid-up capital and 3.25% above \$1 b
 - \$1 b threshold is being raised to \$1.5 b for fiscal years ending on or after October 31, 2008
- Government to examine ways of improving provincial R&D incentives

Legislation & Budget Update

Provincial Budgets



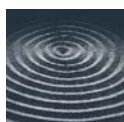
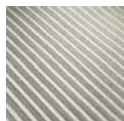
Manitoba (April 9, 2008)



- 9th straight balanced budget
- Forecasted surplus of \$329 m for 2007 – 08
- Surplus of \$96 m forecast for 2008 – 09
- Net debt to GDP ratio dropping from 31.4% in 1999 – 2000 to 21.7% in 2008 – 09
- Lowering of personal taxes through small increase (\$100) in personal exemption and adjustment of tax brackets and rates

Legislation & Budget Update

Provincial Budgets

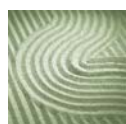
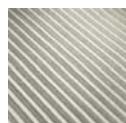


Manitoba (April 9, 2008)

- General corporate income tax rate will be reduced to 13% in July, 2008 and 12% in July, 2009 with a goal of reducing to 11% in subsequent years
- Small business tax rate to be reduced to 1%
- Corporation capital tax for manufacturers and processors will be eliminated July 1, 2008
- Manufacturing investment tax credit will be extended to end of 2011

Legislation & Budget Update

2008 Federal Budget



Ontario (March 25, 2008)

- Projected surplus of \$0.6 b for 2007 – 08
- 3rd consecutive surplus
- Projected surplus of \$0.7 b for 2008 – 09 (with \$750 m reserve)
- Debt to GDP ratio has declined from 25.2% in 2003 – 04 to 18.1% in 2007 – 08
- Modest economic growth anticipated for 2008 as Ontario economy faces a slowdown in US economy along with high oil prices and strong Canadian dollar

Legislation & Budget Update

2008 Federal Budget



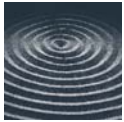
Ontario (March 25, 2008)



- \$1.5 b three-year skills to jobs action plan
- \$1 b investment in new municipal infrastructure projects
- \$750 m in tax measures over four years to support businesses primarily in benefiting Ontario's manufacturing and resource sectors
- Additional tax relief for seniors

Legislation & Budget Update

2008 Federal Budget

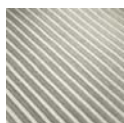


Ontario (March 25, 2008)

- Tax free savings account (TFSA) proposed in 2008 Federal Budget to be adopted by Ontario when federal legislation receives Royal Assent
- Certain 2008 Federal Budget measures to be paralleled, including changes to RESPs, expansion of list of expenses eligible for medical expense tax credit, donations of appreciated property to charities, rule changes for the capital gains exemption for donation of publicly listed securities to private charitable foundations

Legislation & Budget Update

2008 Federal Budget

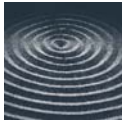


Ontario (March 25, 2008)

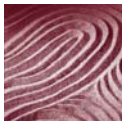
- Dividend tax credit on gross up eligible dividends to be increased from 7% in 2008 to 7.4% in 2009 and 7.7% in 2010
- No change to corporate income tax rate despite suggestions from Mr. Flaherty
- Capital taxes eliminated retroactive to January 1, 2007 for businesses engaged primarily in manufacturing and resource activities
- Capital tax to be eliminated for all business on July 1, 2010

Legislation & Budget Update

2008 Federal Budget



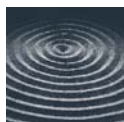
Ontario (March 25, 2008)



- Accelerated CCA rate for manufacturing and processing machinery and equipment investments made before 2012 extended and other CCA measures announced in 2008 Federal Budget are paralleled
- 10-year on Ontario income tax exemption for new corporations that commercialize intellectual property developed by qualifying Canadian universities, colleges or research institutes

Legislation & Budget Update

2008 Federal Budget



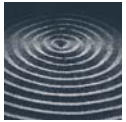
Ontario (March 25, 2008)



- Ontario innovation tax credit to be extended to more small and medium size corporations and to expand the tax credit to more qualifying SR&ED expenditures by paralleling enhancements to federal SR&ED credit proposed in 2008 Federal Budget (expenditure limit increase from \$2 m to \$3 m and taxable income phase out range to have a new upper limit of \$700,000 of taxable income)

Legislation & Budget Update

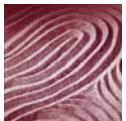
2008 Federal Budget



Ontario (March 25, 2008)

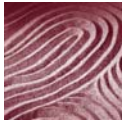
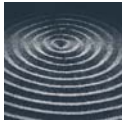


- CRA to collect and administer Ontario taxes for the taxation years ending after December 31, 2008



Legislation & Budget Update

Provincial Budgets

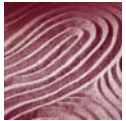
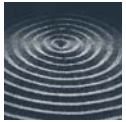


Quebec (March 13, 2008)

- Quebec economy grew 2.4% in 2007 and expected to rise 1.5% in 2008
- Surplus of \$717 m forecast for 2007 – 08
- Deficit of \$1.37 b forecast for 2008 – 09
- Lowest provincial rate of increase in program spending since 2003 – 04
- \$950 m in personal income tax cuts
- Improvement in refundable tax credits for childcare expenses, infertility treatment and adoption expenses

Legislation & Budget Update

Provincial Budgets

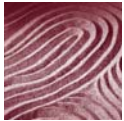
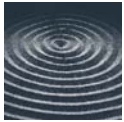


Quebec (March 13, 2008)

- Increase in a variety of tax credits for seniors
- TFSA paralleled in Quebec budget
- Gross up and dividend tax credit harmonized to changes federally
- Capital tax eliminated for manufacturing companies and to be eliminated for all businesses by January 1, 2011

Legislation & Budget Update

Provincial Budgets

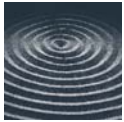


Quebec (March 13, 2008)

- Immediate elimination of tax on capital for manufacturing businesses (i.e. where manufacturing represents 50% or more of total activities)
 - Businesses for which manufacturing represent between 20% and 50% of total activities will receive a partial reduction

Legislation & Budget Update

Provincial Budgets

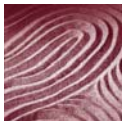
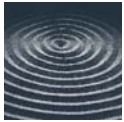


Quebec (March 13, 2008)

- Immediate temporary 5% investment tax credit on cost of new manufacturing and processing equipment acquired before January 1, 2016
 - Credit will be fully refundable for SMEs and most large businesses (i.e. fully refundable for corporations whose consolidated paid-up capital is equal to or less than \$250 m, not refundable where consolidated PUC is equal to or greater than \$500 m and partially refundable in between on a sliding scale)

Legislation & Budget Update

Provincial Budgets

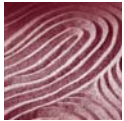
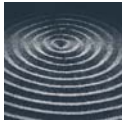


Quebec (March 13, 2008)

- Accelerated depreciation on manufacturing and processing equipment extended to December 31, 2009 (straightline at rate of 50% for equipment acquired until December 31, 2009; for 2010 and 2011 depreciation will be calculated on diminishing balance basis at the rate of 50% for property acquired in 2010 and 40% for property acquired in 2011)

Legislation & Budget Update

Provincial Budgets

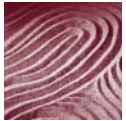
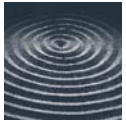


Quebec (March 13, 2008)

- New temporary 30% refundable tax credit for development of ebusiness
 - Intended for businesses with more than five eligible employees
 - To end December, 2015
 - Credit will be based on salaries in the ebusiness sector
- R&D tax credit extended for private partnerships involving public agencies

Legislation & Budget Update

Provincial Budgets

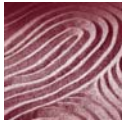
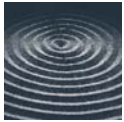


Quebec (March 13, 2008)

- Improvement in stock option plan for SMEs pursuing innovative activities
 - 25% deduction for employees to be increased to 50%
- Investment tax credit raised from 5% to 20%, 30% or 40% in resource regions for the purpose of acquiring manufacturing and processing equipment

Legislation & Budget Update

Provincial Budgets

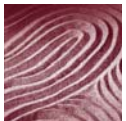
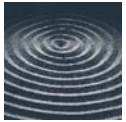


Quebec (March 13, 2008)

- Refundable credit of 30% to be granted to corporations that enrol their employees in francization courses to increase number of immigrants speaking French
 - Assistance will apply to eligible training expenditures incurred prior to 2012

Legislation & Budget Update

Provincial Budgets

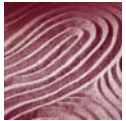
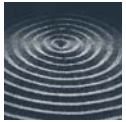


New Brunswick (March 18, 2008)

- \$18 m surplus projected for 2007 – 08
- \$19 m surplus projected for 2008 – 09
- Concerns about export based economy and US slow down
- No tax increases
- Increased infrastructure, healthcare and education spending
- Large corporation capital tax to be eliminated at year end

Legislation & Budget Update

Provincial Budgets

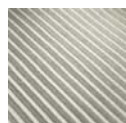


New Brunswick (March 18, 2008)

- Green Paper to be tabled to outline options to significantly reform the tax system

Legislation & Budget Update

Provincial Budgets

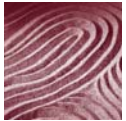
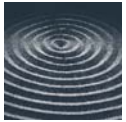


Nova Scotia (April 29, 2008)

- Surplus of \$158.5 m forecast for 2007 – 08
- Forecasted surplus of \$189.7 m for 2008 – 09
- A variety of increases in basic personal amounts and credits
- Graduate tax credit doubled to \$2,000
- Large corporation capital tax will be completely eliminated by 2012
- Comprehensive review of overall tax structure contemplated for Nova Scotia

Legislation & Budget Update

Provincial Budgets

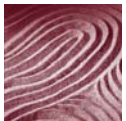
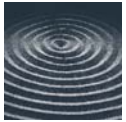


Prince Edward Island (April 23, 2008)

- Forecast deficit of \$36.6 m for 2007 – 08 (estimate was \$42.3 m)
- \$34.9 m deficit estimated for 2008 – 09
- Income taxes reduced and tax credits improved
- Small business tax rate reduced to 3.2% on April 1, 2008 (2.1% for 2009 and 1% for 2010)
- Thorough review of Government's regulatory regime contemplated (“Red Tape” Review)

Legislation & Budget Update

Provincial Budgets

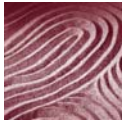
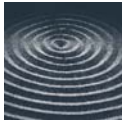


Newfoundland (April 29, 2008)

- Real GDP increase of 7.9% in 2007
- 1.2% reduction in unemployment rate to 13.6%
- lowest level in 26 years
- Real GDP forecast to decline by 2% due to lower offshore oil production
- Surplus of \$1.4 b forecast for 2007 – 08
- \$544 m surplus forecast for 2008 – 09
- fourth consecutive surplus

Legislation & Budget Update

Provincial Budgets



Newfoundland (April 29, 2008)

- Personal income taxes will decrease by 1% in each bracket to 7.7%, 12.8% and 15.5% respectively effective July 1, 2008
- Increase in seniors benefit income threshold to \$31,930
- Retail sales tax on insurance premiums to be eliminated effective January 1, 2008
- Payroll tax exemption threshold will increase to \$1 m effective January 1, 2008