
CONTREN MANAGEMENT CONSULTANTS INC. FALL 2016 NEWSLETTER

FALL OFFICE HOURS

Once again we have decided to continue having the office closed on Friday's until the new calendar year.

We will be checking our phone messages and emails on a timely basis.



MINIMUM WAGES

A reminder that the minimum wage rates for Ontario will increase on October 1, 2016. Depending on your payroll periods' end date your employee's may have *two* pay rates for their first pay cheque in October.



General Minimum Wage: \$11.40
per hour

Student Minimum Wage: \$10.70
per hour

Liquor Servers Min Wage: \$9.90
per hour

STATUTORY (PUBLIC) HOLIDAYS



Please note that Thanksgiving, Monday October 10 is a Public Holiday in Ontario. A reminder that Remembrance Day, November 11, is **not** a Public Holiday.

If your employee works any Public Holiday they are entitled to either 2.5 times their regular pay **or** 1.5 times their regular pay **plus** a day off with pay.

Part time employee's Public Holiday pay is calculated as follows: the number of hours worked in the preceding four weeks to the holiday **divided** by 20.

RRSP CONTRIBUTIONS

A reminder that the Federal Government increases the amount of RRSP eligibility yearly. These increases are based on inflation and as such have not increased significantly the past few years. The percentage of eligibility, 18% of your earned income, remains constant.

TAXATION YEAR	MAX DED/ELIGIBILITY	INCOME REQUIRED
2015	\$24,930	\$138,500
2016	\$25,370	\$140,944
2017	\$26,010	\$144,500

The income required to reach the maximum eligibility is earned in the year *prior* to the taxation year, ie: you need to earn \$144,500 of income in 2016 in order to create \$26,010 of new RRSP eligibility in 2017.

TFSA CONTRIBUTIONS

A reminder that the Federal Government *decreased* the annual TFSA contribution limit to \$5,500 for calendar 2016. The lifetime accumulated maximum is \$46,500 for calendar 2016.



NEW HST REPORTING

The CRA recently updated their GST/HST reporting requirements to include associated company sales as part of *each* companies' filings. The associated company definition is similar to the definition for associated corporations so fundamentally if you have more than one corporation registered for GST/HST you have to start the new GST/HST associated reporting.

The CRA has mandated that the *total revenue* as reported by the associated group will determine the GST/HST filing frequency. The reported associated total revenue thresholds are as follows;

Revenue	Up to \$1,500,000 per year	Monthly/Quarterly/Annually
Revenue	\$1,500,000 to \$6,000,000 per year	Monthly/Quarterly
Revenue	Over \$6,000,000 per year	Monthly

Once a specific threshold is exceeded ALL of the companies' in the associated group must start filing their GST/HST returns as per the guidelines, regardless of each companies individual reported revenue.

Each GST/HST registrant will need to report all of the associated companies' revenue, for the same period (the individual companies may have different reporting periods), on each of the specific companies GST/HST return. The total associated revenue will be reported on line 102. This may require a change to your internal reporting systems for any smaller or less active associated companies.

If you have associated companies you will need to select the option to report the revenue, which is part of the questions asking whether you want to report exempt supplies, zero rated goods etc as part of the filing. This is the last box on the first page when filing electronically. The sales for the reporting company will be reported in Box 90.

The other, significant, reporting change for GST/HST registrants is the reporting of exempt supplies, zero rated exports, goodwill, capital real property and supplies made outside of Canada in Box 91. These sales will be combined with the sales reported in Box 90 (if any) to report total sales in Box 101.

These changes may require a change in your internal sales reporting in order to comply with the breakout of exempt supplies etc. from your regular GST/HST applicable sales.

The classification and differential on zero rated supplies and exempt supplies can be confusing, please contact the office if you need clarification.

ALLOWABLE KILOMETRE ALLOWANCE



The automobile allowance rates for **2016 decreased \$0.01 per kilometre**, new rates as follows:

- 54¢ per kilometre for the first 5,000 kilometres driven; and
- 48¢ per kilometre driven after that.

ASSOCIATED COMPANY CHANGES

The CRA has announced a variety of new rules regarding associated company dividends and related party transactions and they are all unfavourable to the taxpayer.

The most concerning change revolves around the payment of inter company dividends, and focuses mainly on operating company payments to a holding company. Traditionally this corporate structure is established to remove excess cash from the operating company, specifically as a requirement to have minimal inactive assets in order to maintain the small business deduction eligibility in the operating company. The transfer of excess cash from the operating company is also part of the protection of assets for the owners of both companies, minimizing the amount at risk in the operating company.

The CRA is now reviewing the inter company dividend process to determine if the dividends *reduce* the potential capital gain in the operating company and/or *increases* the value in the holding company. In most cases the inter company dividend would result in both of those outcomes. The CRA would then treat the dividend as a capital transaction which would result in additional taxes paid on the dividend income.

These are early days on these changes but the one factor, as already stated by the CRA, is that dividends that are part of a clear and continuing payment program would not be considered to be part of the new rules.

The other area of focus by the CRA is on related party invoicing. The starting point for their allowance of this transaction is "it is a reasonable amount for the goods and/or services provided". The starting point to justify any related company invoicing is a clearly defined contract between the parties.

Any related company transactions need to be reviewed presently in order ensure compliance in light of the new rules. Please contact the office to review your specific situation at your earliest convenience.