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# CONTREN MANAGEMENT CONSULTANTS

## SUMMER 2012 NEWSLETTER

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### SUMMER OFFICE HOURS



In anticipation of a longer than normal summer (thanks global warming) our office will be closed on Fridays starting May 11, 2012 and ending September 7, 2012.

We will be reviewing our messages frequently whenever the office is closed.

### CPP CHANGES

A reminder of the changes for employers to the CPP program for 2012. There is the introduction of **mandatory** CPP contributions for “early” CPP pension recipients. This change, called the Post Retirement Benefit (PRB), requires that any taxpayer receiving their CPP pension is still required to contribute to CPP (as well as the employer’s portion) until they are age 70. If you have employee’s collecting CPP between the ages of 60 and 69 you need to change their payroll profile to start deducting CPP from their wages.



Please note that you will need to discuss this situation with each employee who is at least *age 65* and collecting CPP.

These employees’ can opt out of the mandatory CPP deduction and we encourage all employers to present this option to their employee’s who are 65 to 70 years of age. You can save up to \$2,300 per employee per year of CPP expenses.

It is a simple process, you give them form CPT30 to complete and you keep this on file.

<http://www.cra-arc.gc.ca/E/pbg/tf/cpt30/cpt30-11e.pdf>

## STATUTORY (PUBLIC) HOLIDAYS

A reminder that Victoria Day, May 21, Canada Day, July 1 and Labour Day, September 3 are paid Public Holidays in Ontario. The Civic Holiday, August 6, is not a paid Public Holiday.

Canada Day falls on a Sunday and most businesses will normally be closed on this day. The Federal Holidays Act provides that **July 2** is the official statutory holiday when July 1 falls on a Sunday, therefore the Monday is the paid Public Holiday.



If your employee works any Public Holiday they are entitled to 1.5 times their regular pay plus their Public Holiday pay.

Dependent on your companies' work schedule your employees can be paid for the Public Holiday on a substitute day chosen by the employer.

The substitute day needs to be designated within three months of the Public Holiday.

## PERSONAL TAX RETURNS

For the first time ever we had completed and filed all of our clients' personal tax returns by April 30. Thank you for providing our office with your tax information on a timely basis.

We e filed 90% of our clients tax returns this year and you likely received your assessment (and refund, if applicable) in less then three weeks. We would appreciate you faxing or emailing our office a copy of your 2011 assessment notice at your convenience.



A reminder that the CRA frequently operates verification programs on personal tax return filings and these programs usually don't start until July.

For the 2010 tax season the CRA requested rent receipts to support property tax credit claims and a number of our clients had difficulty retrieving the receipts. Please keep all of the documents and slips that are part of your 2011 personal tax return for the next seven years.

## **FEDERAL BUDGET**

The Federal budget, passed in March, had a number of changes that will impact individual and corporate taxpayers.

First, the government increased the HST Quick Method thresholds. Effective for reporting periods beginning *after* 2012, the threshold for determining the eligibility of small businesses and public service bodies to use the Streamlined GST/HST Accounting methods will be doubled. The annual taxable sales threshold applicable for the Quick Method will increase to \$400,000 of tax-included sales, from the present \$200,000.

Second, the budget extends the one-time credit of up to \$1,000 against a small firm's increase in its 2012 Employment Insurance (EI) premiums over those paid in 2011. This new credit will be available for employers whose EI premiums were at or below \$10,000 in 2011. This will apply to corporations whose payroll is under \$570,000 in 2011. Please note that any EI credit received must be reported as income. When received you need to reduce your next source deduction payment by the amount of the credit as the CRA has already transferred that amount to your 2012 employee deductions account. The easiest way to record this is to reduce your EI payable and reduce your EI expense by the amount of the credit.

Third, there are a number of changes to the SRED program that will reduce the attractiveness of the program. The 20% general SRED tax credit rate will drop to 15% effective January 1, 2014. The *enhanced* 35% SRED tax credit rate for qualified CCPC's will remain in effect for now. The government also reduced the proxy rate (overheads) from 65% to 60% for 2013 and down to 55% for 2014 and future years.

Fourth, additional employee benefits will become taxable in 2013 and future years. Employer contributions to a group sickness or accident insurance plan will become taxable benefits. This is in addition to the taxable benefit on life insurance policy premiums.

## **PROVINCIAL BUDGET**

The Provincial budget, passed in March, had a number of changes that will impact individual and corporate taxpayers.

First, the 30% off Ontario Tuition Grant, which was announced in January 2012, will continue for the following 2012/2013 academic year. This program provides a grant of up to \$840 per term for a maximum of two terms per year for full-time undergraduate university or college degree students and up to \$385 per term for a maximum of two terms for students enrolled in college diploma or certificate programs at publicly funded Ontario institutions. The grant is available to students whose parents earn less than \$160,000 per year.

Second, the provincial government has decided to temporarily freeze the corporate tax rates. The general corporate income tax rate is currently 11.5 per cent. It was to be reduced to 11 per cent July 1, 2012 and to 10 per cent July 1, 2013. This freeze is to remain in effect until the budget is balanced, which is forecast for 2018. The eligible small business provincial corporate tax rate remains at 4.5%.

Third, you may already be aware that the property tax credit is **not** part of your 2011 personal tax calculation and in some cases the property tax credit would have generated a “tax” refund. The provincial government has now combined your property tax credit with other provincial credits into the Ontario Trillium Benefit (OTB) and this benefit will be paid monthly, starting July 2012.

*ENJOY YOUR SUMMER*

*Debbie & Keith*