
CONTREN MANAGEMENT CONSULTANTS

SUMMER 2014 NEWSLETTER

SUMMER OFFICE HOURS

Not sure if summer will ever start this year however, as in past years, the office will be closed on Fridays starting May 16, 2014 and ending September 5, 2014.

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



FEDERAL BUDGET

The Federal budget, announced in February, had a minimal number of changes that will affect our clients.

First, the budget changes the accounting for Eligible Capital Property (goodwill, patents, other "nothings"). At present only **75%** of ECP acquired is added to the Cumulative Eligible Capital pool, and this balance is amortized at a 7% declining balance basis. 25% of the ECP acquired is not expensed but becomes part of a future adjusted cost base calculation if the business is sold. The new accounting method will allow **100%** of the ECP to be added to a new depreciable property class (the same as equipment, building, vehicles etc.) and this class will have a 5% depreciation rate.

There are additional accounting changes to goodwill and other purchases not specifically related to property however the overall changes are favourable to business owners.

Second, the budget announced an increase in threshold limits for the different source deduction payments. The threshold increased to \$25,000 average monthly withholdings for the two payments per month requirement. The threshold increased to \$100,000 average monthly withholdings for the four payments per month requirement.

Third, the budget confirms the governments' commitment to the Canada Job Grant program, which will provide \$10,000 in funding to eligible businesses to train the un or under employed people for new or better jobs. Employer's would be required to contribute up to \$5,000 to the program however the *wages* paid to the specific employee's would count towards the \$5,000 contribution requirement.

STATUTORY (PUBLIC) HOLIDAYS

A reminder that Victoria Day, May 19, Canada Day, July 1 and Labour Day, September 1 are paid Public Holidays in Ontario. The Civic Holiday, August 4, **is not** a paid Public Holiday.

With Canada Day falling on a Tuesday some employers need to decide whether they are closing on Monday or Tuesday. Businesses that operate under the *Retail Business Holidays Act* must close on Tuesday. If the Act doesn't apply to your business the employer can decide to close on an alternative day as long as the employee's agree in **writing** to the change prior to July 1. The employee's will be paid for the hours worked on July 1, at their normal rate of pay, and receive a substitute day off with their calculated public holiday pay.



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

Once again we have completed and filed all of our clients' personal tax returns by the extended, May 5, deadline. Thank you for providing our office with your tax information on a timely basis.

As required by the CRA we e filed all of our clients tax returns this year and you likely received your assessment (and refund, if applicable) in less then three weeks. *Please fax or email our office a copy of your 2013 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 2012 tax season the CRA requested copies of charitable donation slips as well as proof of education costs (T2202) for students. Please keep all of the documents and slips that are part of your 2013 personal tax return for the next seven years.

MINIMUM WAGES

A reminder that the minimum wage rates for Ontario will increase on June 1, 2014. Depending on your payroll periods' end date your employee's may have two pay rates for their first pay cheque in June.



General Minimum Wage: \$11.00 per hour

Student Minimum Wage: \$10.30 per hour

Liquor Servers Min Wage: \$9.55 per hour

MANDATORY HEALTH AND SAFETY TRAINING

Ontario has become the first province in Canada to introduce mandatory occupational health and safety training for workers and supervisors. All workers at workplaces that fall under the [Occupational Health and Safety Act](#) should be trained before they start at a new job or be trained at their current job.

While the regulation was announced on Nov. 15, 2013, it will come into force **July 1, 2014**. To help employers meet that date for their workers and supervisors the Ontario government has developed a suite of [training programs](#) to help.

These programs are free, and are the cheapest and most effective way that employers, supervisors and workers can complete the training. Training modules are available online or for download, and hard copies of the workbooks and employer guides can be ordered from ServiceOntario.

We have implemented these training programs for the employee's in our various companies and have asked that the employee's complete these at home and on their own time. These online programs take about an hour to complete and the employee's are virtually guaranteed to pass. As an incentive we are paying our employee's two hours pay when they provide a copy of the completion certificate.

Please note that there are exemptions from this training requirement, details below;

- Workers and supervisors who previously completed a worker or supervisor training program, either with their current or a former employer, do not have to take the training again if they can provide proof that they completed the training and their current employer is able to verify that the training program covered the content required by the regulation.
- A supervisor who has completed a basic occupational health and safety awareness training program for supervisors, prior to the regulation coming into force, does not have to complete a worker training program in addition to the supervisor program.

FOREIGN ASSET OWNERSHIP

As mentioned previously there are significant changes to the reporting requirements for foreign asset ownership. For 2013 and later years every taxpayer that has more than \$100,000 CAD of foreign assets, at *any time in the taxation year*, must complete and file Form T1135. And before you ask, yes, this is a complete waste of time and money.

This form reports *each foreign asset* individually, for example if you owned 25 US stocks during the taxation year you need to report the specifics for each stock, line by line. The form requires you to provide the highest dollar value of each stock, the Dec 31 value of each stock, the income earned from each stock and any capital gains reported on each stock. This reporting requirement applies to foreign real property (ie: condo) that you may rent, limited partnerships and mutual funds.

In Feb 2014 the CRA announced *modified* reporting requirements for the 2013 taxation year. Fundamentally they eliminated the requirement for asset by asset reporting if the foreign income earned was reported on a T3 or a T5 and each foreign asset associated with the slip earned income during the year.

All of our clients investment advisors were unable to provide the specifics as required by the CRA (except Nesbitt Burns) and in fact a couple of the advisors were unaware of the specific requirements.

For the 2014 taxation year our office will not complete the T1135 form unless all of the required information is provided by your investment advisors on an asset by asset basis. We kindly request that you contact your investment office now to ensure that they will be able to comply with the new reporting requirements.



Please note that *personal use foreign property* is exempt from this reporting requirement. Your personal condo in Florida is excluded as long as there isn't any rental income.

US RESIDENCY RULES

The Canadian and US governments are finalizing the Beyond The Border program in which they share specific entry/exit information regarding citizens of each country travelling between the two countries. This program will be fully effective June 30, 2014 so that from that date forward both countries governments should have an exact figure regarding your "residence" in each country.

As you may be aware the US has a "rolling" 120 day calculation to determine if visitors to their country may be considered a US taxpayer. This formula uses the last three years to determine the current number and it is very easy to exceed the 120 day limit if you were in the US for 180 days in any one of the three years used in the calculation. This wasn't a real concern of most visitors to the US as the dates weren't tracked accurately, until now. If the calculation indicates that you exceed the 120 day limit you may be subject to a variety of US taxes and additional rules.

Please remember that the six month's per calendar year limit is a *Canadian* taxpayer determination and doesn't apply to the US taxation residency rules.

There is a simple way to exempt yourself from being considered a US taxpayer. The IRS has a couple of forms that you need to complete on a yearly basis, Form 8840, Closer Connection Exemption Statement For Aliens and Form W8 - Ben, Certificate Of Foreign Status.

Form 8840 will indicate, when completed correctly, that you are merely a tourist in the US and have maintained your Canadian taxpayer status. Form W8 - Ben will confirm, when completed correctly, that you are exempt from the 30% withholding tax on interest income earned on your US bank accounts.



We strongly recommend that you engage a US accountant to complete these forms on a timely basis while you are in the US.

ENJOY YOUR SUMMER

Debbie & Keith