CONTREN MANAGEMENT CONSULTANTS
SUMMER 2015 NEWSLETTER

SUMMER OFFICE HOURS

Once again, as in past years, the office will be closed on Fridays starting May 8, 2015 and ending September 11, 2015.

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

FEDERAL BUDGET

The Federal budget, announced in March, had a few changes that will positively affect our clients.

First, the budget changes the maximum Tax Free Savings Account (TFSA) yearly maximum contribution. Effective the budget date the maximum contribution for calendar 2015 is $10,000. The lifetime accumulated maximum is $41,000 for 2015.

Second, the government has recognized that we are living longer and therefore our retirement funds need to be available longer. To facilitate our longevity the government has lowered the yearly minimum RRIF withdrawal requirements. For the first 10 years of withdrawals (71 to 80) the minimum withdrawal requirement has dropped about 25% , on average. For the next ten years of withdrawals (81 to 90) the minimum withdrawal requirement has dropped about 15%, on average. At age 95 the minimum withdrawal requirement remains the same.

Third, the small business tax rate, on the first $500,000 of taxable income, will decline 0.5% per year starting January 1, 2016. This plan will reduce the federal tax rate on the first $500,000 of taxable income to 9% by January 1, 2019. There is a slight increase on the taxation rates of non eligible dividends (typically dividends from your own company) to coincide with the decline in the corporate tax rates. The highest incremental personal tax rate for non eligible dividends will increase 1.7% by calendar 2018.

Fourth, a small decline in the EI rate. It is estimated to drop from the current 1.88% to 1.49% by January 1, 2017.

Fifth, for dispositions of qualified farm or fishing property that occur after April 20, 2015, the Lifetime Capital Gains Exemption will increase from $813,600 to $1,000,000.

Sixth, a new CCA category, Class 53 will provide CCA of 50% on a declining-balance basis for machinery and equipment acquired after 2015 and before 2026 primarily for use in Canada for the manufacturing and processing of goods for sale or lease. Assets that would currently be included in Class 29 will be eligible.

The "half year rule," which allows half the CCA deduction otherwise available in the taxation year in which an asset is first available for use, will still apply.

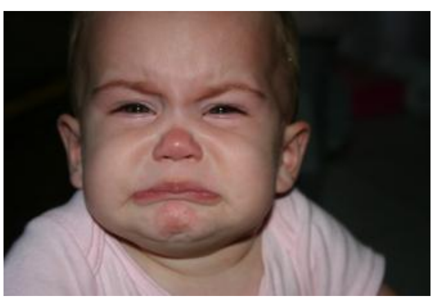
Finally, a new Federal Home Accessibility Tax Credit, effective 2016. Eligible individuals who spend up to $10,000 on eligible expenditures in respect of qualifying individuals (seniors and certain persons with disabilities) can claim a non-refundable tax credit of up to $1,500. This is very similar to the provincial Healthy Homes Renovation program.

Eligible expenditures in connection with an eligible dwelling for the qualifying individual include certain renovations or alterations that increase mobility or safety. This credit can be claimed in addition to the Medical Expense Tax Credit, to the extent that both apply.

PROVINCIAL BUDGET

The Provincial budget, announced in April, had only bad news for our clients.

First, the general rate for the Apprenticeship Training Tax Credit rate will be reduced to 25% (from 35%). The rate for small businesses with salaries or wages under $400,000 per year will be reduced to 30% (from 45%). The annual maximum per apprentice will be reduced to $5,000 (from $10,000). The eligibility period will be reduced to the first 36 months of an apprenticeship program from the first 48 months. These changes are effective for eligible expenditures related to apprentices who commenced an apprenticeship program after April 23, 2015.



Existing apprentices will continue under the existing rules however the tax advantage of hiring new apprentices has effectively been at least 50%, depending on the type of business and actual wage costs per apprentice.

Finally, the provincial government re affirmed it's commitment to the new pension program, starting January 1, 2017. Non covered employee's (a very broad definition) will contribute 1.9% of their annual earnings, up to $90,000. Employers will have to match the employee's contributions, another potential $1,710 of expenses. Details to come as available.

STATUTORY (PUBLIC) HOLIDAYS

A reminder that Victoria Day, May 18, Canada Day, July 1 and Labour Day, September 1 are paid Public Holidays in Ontario. The Civic Holiday, August 3, **is not** a paid Public Holiday.

With Canada Day falling on a Wednesday some employers need to decide whether they are closing on Monday prior or the Friday after. Businesses that operate under the *Retail Business Holidays Act* must close on Wednesday. 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.

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.

PERSONAL TAX RETURNS

Once again we have completed and filed all of our clients' personal tax returns by the new, 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 2014 assessment notice at your convenience.* Please keep all of the documents and slips that are part of your 2014 personal tax return for the next seven years.

A reminder that any dues or fee's paid to a professional organization are an eligible deduction. For example teachers fee's to OCAT are an eligible expense.

As well the Ontario College Of Trades requires each member to pay an annual fee. Please include these fee's as part of your personal tax package for 2015.

MINIMUM WAGES

A reminder that the minimum wage rates for Ontario will increase on October 1, 2015. 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: $11.25 per hour

Student Minimum Wage: $10.55 per hour

Liquor Servers Min Wage: $9.80 per hour

ONGOING EMPLOYEE ITEMS

A reminder that all Ontario employee's must receive 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. To help employers meet this requirement for their workers and supervisors the Ontario government has developed a suite of training programs to help.

Effective May 1, 2015 there is another "new" ESA poster that must be posted in all Ontario workplaces. As an added bonus effective May 20, 2015 all Ontario employers must provide a copy of this poster to all employees, within 30 days if they are existing employees. New employee's must receive this poster within 30 days of hiring. You can download the poster at the following address;

http://www.labour.gov.on.ca/english/es/pubs/poster.php#get_poster

Of course you have to provide the poster in the native language of your employee, fortunately the Ministry has a wide variety of languages available.

IN TRUST INCOME FOR ADULT CHILDREN

Each year we receive a number of T3s/T5s for in trust income for adult children of our clients. In past years we would generally report this income on the *"childs"* tax return, the accurate allocation of the income. As the information slip reports the SIN of the adult the CRA reassessed a number of our clients with the income earned while I/T/F for the child. Of course the time and money to argue with the CRA that this is double taxation is not worth the tax savings.

We do strongly recommend that you transfer the funds held in trust directly to your children in **this calendar year** to avoid future and ongoing taxation issues.

THE LAST BIT OF "GOOD" NEWS

Unfortunately we had a few HST audit's on clients this past year. We usually have a couple a of clients audited a year and we have had three of our own companies HST audited. In all HST audits in the past, there was minimal if any reassessments.

This past year the HST department has ramped up the intensity and inflexibility of the process. On one audit, started in calendar 2015, they requested (demanded) the personal bank accounts, credit line statements, mortgage statements, investment statements and documentation supporting other transactions for all the *shareholders and shareholders spouses* for the audit period. We had a number of discussions with other accountants about this request, apparently it is a new audit component, and they concurred that the taxpayers should comply with the request. Failure to comply would simply initiate a personal audit.

The second new focus of the HST audit was on company owned vehicles. The auditor has received a list of vehicle's registered by the company from the MTO and during the initial review period requested to see the vehicles and each vehicles mileage log book. Then the actual personal vehicle benefit conversation begins. This is problematic for two reasons. First, the company has to *self assess and remit* the HST on the personal vehicle benefit calculation, and we aren't aware of any small business complying with that requirement. Second, once the HST auditor has determined the various personal vehicle benefits that *may* apply the CRA could re assess the individual taxpayers personal tax returns for the relevant audit period.

Finally, and it does get worse, is the physical examination of the invoices received by the company for HST purposes. Let's say our client John owns a McDonalds franchise in Brantford. Any invoices that were not addressed to his numbered company (123456 Ontario Inc.) or his registered operating name (McDonalds Brantford) were disallowed by the auditor for HST input tax credits. This was a large problem as some of the suppliers (utilities/telcos) invoiced the name "McDonalds" only, and this was unacceptable as it wasn't the legal entity. Other businesses, like smaller food suppliers would invoice "Johns McDonalds" and again this was unacceptable, not the legal entity. The auditor disallowed over 1,000 invoices but was willing to accept the input tax credits as valid if each supplier would **credit the original invoice** and **submit a new invoice** to the correct business name. It is as ridiculous as it sounds.

Fortunately the story has a somewhat happy ending as Johns hard work over 12 weeks led to almost 100% compliance on the re invoicing requirement. What does all this mean to you, the business owner? Two key items. First, please ensure you have sufficient vehicles registered to you personally and log books for any corporate vehicles. Second, review the names on the invoices from your suppliers and change the information to match the corporation name and/or registration.

As Always, ENJOY YOUR SUMMER

Debbie & Keith