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# CONTREN MANAGEMENT CONSULTANTS INC.

## DECEMBER 2006 NEWSLETTER

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### STATUTORY (PUBLIC) HOLIDAYS

A reminder that Christmas, December 25, Boxing Day, December 26 and New Years Day, January 1 are paid Public Holidays in Ontario.

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 and honoured within three months of the actual Public Holiday.



### OFFICE CHRISTMAS HOURS

As always, in the spirit of the Christmas season, our office will be closed to allow our many staff members to enjoy time with their families. The office will be closed the week of Monday December 25, 2006 and will reopen the morning of January 2, 2006.



We will be checking our messages on a timely basis throughout the Christmas holidays and will respond as required.

### SIMPLY ACCOUNTING

Simply Accounting has once again updated their software package, their new version is Simply 2007. As of November 1, 2006 they have ceased supporting the Simply 2005 package, you will need to upgrade to Simply 2007 in order to receive the payroll updates. Any user of Simply 2006 that has subscribed to the SimplyCare program will continue to receive payroll updates in calendar 2007.



Subscribers to the SimplyCare program will be able to download payroll updates from their website, [www.simplyaccounting.com](http://www.simplyaccounting.com), at the end of December 2006.

## EMPLOYEE EXPENSES DEDUCTION

As a result of draft legislation *qualified* trade employees will be able to deduct legitimate tool costs from their income, starting May 1, 2006. The employee must be a registered tradesperson and **must** provide an itemized list of purchases for the employer to approve. For 2006 the program limits have not been finalized.

In practical terms this means that each employee must keep their receipts for any tool purchases and provide this information to their employer. The employer will then need to complete a **T2200** for the employee to sign. Both the employee and employer will need to keep a copy. As this is a new program for the CRA I suspect that there will be a significant review of the expenses claimed and strongly recommend that the expenses claimed be accurate and legitimate.



## PAYROLL INFORMATION

For calendar 2007 the CPP deduction rate has remained constant at 4.95% however the maximum earned income amount has increased to \$43,700. This increase means that the maximum CPP deduction for an employee will be \$1,989.90 for 2007.

For calendar 2007 the EI deduction rate has decreased to 1.80% however the maximum earned income amount has increased to \$40,000. These changes mean that the maximum EI deduction for an employee will be \$720.00 for 2007.

Effective January 2007 the CRA will no longer provide payroll tables in a paper format and will be limiting the number of CD's. All information for manual payroll calculations will be available at [www.cra-arc.gc.ca/tax/business/topics/payroll/4032/menu-e.html](http://www.cra-arc.gc.ca/tax/business/topics/payroll/4032/menu-e.html).

## NEW TAX CREDITS

As part of the 2006 Budget the federal government announced new tax credits for individuals. Two of these tax credits, a textbook tax credit and public transit tax credit, are in effect starting July 1, 2006. At this point the actual processing and application of the credits is not finalized however students in post secondary institutions and taxpayers using public transit should keep their receipts for these expenses.

A new apprenticeship tax credit, as mentioned in the 2006 budget, is in effect for the 2006 taxation year however the actual application of this program has not been finalized.

A physical fitness tax credit for children will come into effect for the 2007 taxation year.

We will provide details on these programs as they become available.

## INCOME TRUSTS – NEW RULES

The recent changes announced by the federal government on income trusts have no **immediate** affect on Canadian taxpayers. The changes allow a four year grandfathering period in which the income trust may switch back to a regular, publicly traded organization. After the phase in period income trusts will have to pay a flat tax on their “earnings” prior to distribution.

There are specific exemptions to these changes, depending on the actual operating nature of the income trust. These exemptions will return the income trust structure to the original intent, REITS and primary resource organizations.

The short range concern for the average Canadian investor is the actual strength of their income trust investments and the likelihood of the continuance of the cash payouts once the new rules are implemented.

We suggest that all clients with income trusts' review their entire investment portfolio prior to the new rules being implemented.



## PENSION INCOME SPLITTING

Concurrent with the announcements regarding the changes to the income trust rules were changes to the minimal income splitting rules for seniors.

The federal government has announced significant income splitting options for seniors, effective January 1, 2007. Basically any taxpayer who receives qualified pension income (non government sourced) will be able to allocate up to one half of their pension income to their spouse.

Examples of qualified pension income, for individuals at least 65 years of age, include lifetime annuity payments from a RRSP, RRSP withdrawals, deferred profit sharing plan payments, and payments from a RRIF. For individuals under 65 years of age only annuity payments from a RRSP are qualifying pension income.

The advantage of this income splitting option is to remove income from the highest earned income spouse (at a potential 46% tax rate) to the lowest earned income spouse (at a potential 0% tax rate).



The income splitting will be processed on a year by year basis and will be reviewed in detail at our office when your personal income tax returns are being prepared.