CONTREN MANAGEMENT CONSULTANTS INC.
FALL 2011 NEWSLETTER

FALL OFFICE HOURS

As a result of increased efficiencies with the new office (and Debbie working harder) we have decided to continue having the office closed on Friday's until the new calendar year.

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

STATUTORY (PUBLIC) HOLIDAYS

Please note that Labour Day, Monday September 5 and Thanksgiving, Monday October 10, are Public Holiday's 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 preceeding four weeks to the holiday **divided** by 20.

OFFICE MOVE/NEW EMAIL ADDRESS

A reminder that we moved our office last December and have now cancelled the Dunnville phone number, 905 774 2977 and the Dunnville fax number, 905 774 1096. Our new numbers are (p) 905 769 6400 and (f) 905 575 4600.

We are still receiving correspondence addressed to the Dunnville address and our forwarding service with Canada Post will expire this year. Please update your files with our new mailing address:

1030 Upper James St, Suite 204
Hamilton, Ontario
L9C 6X6

I would also appreciate if our clients can update the email address for Keith Gear to kgear@contrenmanagement.com as the other addresses will be cancelled shortly.

Thank You

CANADA PENSION PLAN (CPP) CHANGES

There has been a considerable amount of discussion regarding the changes to CPP programs and we have highlighted the changes applicable to our group of clients.

Generally speaking people who are employed by their own company and people who are self employed *would* elect for their CPP pension at age 60. The early election saved the individual from having CPP deducted from their paycheque and from having either their company or themselves from paying the employer's portion. For a taxpayer who elected the early pension instead of waiting until age 65 would have saved at least $22,170 (at the maximum contribution level) in those five years. The only downside to the early election was that the CPP pension paid was reduced by 0.5% per month of early election. A taxpayer who elected for early pension to start at age 60 would have their pension reduced by 30%.

There are two significant changes to that plan. The first is that the government has determined that individuals are living longer and have changed the early pension penalties and the late pension bonus. Starting in 2012 the penalty for an early pension election has moved to 0.52% per month and increases to 0.6% per month in 2016. The late pension bonus has moved to 0.57% starting in 2011 and increases to 0.7% in 2013.

What this really means is that any taxpayer who is self employed or employed by their own company and is turning 60 in calendar 2011 *should* apply for the early CPP pension prior to the December 31, 2011.

The other significant change to that plan 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 early CPP pension is still required to contribute to CPP (as well as the employer's portion) until they are age 65.

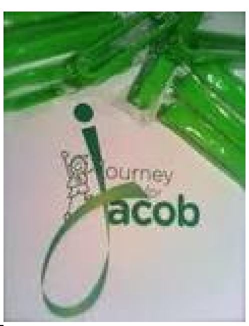
The other significant change for all employers is that their employee's who are between 65 and 70 and collecting CPP can elect to continue contributing to the program. This will force the employer to pay their employers portion of CPP. This a voluntary choice for the employee but any money contributed to the PRB will increase their CPP pension, even if the are already at the maximum CPP pension presently. The taxpayer can elect out of this program by applying in writing for cancellation.

These changes make it less attractive for employee's aged 60 to 65, who work for their own companies to continue as employee's. We will need to examine these situations on an individual basis to determine if dividends will be the more attractive method of remuneration. Unfortunately self employed taxpayers will be forced to contribute to CPP and pay the employer's portion based on their reported income.

DIVIDEND TAX RATES

When the federal government changed the taxation policy on Income Trust's they also introduced different tax rates and gross up calculations for eligible Canadian dividends. These changes make eligible Canadian dividends less attractive by a couple of percentage points. The highest incremental tax rate for eligible Canadian dividends for Ontario taxpayers for 2010 is (26.57%), 2011 is (28.19%) and 2012 is (29.54%). The highest incremental tax rate for capital gains for Ontario taxpayers in 2011 is 23.20%.

JOURNEY FOR JACOB



Again, I want to thank all of our clients and business associates who have contributed to my participation in this relay race/fundraiser.

The funds raised will be directed to children's cancer programs and more information can be found at:

http://thesearsgreatcanadianrun.ca/?id=2

FIRST TIME HOME BUYERS TAX CREDIT (HBTC)

As our clients children mature a number of them are purchasing their first home and we want to remind you about the First Time Home Buyers Tax Credit. The HBTC is a one time non refundable tax credit for eligible first time home buyers. The program operates as follows:

- The property purchased must be the first property owned and lived in by the buyer, and if purchased jointly, the first property owned and lived in by their spouse or common law partner.
- The HBTC is *family* based, therefore only one spouse is eligible to claim the credit.
- The program allows for a $5,000 federal non refundable tax credit, which reduces your federal personal tax liability at the lowest tax rate. As this rate is presently 15% the HBTC will **reduce** your taxes by as much as $750 but will not create a federal personal tax refund.
- The program is administrated through the filing of your personal tax return.
- The program applies to qualifying property purchased after January 27, 2009.
- There is no immediate requirement to provide proof of home purchase however you may be required to provide documentation.
- There is not an expiration date for this program.

This program is somewhat overlooked and the only opportunity for the tax credit is the year in which the property was purchased. Please pass along this information to anyone you know who has purchased their first home.

APPRENCTICESHIP INCENTIVE GRANT (AIG)

In 2007 the Federal government announced the AIG as a reward for first and second year apprentices. Each eligible apprentice enrolled in a *Red Seal Trade* can receive a $1,000 grant upon completion of their first and second year of the program. *Red Seal Trades* include Automotive Service Technicians, Carpenters, Hairstylists, Machinists, Painters, Welders and another 40 trades.

If you employ a first or second year apprentice please direct them to this website for further information:

http://www.servicecanada.gc.ca/eng/goc/apprenticeship/incentivegrant/program.shtml

Please note that these grants are considered taxable income so they need to be reported on the apprentice's personal tax return.