



Client UPDATE

Late Filing Penalty Personal Tax Returns

If CRA charged you a late filing penalty on your return for any of 2007, 2008, or 2009 and if you are late in filing for 2010, your late filing penalty will increase from 5% to 10% of your 2010 balance owing.

In addition to this, you will be charged 2% of your 2010 balance owing for each month that your return is late to a maximum of twenty (20) months. This compares to the previous 1% and twelve (12) months.

Not-for-Profit

Operating funds of a not-for-profit should not be co-mingled with reserve funds in the reserve fund account. These operating funds should be used only for regular recurring common expenses such as heat, hydro, minor repairs, etc.

Reserve funds are only to be used for major repairs and replacements, and money in the reserve fund account cannot be transferred out of the account to pay operating expenses.

It is imperative that these two funds remain independent of each other.

If a turtle doesn't have a shell, is it homeless or naked?



FAQ's -

Q – Do I have to keep a gas log?

A – Yes, but CRA has introduced a new Simplified Logbook to evidence the validity of your motor vehicle expenses if you meet certain specific criteria.

Q – Does the Disability Tax Credit apply to people with mental disabilities?

A – Yes, mental illness is encompassed by this legislation. Even though mental illness is perhaps an invisible disability, it is still considered to fall within the criteria to qualify.

Q - Married men do what twice as often as single men?

A - Change their underwear.

Q – I'm a manufacturer selling a product line, including the goodwill. What is the tax rate for the goodwill?

A – 50% of the good will is shown as taxable income of the corporation; the other 50% can be paid to the shareholders as a non-taxable capital dividend.

Q – What is the tax treatment of foreign dividends?

A – They are taxed at the high rate of 46% vs. the Canadian dividend rate of 33-1/3%.

Two golfers were standing on the green overlooking the river. One looked to the other and said, "Look at those idiots fishing in the rain".

Income Splitting Trusts

If establishing a Trust created by a living person (Settlor), in addition to being properly established, the Trust must be properly maintained.

- Ensure that the Trust arrangement is properly documented and that the "property" that was used to create the Trust is available or a proper trail of how the "property" was used exists;
- Maintain bank & investment accounts for the Trust;
- Maintain annual trustee minutes to document the decisions of the trustees;
- Make payments to or for the benefit of beneficiaries with cheques, and ensure that invoices are retained to support any amounts paid by the Trust on behalf of beneficiaries; and
- If the Trust was funded with a loan (Lender), and income attribution could apply, it is critical to ensure that interest, generally at the CRA's prescribed rate at the time the loan was made, is paid within thirty (30) days after the end of each calendar year.

A properly constituted and administered inter vivos trust is still an effective tax planning vehicle. However, ignoring the compliance requirements can jeopardize the tax effectiveness of these Trusts by attributing the income back to the Lender.

For a no-charge initial consultation, call Gary at 905-669-7950 or e-mail: gary@freedmanca.com

- WHO WE ARE -

Gary A. Freedman, Chartered Accountant is a firm which provides personalized, professional advice in all areas of accounting and tax planning. Located in Concord, ON we provide services to clients throughout Canada.

Our client base is comprised of a wide range of industries including manufacturing, not-for-profit, retail, e-commerce, construction, and hospitality.

Gary A. Freedman is a member of the Practice Inspection Committee of the Institute of Chartered Accountants of Ontario, the body which oversees all practicing chartered accountants in the province.

We are a people-oriented firm who works with our clients to establish and serve their needs.

Call us for:

- Financial Statements
- Personal, Corporate and Trust Returns
- Accounting & Auditing
- Personal & Corporate Tax Planning
- QuickBooks Training
- Bookkeeping & Payroll Services

Refunds for Late Filed Corporate Returns

THIS IS BIG!!! CRA is now denying refunds where the corporate tax return has been filed late. A corporate tax refund is allowed **only** if the return is filed within **three years** of the corporate year-end.

For additional information, call us at 905-669-7950 or e-mail: gary@freedmanca.com

Streamline the Business Remove noncore assets

It is not uncommon for successful family businesses to accumulate noncore assets over time. Such assets can include real estate or an investment portfolio.

There are a number of strategies to consider in order to purify the company, including repayments of shareholder loans and the payment of salaries or a dividend payable to the owners.

As well, the addition of a holding company to the overall corporate structure can facilitate the movement of noncore assets out of the company on a tax-deferred basis through intercorporate dividends and/or butterfly transactions.

Call us to further discuss this very important issue.

Laws of Accounting

1. Trial balances don't
2. Bank reconciliations never do
3. Working Capital does not
4. Return on Investments never will

Remember that Nov. 23, 2010 is the last date that you can file any adjustments related to previously filed PST returns.



Unreported Offshore Income?

CRA has confirmed that over 1000 offshore bank accounts are linked to Canadian taxpayers. The largest of these accounts are now being audited, and others will follow. Choose to make a voluntary disclosure and pay only taxes owing plus interest vs. large penalties or even jail terms if they get you first.

QuickBooks

Is your accounting department running old versions of QuickBooks Pro? If so, can you update to a more current version? You indeed can. Start by purchasing and installing QuickBooks 2010 and then try to open your file. Even with an old version, this often works. If it doesn't, you likely only need to upgrade to 2006 first. Any problems just give us a call – we'd be glad to help!

Oxymorons

- Sweet sorrow
- Taped live
- Silent scream
- Same difference
- Temporary tax increase

Tax Relief to Seniors

The government is proposing to boost tax relief for Ontario seniors to help with energy costs and property taxes.

They are proposing to increase the amount seniors can earn and still be eligible for the proposed Ontario Energy & Property Tax Credit so that more Ontario seniors would benefit.

Notice to Reader

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