



GARY A. FREEDMAN
+ ASSOCIATES
CHARTERED PROFESSIONAL ACCOUNTANTS

70 Villarboit Crescent, Unit 1 Office: (905) 669-7950
Concord, Ontario L4K 4C7 Fax: (905) 669-7951
www.freedmanca.com Email: info@freedmanca.com

Client UPDATE

Death & Taxes Part II

- FAQ's -

Q – Does my company have the right to claim input tax credits on stolen goods?

A – No company wants to have its property stolen, but if theft occurs, HST registrants retain the right to claim ITC's in respect of purchased goods – provided they meet the qualifying conditions.

Q – I am confused about excess TFSA contributions but it seems that the government is even more confused. Will I get relief from penalties and interest for an honest mistake?

A – The federal government has stated it will continue to be as flexible as possible in cases where taxpayers have genuinely misunderstood the contribution rules.

Q – In a condo, who appoints the auditor, the board or the owners?

A – While the board may make recommendations, the owners elect the auditor.

Q – I'm looking to buy a new car. Should I buy it in December or in January?

A – Assuming you are using your car for business purposes, buy it in December since you will get a tax deduction on the purchase a full year earlier.

Maximum Pensionable Earnings for 2012

The maximum pensionable earnings under the CPP for 2012 will be \$50,100 up from \$48,300 in 2011.

Fall 2011

In our last newsletter, we talked about realization of gains or losses after death.

In the year of death, an individual's representative may have to file multiple returns, as many as four. These extra filings are generally to the advantage of the estate and are restricted to certain types of income. The most common additional return reports "rights and things".

Common rights and things include: the final month's OAS and CPP payments if these were received after the date of death, dividends declared on shares held by the deceased but not paid by the date of death, and remuneration earned but not payable at the date of death.

The other optional returns are less common. A return can be filed to report business income earned after a fiscal year end that occurred in the year of death. Another return can be filed if the deceased is a beneficiary of an estate and the estate's taxation year ended in the year of death and prior to the date of death.

In our next newsletter, we will focus on capital losses, donations and taxation of estates.

When it rains, why don't sheep shrink?

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

Claim the Federal Children's Arts Credit

The Federal Children's Arts Credit has been approved. Parents may claim money spent on programs such as fine arts, music, performing arts, wilderness training, learning a language, studying a culture, and tutoring.

This tax credit is in addition to the Ontario Children's Activity Tax Credit. Parents will receive a non-refundable tax credit by claiming eligible expenses of up to \$500 per year per child.

Working? Over 60? Under 70?

As of January 1, 2012, the rules for contributing to the CPP will change as follows:

- Under 65, you will now have to contribute to the CPP if you are receiving a CPP pension, and working.

- Over 65 but less than 70, unless you elect to stop contributing to the CPP by completing Form CPT30, you will now have to contribute to the CPP if you are receiving a CPP pension, and working.

Did you ever notice: When you put the two words 'The' and 'IRS' together, it spells 'THEIRS'?

RESP Flexibility

After 2010, transfers between individual RESPs for siblings will be permitted without triggering penalties and repayments of Canada Education Savings Grants, so that these plans enjoy the same flexibility available under family plans.



- 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, professionals, investment corporations, e-commerce, and construction.

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.

- Accounting & Auditing
- Trust Returns
- Personal & Corporate Tax Planning
- QuickBooks Training
- Bookkeeping & Payroll Services

Dad writes on son's Facebook wall: "Dear Son, How are you? All are fine here. We miss you a lot. Please!! TURN OFF THE COMPUTER & COME DOWN FOR DINNER!!!"

Tax Tips for 2012

- Arrange to make automatic RRSP contributions
- Invest in your kids with an RESP
- Become self-employed
- Pool your charitable donations
- Make maximum use of your investment losses
- Appoint the lower earning spouse the investor

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

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Trade School Initiative

This educational pilot project, launched in Ontario, BC and NB on November 4th is to help students become informed tradespersons in the construction and renovation industry.

The initiative provides relevant information on **tax credits** and financial resources such as the **tradesperson's deduction for tools**, the apprenticeship incentive grant, and the apprenticeship completion grant.

For more information, go to <http://www.tradelinks.ca/>

Part of the "sandwich generation"? Exceptions to Home Buyers' Plan (HBP) may apply to you!

The government will now make exceptions to the HBP rules as they relate to people with disabilities. These changes apply directly to the "sandwich generation" who are looking after their elderly or infirm parents.

You may now either withdraw funds from your RRSPs under the HBP to acquire a home suitable for a person with a disability or give those funds directly to the person to acquire such a home.

The person must be related to you and the home must be more accessible or better suited to the needs of that person.

Additionally, you can include the \$5,000 homebuyer tax credit on your personal tax return.



RRSP Contribution Limits for 2011 Increased

2011 contributions are limited to 18% of your earned income from 2010 to an increased maximum of \$22,450. The limit will be increased again in 2012 to \$22,970.

QuickBooks

QuickBooks lets you enter transactions without assigning them to accounts. So your Chart of Accounts has two accounts labelled **Uncategorized Income** and **Uncategorized Expenses** that serve as repositories for these transactions. This means that when you run reports or prepare for taxes, you may have a hard time remembering the circumstances of those transactions and will find it difficult to assign them to accounts.

Do yourself a favour and set up QuickBooks so that you must assign an account to every transaction. This will take extra time upfront, but not as much as if you try to recall the transaction three months from now. Go to: **Edit | Preferences | Accounting | Company Preferences** and make sure that **Require Accounts** is checked.

Lexiphiles

- to write with a broken pencil is... pointless.
- A thief who stole a calendar... got twelve months.
- When the smog lifts in Los Angeles... U.C.L.A.
- Police were called to a day care where a three-year-old was... resisting a rest.

Notice to Reader

Gary A. Freedman publishes this newsletter for information purposes only. It is neither a definitive analysis of any law, nor a substitute for professional advice.