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Client UPDATE

Be sure to visit
our website!

www.freedmanca.com

Death & Taxes Part IV

For tax purposes, the estate (or a trust which was created after death, and funded entirely by the deceased individual) is treated as a separate taxpayer.

A death benefit paid by the employer of a deceased person is taxable to either the deceased's estate or the deceased's beneficiary. However, the first \$10K of such benefit is not taxable. Further, any death benefit received from the CPP is also taxable, either to the estate or to the recipient.

Any year end desired may be selected for a trust but the year-end must be within one year of the date of the death.

The estate is taxed much like an individual and is given access to individual marginal tax rates not available to other trusts which may have been created before death. When income from the estate is paid or payable to beneficiaries, those beneficiaries, and not the estate, are taxed on the income. Should the recipient beneficiary be in a higher tax bracket than the estate, the estate is permitted to designate all or any part of such income to instead be taxable to the estate, thus reducing tax payable.

**Ask us a question or
arrange for a no-charge
initial consultation at
www.freedmanca.com**

Good News!

Hiring Credit for Small Business Extended

The Hiring Credit for Small Business (HCSB) was originally implemented as a one time only tax credit of up to \$1000. It was created to cover any increase in an employer's EI premiums paid for 2011 over those paid for 2010.

The good news is that this credit has been extended and will now also cover any increases in premiums paid in 2012 over those paid in 2011.

Not Such Good News!

SR&ED Reduction

For taxation years after 2013, the Federal Budget proposes to decrease the general rate for investment tax credits from 20% to 15%.

More Good News!

Informal Tax Court Limit up from \$12K to \$25K

After an individual has filed a Notice of Objection with the CRA and received a response to that notice, then they may appeal to the Tax Court of Canada (TCC). The Informal Procedure is a simplified procedure designed to simplify and expedite the process.

The Informal Procedure cannot be used for all appeals: it can only be used if the value of the appeal is \$25,000 or less (excluding interest).

For HST, the limit has been increased to \$50,000.

I changed my iPod's name to Titanic. It's syncing now.



- FAQ's -

Q - I must have nice clothes in order to present the proper image to my clients. Can I write off my new stylish wardrobe?

A - No, a recent court case confirmed that clothing is not a deductible expense, except in very specific cases.

Q - I would like to buy a motor home as my first home. Am I eligible for the Home Buyers' Plan (HBP)?

A - Not a chance! A recent court case confirmed that a motor home is not within the definition of a qualifying home. Firstly, it must be a housing unit, and secondly, it must be permanently located in Canada.

Q - Who, not a "Seinfeld" regular cast member, is featured on every episode of "Seinfeld"?

A - Superman, either by name or pictures on Jerry's refrigerator.

Q - Can you give me any tips on filing my quarterly HST return that will make it less painful?

A - CRA recently doubled the threshold for using the Quick Method of HST calculation. If you have annual sales of less than \$400K, you can lessen your pain by taking advantage of the Quick Method.

A chicken crossing the road is poultry in motion.

Bakers trade bread recipes on a knead-to-know basis.

Acupuncture is a jab well done.

When two egotists meet, it's an I for an I.

- WHO WE ARE -

Gary A. Freedman + Associates, Chartered Accountant is a firm which provides personalized, professional advice in all areas of accounting and tax planning.

Known for his approachability, Gary has been committed to his clients for more than 20 years, and has built his practice by listening to their needs. With his warm and caring personality, clients know that with Gary, what they see is what they get!

The firm's client base consists of small business owners, builders, manufacturers, sub-contractors, daycares, professionals, high tech companies, and registered charities and not-for-profits.

We offer a full range of professional accounting services:

- Accounting & Auditing
- Personal & Corporate Tax Planning & Tax Returns
- Family Trusts
- Bookkeeping, Payroll, WSIB
- QuickBooks Training

New U.S. Filing Program

The IRS has announced new "catch up" filing compliance procedures for non-resident U.S. taxpayers. While there is no complete amnesty for non-filing qualifying taxpayers, the new procedures should provide some relief to "low risk" filers by reducing the number of returns that have to be filed.

My boss phoned me and asked if everything was ok at the office. I said, "Yup, but what a day, I haven't stopped, it's been so busy!"

"Do me a favour then" he said. "Sure", I said. "Could you speed it up a little, I'm in the foursome behind you!"

Visit us at
www.freedmanca.com
call us at 905-669-7950
or e-mail us at
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Fall 2012

TFASAs
Are you taking advantage of this tax-free vehicle?

According to a recent major Canadian bank survey, it was discovered that just under half—47% to be exact—of Canadians eligible to do so had a TFSA.

While this shows that the TFSA initiative has clearly been taken up by a significant number of Canadian taxpayers, it also shows that over half of Canadians have not, for whatever reason, seen fit to put money into such a plan.

The failure to do so is unfortunate, as TFASAs, as a savings vehicle, combine tax advantages with an unparalleled degree of flexibility.

England has no kidney bank, but it does have a Liverpool.

New Tax Credit for Seniors

Seniors can now get a \$1500 annual tax credit on up to \$10K in renovations that will make their homes safer to live in. This credit is retroactive to Oct. 1, 2011 and includes reno's such as wheelchair ramps, bathtub grab bars, automatic garage door openers, and additional light fixtures throughout the home and exterior entrances.

Expenses are ineligible if their primary purpose is to increase the value of the home or if they are for recurring or routine repair, maintenance or service.



Tuition as a Medical Expense

Private school is expensive and is sometimes looked upon as a luxury. For those whose child has a mental, learning or physical disability, it is not a luxury since the specialization provided is often worth the financial burden.

The good news is that in certain situations, parents may be entitled to claim the cost of tuition as a medical expense tax credit (METC). A recent tax case clarifies the certification needed to be eligible for this tax credit.

For more information on this recent ruling, just give us a call.

Have you ever wondered why someone refuses to share their age until they get an extra deduction on their tax return?

QuickBooks Tips

Be kind to your accountant: Set a closing date

Once we've worked with your QuickBooks file up to a certain date, entering, editing or deleting transactions prior to that date can wreak havoc with the balance of your books. To be safe, your administrator should password-protect the ability to do this, so that no one does this intentionally or unintentionally.

Go to **Edit | Preferences | Accounting | Company Preferences** and enter a closing date and password. We will change the date each time we complete our work.

Income Splitting Loans

Low interest rates make this a good time to make loans to lower-income family members, who can earn investment income and pay lower tax rates on whatever they earn.

Notice to Reader

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