

Client UPDATE

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2014 Ontario Budget

1) Personal Tax Rate Changes

- Income tax rate increased to 13.16% on taxable income exceeding \$220,000.
- New tax rate of 12.16% on taxable income between \$150,000 and \$220,000.
- No adjustments to the new income thresholds for inflation each year.

2) Dividend Tax Rate Changes

- The combined federal and provincial tax rate on dividends has increased to 40%.

3) Small Business Deduction

- If your taxable capital exceeds \$10M; you will get a reduced Ontario Small Business Deduction.

4) Ontario Pension Plan (ORPP)

- The plan is to be introduced in 2017 and will require equal contributions by both employers and employees (not exceeding 1.9% each, or 3.8% in total) on a maximum annual salary of \$90,000.

Enrolment in the ORPP would occur in stages, starting with large employers, with contribution rates phased in over two years.

- Individuals that already participate in a similar workplace pension plan would not be required to enroll in the ORPP.

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

Business vs. Personal

The key test as to whether an expense is personal or business is whether you would have incurred that particular expense even if you hadn't been working.

While it is true that in order to work, you (generally) need to wear clothes, eat and have shelter, since these expenses would have been incurred even if you weren't working, they are assumed to be personal and therefore, not generally tax deductible.

Boss to new employee, "I'll give you 8 bucks an hour starting today and in three months, I'll raise it to 10 bucks an hour. So when would you like to start?"
"In 3 months," the employee answers.

Clawed Back?

If your OAS was clawed back this year based on your 2013 tax return but you now have reduced 2014 income, there is still hope. Filling out and submitting Form T1213 (OAS) will assist you in reinstating your OAS payments.

TFSA Heads Up!

If you withdraw funds from a TFSA, an equivalent amount of TFSA contribution room will be reinstated in the following calendar year.

A problem arises though if you withdraw funds from a TFSA and then re-contribute in the same calendar year without having the necessary contribution room. Doing this over-contribution may result in penalties.

- FAQ's -

Q - When do I have to begin withdrawals from my RRIF?

A - As of 1992, RRIF holders must remove 7.38% of their savings beginning at age 71. Thereafter, minimum withdrawals rise gradually until reaching 20% at age 94 and beyond.

Q - The karate class for my child costs me \$750 but I can only claim \$500 as a tax credit. Any chance of an increase?

A - You're in luck! Beginning in 2014, the Children's Fitness Tax Credit will allow parents to claim up to \$1000 in fees as a tax credit for eligible expenses.

Q - What is the difference between death and taxes?

A - Parliament does not meet every year to make death worse.

Q - What is the 2014 deadline for submitting the Foreign Reporting Form (T1135) if you have foreign income over \$100K?

A - The 2014 submission deadline will be the personal tax filing due date of the individual who is filing the T1135.

Q - What is the Repeated Omission Penalty?

A - This is a penalty assessed by CRA if you forgot to report something on your personal return. You will be penalized if you omit this income twice within a four-year period. Be aware that it is a high penalty because it is based on income and not tax payable.



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 almost 25 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
- Estates & Trusts
- Bookkeeping, Payroll, HST
- QuickBooks Training
- T4s, T5s & Tax Returns

Separated?

When can a newly separated person begin deducting spousal support payments?

Spousal support payments are deductible if paid in the same year an order was made or an agreement was signed, or in the immediately full preceding calendar year.

Two antennas met on a roof, fell in love, and got married. The ceremony wasn't much, but the reception was excellent.

Be sure to sell losing stocks before the Dec. 24 deadline for Canadian tax loss selling and Dec. 26 for US tax loss selling.

Visit us at

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Snowbirds – Part II

For Canadian vacationers, the substantial presence test is unlikely to become an issue. For Canadians with 2nd homes in the sun belt, it's a different matter. Snowbirds can easily potentially exceed the 120 days allowable and may be flagged by the substantial presence test.

There's a U.S. form called the Closer Connection Exemption Statement for Aliens (**form 8840**) you can file to head this problem off at the pass. You are documenting that you have a closer connection to Canada and are not simply dodging US taxes. Filling out this form allows you to stay in the U.S. a full 182 days without offending the IRS or Homeland Security. Each person must file individually, not just one person per household.

If you don't exceed 122 days in a calendar year you will never overstay your welcome in error and the 8840 is unnecessary.

The definition of hospitality is making your guests feel like they're at home, even if you wish they were.

Fingers Crossed!!!

Prime Minister Harper has vowed that he will allow Canadians to double their contributions to a TFSA, if the budget is balanced.

With the government close to a balanced fiscal position, this increase has become a real possibility. Here's hoping!



RESP Grants

If you didn't make a contribution to an RESP in 2013, you can still put \$5,000 (\$2500 x 2) in this year and get \$1,000 as a grant.

In essence, you may claim two years of contributions at a time.

Be aware that you can only collect grants up until the year in which your child turns 17.

Small Business Job Credit

The Small Business Job Credit will effectively lower small businesses' EI premiums from the current rate of \$1.88 to \$1.60 per \$100. of insurable earnings in 2015 and 2016.

Any firm that pays employer EI premiums equal to or less than \$15,000 in those years will be eligible for the credit.

Don't miss out. More than 90% of all small businesses are entitled to receive this credit, which will reduce their EI payroll taxes by nearly 15%.

ATTORNEY: Doctor, how many of your autopsies have you performed on dead people?

WITNESS: All of them... The live ones put up too much of a fight.

QuickBooks Tips Grab Data Online

Do the work necessary to automatically grab data from banks and other vendors (including PayPal) and then dump into QuickBooks automatically.

This typically isn't as hard as you might think. Also, entering data automatically via tools such as online banking means both that your data entry is more accurate and that your data entry occurs faster.

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