

# WARD & UPTIGROVE



## 2011 YEAR END NEWSLETTER

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### **Christmas Shutdown**

The offices of Ward & Uptigrove and UMA Financial Consultants will be closed during the Christmas holidays from Monday, December 26<sup>th</sup> to Monday January 2<sup>nd</sup>, opening in the new year on Tuesday January 3<sup>rd</sup>.

### **Tax Loss Selling**

Given the stock market performance over the last few years, many investors may be holding securities with accrued losses. Tax loss selling is a strategy to realize accrued losses and carry them back against capital gains realized in the three previous years.

You should first determine your realized gains and losses for 2011 and then review your tax returns for 2008 to 2010 to determine if tax loss selling can benefit you.

However, the primary decision to realize a loss on a particular security should not be tax motivated. The decision to sell should relate to your investment objectives.

You also need to be aware of the superficial loss rules. These rules apply to deny your loss where you, your spouse, a company you control, or your RRSP (1) acquire the same security within the period beginning 30 days before and ending 30 days after the security is sold for a loss and (2) the security is still held 30 days after the sale.

If you hold securities with accrued losses and don't have current or prior year gains, but your spouse does, there is a strategy to transfer your accrued losses to your spouse for their use. Please contact us if you are in this situation and want further information on implementing this strategy.

Canada Revenue Agency (CRA) considers the settlement date (not the trade date) as the date of a security disposition. Since security trades are subject to a three-day settlement period, and the Canadian stock markets are closed on Christmas Day and Boxing Day, December 23<sup>rd</sup> is the last day to execute a trade to realize a loss in 2011.

### **Family Trusts**

Family trusts can be a very useful tool in achieving several different objectives. Some of the benefits of a family trust can be income splitting, creditor proofing, tax deferral, reduced probate fees, and flexibility.

A discretionary family trust can be formed for the benefit of your spouse and adult children to hold shares of your company. Dividends from your company may be paid to the Trust, then allocated to your spouse and adult children. By having a spouse or adult child pay a lower rate of tax on the dividend, the overall family's tax burden can be significantly reduced. A family trust can be specifically useful in funding post-secondary education costs for your children in a tax-efficient manner.

Family trusts can also allow the transfer of future growth of a company's shares to the next generation, while control is maintained by the first generation. This may then increase access to family members' capital gains exemptions to offset future capital gains on the shares of the company. This can also allow for an estate freeze without having to determine specifically who will take over the family business at the same time.

Family trusts can also reduce future Estate Administration Taxes (probate fees) as shares held in a discretionary trust are not subject to probate fees. Also, because a trust deed is not a public document, the details are kept confidential, unlike a will.

There are other benefits of implementing a family trust beyond what has been discussed here. Please contact us to discuss further details if you feel that it may be useful to achieve your objectives.

### **Scientific Research and Experimental Development (SRED) Claims**

Canada offers generous incentives in the form of tax credits for businesses carrying out SRED activities. Many businesses perform these activities without realizing it. If you are undertaking activities such as:

- integrating new equipment into processes,
- developing new products and/or packaging,
- reducing the environmental impact of processes,
- extending the shelf life of products,
- designing custom equipment, or
- making products more consistent,

then you may be eligible to make a SRED claim.

Eligible SRED expenditures include labour, overhead, materials, subcontracting fees, equipment and certain third-party payments. For most corporations, eligible amounts generate a refundable 35% federal tax credit. Corporations also receive a further 10% refundable credit from Ontario. If you believe your business may qualify to make a SRED claim, please contact us for more information on proceeding with a claim.

### **The On-Time Payment Rules for Taxes**

There is some confusion as to what constitutes paying on time. Some payments are considered to have been made only when received by the CRA; other payments are considered to have been made when mailed.

For clarification, section 248(7) of the *Income Tax Act* reads:

- For the purposes of this Act, anything (other than a remittance or payment described in paragraph 248 (7) (b)) sent by first class mail or its equivalent shall be deemed to have been received by the person to whom it was sent on the day it was mailed; and
- The remittance or payment of an amount
  - *deducted or withheld, or*
  - *payable by a corporation,*
 as required by this Act or a regulation shall be deemed to have been made on the day on which it is received by the Receiver General.

Payments for HST, income or withholding taxes (i.e. for payroll) made at any financial institution belonging to the Canadian Payments Association will be accepted on the day they are processed. A payment made at an Automated Teller Machine (ATM) must be processed the same day to be considered paid on the payment date. Payments may be late if they are made after public banking hours since many financial institutions do not process the data until the following day. Payments made Friday after closing are usually not processed until the following Monday.

If, however, the due date falls on a Saturday, Sunday or public holiday, the payment will be considered "on-time" if the funds are processed by the financial institution or received by CRA on the next business day. For example, if the deadline is Saturday, April 30, and the return is mailed on April 30 but not received by CRA until Monday, May 2, it is considered to have been received on time. If, however, a payment required by Tuesday, April 30, is mailed on April 30 and not received until Wednesday, May 1, it is considered late.

### **Considerations for Succession Planning**

In recent years we are hearing a lot about Baby Boomers planning to exit their business in the next five to ten years. For some of us, transferring our business to the next generation or to an outside party may be easy. For others the thought of letting go or not being in control can be fearful. Building a business is an intensely personal experience for many entrepreneurs. Yet, we all need to acknowledge our humanity and plan for our retirement. It is better to be pro-active in this regard as opposed to "hanging on" and seeing where the chips may fall.

Factors to consider include:

- What is my business worth?
- Who could I sell to?
- Do I have employees that could purchase the business?
- Are my children interested in the business?
- Are my employees or children capable of running the business?
- What will I do? Can I remain actively involved while learning to step back?
- Do I have enough to retire on?
- How much income tax will I pay?
- Where do I start to even address these issues?

At Ward & Uptigrove we have the team required to help you in making the transition steps necessary to transfer your business to the next generation or to your employee(s), or selling outright to new owners. We are constantly involved in advising on these situations with clients.

- We can assist in preparing business valuations or obtaining the right specialist to do so.
- Through our wealth management group we can assist in preparing a financial and retirement plan to ensure that you have the required resources to meet your retirement needs.
- We can determine the best strategy to minimize and defer income taxes on the transfer or sale of your business.
- Through our human resources group we can help you assess the strengths and weaknesses of your people to identify the required skills to ensure a smooth transition.
- We can also act as business advisors to the next generation should you decide as an owner to remove yourself from the day-to-day operations.

With our experience we can prepare you and your business for either an internal sale (involving employees or children) and an external sale. Do not hesitate to discuss business transition issues with your accountant. It will help to bring peace of mind in planning for the future.

### **Human Resources HR Matters**

#### ***Leadership Training Workshops 2012***

Leadership Strategies is designed to give you or your employees the tools to lead and supervise.

- Wednesday, March 7, 14, 21, 28 and April 4, 8:30 am to 12:30 pm
- Investment: \$895 per participant

To register or get more information email Lindsay Hunsberger at [lindsayh@w-u.on.ca](mailto:lindsayh@w-u.on.ca) or call 519-291-3040 ext 700 or visit [www.wardanduptigrove.com](http://www.wardanduptigrove.com).

#### ***HR Planning for the New Year:***

Having the right people with the right skills, values and attitudes, at the right time requires planning ahead. For a small business, with just a few key people, this is incredibly important. Consider your hiring needs over the next year. What is the job market like in your area? How

can you creatively address your hiring needs based on the limitations in the job market?

For some small businesses, losing one employee can have a catastrophic effect on its ability to meet customer needs. In your staffing plan, identify key employees and skills. Set up a plan to have them cross-train so that their knowledge and skills are not lost if they leave abruptly. Document procedures whenever possible.

### **Government Incentives**

The Ontario government offers incentives to employers for hiring. Typically you must apply and get approval for these programs BEFORE you hire someone in order to qualify for subsidies. Make sure you plan ahead so that you don't miss out. If you hire summer students, you should be checking into the Ontario Summer Job Services (<http://www.tcu.gov.on.ca/eng/jobseekers/sjs.html>) and the Rural Summer Job Service (<http://www.omafra.gov.on.ca/english/rural/rsj/index.htm>) programs. With either program, you can get \$2 per hour of wages subsidized. There are limited funds available for these programs, so apply early.

The federal government also offers tax credits, subsidies and other assistance to companies who hire:

- youth ([www.youth.gc.ca](http://www.youth.gc.ca)),
- Employment Insurance recipients (<http://www.tcu.gov.on.ca/eng/employers/wageSubsidy.html>),
- Persons with disabilities (<http://www.servicecanada.gc.ca/eng/of/index.shtml>),

### **Temporary and permanent layoffs**

Your staffing plans may include a reduction in staff due to economic or other reasons. The federal government offers the Work Sharing Program. This program allows you to reduce your employees' workweek, giving them Employment Insurance benefits for their days off. Refer to [http://www.servicecanada.gc.ca/eng/work\\_sharing/index.shtml](http://www.servicecanada.gc.ca/eng/work_sharing/index.shtml) for more details.

The application process is lengthy, you must be planning to reduce your workforce by at

least 10% and you must be able to show that the reduction is temporary. Applications typically take a month or so to be approved.

The Employment Standards Act (ESA) defines a temporary layoff as a layoff of not more than 13 weeks in any period of 20 consecutive weeks. You may be able to extend the temporary layoff beyond 13 weeks if you provide the employee with benefits, showing your commitment to return them to work.

A permanent layoff happens when you do not return the employee to work within the prescribed time as a result of shortage of work (13 weeks in 20 consecutive weeks or 35 weeks in 52 consecutive weeks if benefits are paid). Permanent layoffs are considered a termination and you will have to pay out the termination pay and severance as prescribed in the ESA.

Careful planning and a thorough understanding of the ESA is essential when laying off employees.

### **Bill 119 Mandatory WSIB Coverage in Construction**

This Ontario bill, to amend the Workplace Safety Insurance Act, will extend mandatory workers' compensation protection to independent operators and others not previously covered by WSIB in the construction industry. Construction firms will be limited to one executive officer. Home renovators are exempt from this change. As at press time this bill has received Royal Assent, but has not been proclaimed. The Office of the Employer Advisor (an independent agency of the Ministry of Labour) advises that these changes will not come into full effect until January 1, 2013.

### **HR Risks & Opportunities Assessment**

Are you aware of the risks and opportunities related to your most valuable resource, your people? We have developed an assessment tool that will allow you to evaluate how your organization is performing. Please contact us for more information.

### ***Pooled Registered Pension Plans (PRPP)***

On November 17, 2011 the federal government introduced a bill related to PRPPs. The PRPP is a new type of tax-assisted retirement savings plan that may be of interest to small business owners. The concept of a PRPP is similar to a defined contribution registered pension plan. For more information go to <http://www.fin.gc.ca/n11/11-119-eng.asp> or contact our office.

### ***Legislation Updates in 2012***

#### **Accessibility for Ontarians with Disabilities Act (AODA)**

The AODA is a group of standards for accessibility for all Ontarians. It will be enforced, therefore compliance is required. The Customer Service Standard became law in January 2008. Most small private sector businesses must implement by January 1, 2012. If you are a small business in Ontario that provides goods or services either directly to the public or to other organizations in Ontario and have one or more employees, the standards apply to you. Compliance includes:

- establishing policies,
- implementing practices and procedures for providing goods or services to people with disabilities;
- allowing them equal access to your services and products;
- maintaining their dignity; and freedom to make their own choices;
- communication that considers their needs;
- training of staff and other persons who interact with the public;
- and establishing a process to get feedback.

The Internet has many tools to help you comply:

- [www.mcass.gov.on.ca/www.ontario.ca/AccessON](http://www.mcass.gov.on.ca/www.ontario.ca/AccessON)
- [www.webaccessibilityexperts.ca](http://www.webaccessibilityexperts.ca)

#### **Bill 168 Workplace Violence and Harassment**

Effective June 15 2010, the Bill 168 or Workplace Violence and Harassment legislation was added to the Occupational Health and Safety Act, Ontario. Ministry of

Labour inspectors have this on their radar and will be checking for compliance on their visits to workplaces in Ontario. This legislation requires you to develop a policy and procedure for dealing with violence in the workplace, perform risk assessments, and to train employees to recognize and respond appropriately to violence in the workplace. Violence includes harassment and domestic abuse in the workplace. The OHS Act applies to workplaces with workers; therefore most businesses in Ontario must comply.

#### **Bill 160 Amendments to the Occupational Health and Safety Act and Workplace Safety and Insurance Act**

Earlier this year, Bill 160 received Royal Assent. Pieces of the Bill come into force at different times.

Effective June 2011, a Chief Prevention Officer (CPO) was appointed. The CPO, along with a Prevention Council, will take the responsibility of workplace injury and occupational disease prevention from the Workplace Safety Insurance Board (WSIB).

Employers need to be aware of the following changes effective April 1 2012:

- Health and Safety training providers will need to meet established standards for their training programs. This would apply to in-house and external trainers. The CPO will set these standards. The training standards are not yet established by the CPO.
- Health and safety representatives must be given training in order to exercise their rights under the OHS Act. It is expected that all members of a Joint Health and Safety Committee will need to complete approved certification training. (Joint Health & Safety Committees are required in workplaces where there are 20 or more workers).
- Expanded powers of the joint health and safety committee co-chairs in the event of disagreement amongst the members of the committee.

Bill 160 allows the Ministry of Labour Inspector to forward reprisal complaints to the Ontario Labour Relations Board for settlement. The

effective date for this change is yet to be announced.

### ***2012 Employment Insurance (EI) Premium Rates***

Effective January 1, 2012 the employee EI premium rate increases to \$1.83 per \$100 of insurable earnings. The maximum insurable earnings for 2012 increases to \$45,900. The maximum employee contribution is \$840. Employers will normally pay 1.4 times the employee contribution or \$2.56 per \$100 of insurable earnings. The maximum employer contribution for 2012 is \$1,176.

If you provide your employees with a short-term disability plan, you may be entitled to a reduced EI rate. You must apply for this rate reduction annually before the year commences. For more information log on to the HRSDC website at [www.hrsdc.gc.ca](http://www.hrsdc.gc.ca) and check under Employment Insurance programs.

### ***2012 Canada Pension Plan Contribution Rates***

Effective January 1, 2012 both the employee and employer CPP contribution rates remain unchanged at 4.95% of pensionable earnings. The basic exemption remains unchanged at \$3,500. Maximum pensionable earnings for 2012 increase to \$50,100. The maximum contribution for both employers and employees is \$2,306.70.

### ***2012 WSIB Annual Maximum***

The WSIB maximum insurable earnings ceiling for 2012 increases from \$79,600 to \$81,700. To find out the 2012 rate for your rate group go to <http://www.wsib.on.ca>.

If you need help with any of the above HR issues please contact one of the professionals in our HR practice.

### **Ray Walter Memorial Scholarship**

Ray Walter was a dedicated team-member and dear friend of the staff and clients of Ward & Uptigrove Chartered Accountants. He was a leader within the office and within his community. He strived for excellence in his career as a CGA, and worked to better his community as a member of the Listowel

Kinsmen Club and the North Perth Fire Department. Ray sadly gave his life during a fire call on March 17, 2011.

The Ray Walter Memorial Scholarship is a scholarship program that awards an annual \$2,000 scholarship to a graduating student of Listowel District Secondary School who is enrolled in a recognized post-secondary institution in a business program. Eligible candidates must have a minimum GPA of 75% in their graduating year of secondary school.

The fund is administered through the Stratford and Perth County Community Foundation. Ward & Uptigrove plans to top up the fund annually to ensure the scholarship continues indefinitely. Should you wish to contribute to the fund, contact the Foundation by phone at (519) 271-1503 or on their website at [www.spccf.ca](http://www.spccf.ca). Contributions should be designated for this fund, and will receive a charitable donation tax receipt. Do not hesitate to contact Luke Simpson in our office if you have further questions.

### **Congratulations**

In recognition of their increased client responsibilities, Brendan Magee CA and Jennifer McArthur CA are being promoted to the position of Principal in the firm effective January 1, 2012.

Mike Weber successfully completed the Uniform Final Examination of the CA Institute. Congratulations Mike on passing this hurdle.

Alicia McDonald completed all requirements of the Institute of Chartered Accountants of Ontario and is now a fully qualified CA.

### **Comings and Goings**

Effective January of 2012, Bob Loree is retiring as a partner of the firm and will remain as counsel to the firm. Bob will retain some clients and assist on special projects while continuing to work three to four days a week.

Jason Voll is leaving Ward & Uptigrove in 2012. He is joining the Independent Accountants Investment Counsel as their IT

Business Analyst. Jason will continue to provide software support to Ward & Uptigrove over the next year.

Chris Pooley and Cam Rowlands joined Ward & Uptigrove this fall. Both are pursuing professional designations over the next few years.

Kerri Schuettel will be on maternity leave as of January 2012.

We will be welcoming Brody Tucker and Curtis Bults to our firm as co-op education students during the 2012 tax season. Returning part-time for the 2012 season will be co-op student Rebecca Newbigging.

### **Year-end Reminders**

#### ***RRSP Contributions***

Keep in mind that, if you have not yet made the maximum contribution (the lesser of \$22,450 or 18% of 2010 earned income) for the 2011 calendar year, you have until February 29, 2012 to do so.

#### ***Tax Free Savings Accounts (TFSA)***

If you haven't done so already, make your 2011 contribution to your TFSA (or open a TFSA). Income earned in this plan is completely tax-free. Contributions are not tax deductible.

#### ***Changes to the Canada Pension Plan (CPP) effective January 1, 2012.***

The Federal and Provincial governments have coordinated changes to the CPP program that may have an effect on payroll beginning with the **very first pay period in 2012**. In all cases, if you started receiving a CPP pension before December 31, 2010 and you remain out of the workforce you will not be affected as an employer or employee.

Starting in 2012, if you are between the ages of 60 and 70 and work while receiving a CPP retirement pension:

- If you are under age 65 and work while receiving your CPP pension, you and your employer must make CPP contributions.
- Where you are between the ages of 65 and 70, you can choose to make contributions

or to opt out. If you choose to make contributions, your employer will also have to contribute. If you choose to opt out, you must provide your employer with a completed election form (CPT30 E) to do so. This form is available online or through our office. Contributions made in this case will increase your CPP retirement pension through the new Post-Retirement Benefit.

If you are an employee or self-employed person who has contributed to the CPP and are thinking about retirement:

- Starting in January 2011 your monthly pension increases by a larger percentage (0.7% up from 0.5%) if taken after age 65
- If you start receiving your pension in January 2012 or later, your monthly amount decreases by a larger percentage (0.6% up from 0.5%) if taken before age 65. This equates to an annual reduction of 7.2% and must be considered in your retirement planning. You can, however, take your CPP pension without any work interruption.

The message from the government is obvious – leave your retirement dollars alone as long as possible to avoid this reduced pension penalty. Contributors now have two decisions: 1) at what age to begin collection and 2) whether to continue to make contributions past age 65. Each case will be unique based on many factors. We would be happy to discuss your individual situation with you.

#### ***Seek Advice from Your Accountant***

Addressing capital-gains-and-loss issues, salaries, pre-tax remuneration or dividends, and RRSP contributions with your Chartered Accountant before year end should be foremost on the minds of owner-managers at this time of year. Some ways of reducing tax liability may be time sensitive and require a review of available options with shareholders and family members. Do not hesitate to call our office by December 23 if you want to review these items for 2011.

## Merry Christmas from the Partners and Staff of Ward & Uptigrove!

### Partners:

Bob Loree CA  
 Brad Buchanan CGA  
 Wil Bakker CA CFP  
 Kris Uptigrove CA  
 Paul Hak CMA  
 Dave LeGault CGA  
 Ryan Deyell CA  
 Besnik Sulemanovski CA

### Retired Partners:

Bob Uptigrove CA  
 Clare Newell CA  
 Norm MacLennan CA  
 Tom Soltys CA

### Principals:

Grace Slot CA  
 Pete Verbeek CA  
 John Padfield CA

### W&U Human Resources:

Ben Cornell CA CHRP  
 Carrie Sharpin CHRP  
 Deborah Good CHRP  
 Lindsay Hunsberger

### Staff:

Randy Anderson  
 Brad Bakker CA  
 Gail Barclay  
 Dan Benbow  
 Tracy Bender  
 Tim Bridge CA  
 Shirley Buchanan  
 Marvin Cajina  
 Murray Coghlin  
 Rita Cole CGA  
 Mark Cranbury CMA  
 Don Dietrich  
 Sharlene Dowdall CGA  
 Barb Driscoll  
 Peter Dykstra  
 Cheryl Gibson CGA  
 Valerie Gillespie  
 Mary Ann Grobbink  
 Becky Harding  
 Ruth Helmka  
 Annette Hoiting  
 Irene Keunen  
 Cheryl Laffin  
 Karen Larson  
 Debbie Loree  
 Robyn MacEwen CGA  
 Brendan Magee CA  
 Alicia McDonald CA  
 Curtis McLaughlin  
 Shayna Morgan  
 Janice Newman  
 Mark Nolan  
 Dianne Nonkes  
 Chris Pooley  
 Doug Porter  
 Donna Quipp  
 Cam Rowlands  
 Kerri Schuettel  
 Luke Simpson  
 Brenda Sippel  
 Jon Soltys CA  
 Michael Van Niekerk  
 Steven Van Meeteren  
 Jason Voll  
 Mike Weber CA

