

## 2014 SUMMER NEWSLETTER

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### IN THIS ISSUE

- **Taxation Issues**
    - Ontario Retirement Pension Plan (ORPP)
    - Pooled Registered Pension Plans (PRPP)
    - Recent Audit Activity
  - **Business Matters**
    - Changes to the Canadian Not-For-Profit (NFP)
    - Banking for Your Future
  - **Technology**
    - Three, Two, One
  - **Human Resources (HR) Matters**
    - Leadership Training Course
    - Age and the Workplace
    - Mandatory Health & Safety Training
    - Did You Know?
    - Small Business Ministry of Labour Inspection Blitz
  - **Office News, Comings and Goings**
- Farming Matters (for farming clients only)**
- Growing Forward 2 Update
  - Missed AgriInvest Deposits – Opportunity Lost
  - Important Deadlines

### TAXATION ISSUES

The 2014 Ontario Budget includes several new programs to take effect over a period of several years.

#### Ontario Retirement Pension Plan (ORPP)

The Budget proposes to introduce a mandatory defined benefit pension plan, to take effect in 2017, to be funded by Ontario employers and employees. While it is clear that much of the detail remains to be worked out, the Budget outlines a plan which is similar to the Canada Pension Plan (CPP) and, indeed, anticipates that the ORPP might be rolled into the CPP should future negotiations be successful.

Specific provisions in the Budget include:

- Contributions are not to exceed 3.8% of earnings (up to a maximum annual earnings threshold of \$90,000), with half to be funded by

each of the employer and the employee. An exemption will be provided for low-income earners, but the exemption threshold has not been determined. Currently, the first \$3,500 of pensionable earnings are not subject to CPP contributions;

- Benefits would be tied to contributions made, so that those who retire in the early years of the plan would receive reduced benefits;
- The Budget provides that those already covered by a “comparable” workplace plan would not be required to enroll; and
- The government will consult on how the ORPP is to apply to self-employed individuals.

#### Pooled Registered Pension Plans (PRPP)

PRPPs were introduced by the federal government as a mechanism for pooling retirement savings and thereby reducing administration costs. Ontario is proposing to introduce legislation which will establish PRPP's in Ontario.

Legislation is anticipated in the fall of 2014. The Budget suggests that key design features will include:

- Employers will choose whether to offer a PRPP and, if they do, whether to contribute to their employees' PRPP; and
- Where an employer has chosen to offer a PRPP, participation by employees will be automatic unless the employee chooses to opt out.

#### Recent Audit Activity

This summer we have seen an increase in targeted CRA audits of asset additions in corporations. Typically CRA sends a letter requesting verification (i.e. copies of invoices) of all vehicle and equipment additions. For vehicle additions, CRA is also requesting proof of MTO registration, insurance, and an explanation of how much the vehicle is used in the business. They are also requesting how much HST was claimed back and when. The name on the invoice, the vehicle registration and insurance must all be in the corporate name for the expense to be allowable and HST paid to be refundable.

Where a vehicle is used for both personal and business use, CRA may request a mileage log book to support the business use.

One area the CRA is focusing on is the name on the invoice, both for capital purchases and normal expenses. They seem to be taking the stance that if it is not in the company or business name then the HST and possibly the expense will be denied. Please ensure all purchases are invoiced in the name of the business.

As with all CRA requests, please forward any letter you receive to our office, and we can gather the appropriate documents and respond. As a proactive measure, we will endeavour to make copies of all invoices with our year end preparation of financial statements.

## **BUSINESS MATTERS**

### **Changes to the Canada Not-For-Profit (NFP) Corporations Act**

Compliance with the new act will require changes to a federally incorporated not for profit entity's bylaws, which requires time for review and approval. If the NFP fails to meet the deadline of October 17, 2014, it will be assumed to be inactive and will be dissolved. It is likely that these federally incorporated NFPs will need to seek professional legal advice to ensure that they comply with all of CNCA's requirements.

### **Banking for Your Future**



**When starting your business, set up the right financing arrangements at the beginning.**

Starting a business can be the beginning of one of life's great adventures. You have the core idea and the confidence, but

what about the money? Certainly, it would be great to have sufficient personal funds for the initial investment, but for many people starting out in business, that may not be a reality. It is also understandable that you are reticent to ask friends or family for a loan or an equity investment in the event that the business is unsuccessful.

### ***Find the Best Source for Your Financing***

Consider the range of loan services offered by financial institutions to assist a start-up business and ensure a continued flow of working capital as the business grows. Experienced entrepreneurs will tell you that the best time to build your credit sources is when you don't need the money.

Recognize that you will need money not only for today's operations but for the future as well as to sustain all the years your business is going to operate. You should constantly review the current and future needs of the business to ensure you are aware of the various lending vehicles available.

### ***A Line of Credit Is Essential***

Lines of credit are essential to most business. They are offered by every financial institution and may take various names and forms. Most businesses need a line of credit to buffer unseen cash flow shortfalls. Usually the line of credit is "linked" to the business operations account to provide funds as needed. Once sufficient funds from cash sales or the collection of receivables are in the operating account, the line of credit is paid down to zero. This reduces interest costs to the business and ensures that an adequate line of credit is always available.

Financial institutions may make business loans that are not "lines of credit." The loan could be for the short-term needs of a customer. Once the principal amount is established, an amortization schedule indicates the fixed amount of interest and principal that must be repaid on a regular recurring basis over a predetermined time of completion. In most instances, the business assets as well as the personal guarantee of the owner(s) will be required.

### ***Mortgage Loans***

Business mortgage loans or commercial mortgages assist with the purchase of commercial property. The loan is typically secured by a mortgage registered on the real estate. The amount advanced depends on the valuation of the property. Be prepared for additional expenditures because the financial institution will want:

- a current appraisal from an AACI-qualified appraiser (Accredited Appraiser Canadian Institute, the designation of the Appraisal Institute of Canada) or a bank-approved appraiser;
- an environmental report that could cover such issues as contamination, soil conditions or flooding; and
- a building examination to determine the condition of the building, sewage lines, whether the building meets current building and fire code standards.

### **Financing Arrangements**

Lenders normally provide fixed and variable rate options with a five-year term. Usually the principals of the business are personally liable for part of the loan in the event of default.

The Business Development Bank of Canada offers assistance with commercial real estate financing for the purchase of land and buildings, constructions of new premises and the expansion or renovation of existing premises. While these loan arrangements usually require the owners of the business to guarantee a percentage of the loan in the event that the loan is not repaid, this “guarantee” amount is normally insignificant when compared to the total liability for which the principals could be responsible if they were required to guarantee the entire loan personally.

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**Keep your business  
credit cards separate  
from your personal  
cards.**

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### **Credit Cards**

Your credit card should be the last resort for borrowing, given the high interest rates and penalties for late payment. Since, however, credit cards are an essential component of day-to-day business operations, wise entrepreneurs should consider obtaining credit cards registered in the business name. These business cards should be used only for business purposes; you should have another card for personal expenditures. Balances should be paid off monthly, either from the operating account or by using the line of credit. Timely payment ensures a solid credit report.

### **Alternative Sources**

Here are some other sources of funds available to select categories of entrepreneurs.

- **Community loan funds** are not-for-profit organizations that assist local businesses unable to get loans from traditional sources. These loans are offered by communities and range from \$2,000 to \$150,000. They will also lend to not-for-profit organizations.
- **“Angel” investors** are individuals or groups seeking a higher return than is usually available from conventional equity investment. “Angels” expect to be approached by entrepreneurs with an excellent product or idea and a good business plan that will reward them quickly and handsomely. Normally, “angels” will want to own part of your business to protect their investment. Many entrepreneurs may find this distasteful;

however, considering that the “angel” is not only investing their own capital but also providing practical experience from their own success, sharing the management and control of your yet unproven business may be a good trade-off.

### **The Business Bank Account**

Not so long ago, small businesses needed just a bank account, a cheque book and a deposit book; today, they must be able to integrate loans and repayment schedules with operating accounts. In addition, a business model must be able to incorporate various means of payment and receipt simply to ensure the cash is in the bank as soon as the work is done and creditors are paid in a timely fashion. Consider setting up banking services that will empower your business to deal with such items as:

- payroll distribution by direct deposit;
- email transfers, payments and receipt;
- telephone banking;
- ATM business deposits and the ability to transfer between accounts;
- foreign exchange deposits or payments;
- company debit card payment;
- credit card and debit card payments;
- 24-hour deposit ability;
- online banking to make utility, municipal, provincial and CRA tax payments;
- tap and go;
- mobile device payment; and
- (we almost forgot)... cash.

### **Federal Assistance**

Canada Small Business Financing Program is a loan program sponsored by Industry Canada through Canadian financial institutions to provide financing to businesses with \$5 million or less in gross annual revenue. These loans normally finance the cost of purchasing or improving land and buildings for commercial purposes, renovating existing premises occupied by tenants, or purchasing or improving new or used equipment. The maximum loan is \$500,000.

### **Plan for Tomorrow**

Maintaining the cash flow requirements of a business is more than just being confident that today's expenses are covered by incoming cash. Smart business planning considers the needs of tomorrow's business while working with financial institutions to shape banking requirements that meet current and future needs.

## **TECHNOLOGY**

### **Three, Two, One**

#### ***Backing up your files is a good habit to get into.***



We have been inundated in the last decade with a plethora of devices to back up data. Most owner-managed businesses will have some form of relatively recent hardware

for backups, whether it is burnable DVDs, ultra-portable USB flash drives or high-capacity hard drives (e.g., redundant, external, or network drives). Most recently, off-site backup services have become increasingly available via “The Cloud,” with convenience extolled as a key selling feature.

So, what is the best backup solution for your business? The answer depends largely on the size of your business and the number of computers you need to back up. Regardless of how many employees or computers you have, one maxim holds true: at least three backups are required to protect business data. In addition, multiple physical locations should be used to store backup data.

#### ***The Cloud for Storage***

Cloud data storage solutions have some inherent and appealing advantages, such as the ability to provide simultaneous access from multiple locations by multiple devices. Depending upon the service, backups may even happen in near-real time (i.e., after saving a file it may get immediately uploaded to the Cloud). There are also some services that assure the client has communication security and that the provider has redundancy and backups of their own in place. Provided the service is legitimate and reliable, a cloud server may be able to meet all the requisites for protecting your data.

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***Cloud backup and data storage can be expensive.***

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While cloud-based backup and data storage solutions may provide you and your business with many or all of your backup needs, there are some potential drawbacks worth considering. Online backup services operate over the Internet, which will tax your bandwidth and count towards your monthly data cap; if you have a lot of data to back up, this could be an issue. Additionally, while you will avoid

the initial upfront capital cost of a physical backup and a data storage device, such as a hard drive, backup services generally require a monthly or annual fee, which can add up over time. Many services start at around \$5-\$10 per month per computer, although some companies charge based on data usage or data transmission. Internet-based services may also be susceptible to various outages and issues that can occur anywhere between (and including) your computer and the provider’s servers, including all of the routers and servers along the way from your office and Internet provider.

#### ***Multiple Storage Locations***

Why do you need more than one backup medium and multiple locations?

Consider that the following could occur at any time:

1. Computer components, such as the hard drive, can fail.
1. Power surges damage your computer. (A good surge protector or UPS could prevent this.)
2. Your power can falter, or fail, for an unpredictable length of time.
3. Your Internet can also fail during an outage, after exceeding your bandwidth cap or for other reasons.
4. Computers and/or external storage drives can be stolen.
5. Physical damage can occur to the laptop, desktop or server.
6. Your computer can be infected by a virus.
7. Your backup device could fail, leaving your data unrecoverable.
8. Critical data can be erased or overwritten, either maliciously or in error.
9. Your Cloud provider could have an outage.

#### ***The Three-Two-One Rule***

If you’re backing something up, you should have:

3. at least three copies,
2. in two different formats,
1. with one of those copies off-site.

#### ***Murphy Said It Best***

Murphy’s law states: “If anything can go wrong, it will.” Keep in mind that at any moment, any of the 9 items listed above could stop your business cold. Your very ability to keep your business running could depend on having multiple copies of your data in a number of secure locations. Whether you choose to have multiple computers backing each other up, external physical drives, or a Cloud-based solution, the most important thing is to keep your data safe and secure.

Consider backup a part of your regular routine. When disaster strikes, your ability to recover quickly will make you smile with the knowledge that in the face of diversity you came through unscathed.

## **HUMAN RESOURCES (HR) MATTERS**

### **Leadership Training Course**

Leadership Strategies is designed to give you or your employees the tools to lead and supervise effectively. It covers time management, conflict resolution and communication for results, motivating, coaching and team building.

- Mornings (8:30AM to 12:30PM) on **Wednesday September 24 & 30 and October 1, 8, 15 2014**
- Your investment: \$945 (plus HST) per participant
- Volume discounts are available

This is the 11<sup>th</sup> time we have run these workshops. We expect this series to sell out, so contact Tonya Wilson by email [tonyaw@w-u.on.ca](mailto:tonyaw@w-u.on.ca) to register as soon as possible to avoid disappointment.

### **Age and the Workplace**



#### ***Organizations need to plan for an aging workforce.***

It is no wonder organizations have been noticing an increase in gray hair among their employees.

According to the

2011 National Household Survey by Statistics Canada, 18.7% of the workers in the 18-million-strong Canadian workforce are 55 years of age or older. This is up from 15.5% in 2006 and 11.7% in 2001 of a slightly smaller workforce. By 2021, about 25% of the workforce is projected to be 55 years of age or older.

This trend is in place because the Baby Boomers (i.e., those born between 1946 and 1965) are aging. In 2011, the oldest Boomers turned 65; by the time all 9.6 million persons in that age group will have turned 65 in 2031, the proportion of seniors in the population could reach 23% from 15% in 2011.

#### ***Retirement May Be Out of Reach***

However, retirement is becoming problematic for many of these workers. Of the 18 million people in the workforce, only about six million, or one third, are members of registered pension plans. Of these, only 48% are members of private-sector plans. Participation in private-sector pension plans has, in fact, been declining steadily since the early 1980s

when membership was about 60%. Compounding the problem is the increasing unwillingness of employers to commit themselves to any kind of pension plan, especially defined-benefit plans. In addition, only about 24% of all tax filers contribute to Registered Retirement Savings Plans and, when they do, the amount is only around \$2,800 per year or about 12% of the current maximum eligible amount.

If you put together the low participation rates in organization pension plans and low savings rates in RRSPs, then add the fact that household debt is now at 163% of disposable income, it is easy to see that retirement without at least some earned income is going to be out of reach for many in the Boomer generation.

#### ***Organizations Need to Adjust***

These changes in demographics and retirement savings are putting all organizations in a difficult position. On the one hand, they know that older, long-time employees may not want or be able to retire, but at the same time they recognize the future depends on hiring younger employees. Nevertheless, by embracing the realities of age-related differences, an organization should be able to continue to draw on the experience of the older workers and the energy and new skills of the younger ones while maintaining harmony and productivity within the workplace.

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***Organizations will have to learn to understand the needs of older workers.***

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#### ***Physical Considerations***

Organizations should take into consideration the natural aging processes when developing health and safety policies. Constructing or retrofitting the workplace with age-friendly tools may be beneficial to the business because it could reduce downtime of essential employees and the associated costs of injuries and/or Workplace Safety Insurance Board (WSIB) claims. Minor changes that can make a positive impact on employee morale include:

- larger display screens and better speakers for smart phones or other communication devices;
- ergonomically designed chairs and seats;
- better lighting to ensure improved visibility and reduce eye strain;
- limited night travel for older employees;
- better designed lifting equipment;
- clear markings on items in excess of a standard "safe lifting weight";

- easy-to-hold tools that increase grip without more hand power; and
- lighter power tools with variable power shifts to reduce sudden torque impact.

### **Social Considerations**

Reassure older employees that you respect their experience and abilities and that they are still making a valuable contribution to the success of your business. This can be accomplished by a few simple changes:

- Offer more flexible work schedules.
- Reduce overtime and reschedule shifts to allow longer rest time.
- Train the older worker to be a coach or mentor.
- Continue professional development of individual older employees to bring out latent competencies. For example, an experienced painter might refocus as an estimator.
- Revamp office, washroom, and work areas to ensure better functionality and accessibility with small enhancements such as levered handles on taps, graduated ramps and better air flow.
- Address any age-related bias head on with in-house presentations that look at not only the legal implications of age discrimination, but also the similarity of needs, concerns, and desires of employees regardless of age.

### **Older Workers Are Here to Stay**

Older workers are going to be a part of the working world for a long time. With a little effort and minimum expense you can continue to benefit from their experience by a bit of rethinking of workloads and scheduling. Over the next 20 years as the Boomers retire, you will need to pay special attention to your management strategies to ensure a seamless transition between the generations of workers in your business. Providing assurances to older workers that their well-being is in the forefront of your planning will ensure the continued success of the organization.

### **Mandatory Health & Safety Training**

Effective **July 1, 2014** all Ontario employers were required to conduct mandatory worker and supervisor health and safety training covering employee and supervisor rights, duties and responsibilities under the Occupational Health & Safety Act. The Ministry of Labour has prepared training booklets for this training which are provided free of charge or can be downloaded through the Ministry of Labour website at <http://www.labour.gov.on.ca/english/hs/training/index.php>. For further assistance in complying with these new rules, contact Lindsay Inglis at [Lindsayi@w-u.on.ca](mailto:Lindsayi@w-u.on.ca)

### **Did You Know?**

#### **Employment Standards Act**

- Did you know that you can't make your employees work more than eight hours in one day without prior written consent?
- Did you know that as an employer, you are required to pay overtime after 44 hours per week?
- Did you know that you need approval from the Director of Employment Standards and written consent from each employee to work in excess of 48 hours per week?
- Did you know that as an employer, you are required to pay statutory holiday pay to all employees (part-time, seasonal, and full-time)?
- Did you know the "What you should know" Employment Standards Act poster has been revised? Effective **June 1, 2014** workplaces must have the new version posted in their workplace or they are considered in violation of the act. Visit their website at: [http://www.labour.gov.on.ca/english/es/pubs/poster.php#new\\_version](http://www.labour.gov.on.ca/english/es/pubs/poster.php#new_version) for the new poster.

#### **Violence & Harassment**

- Did you know to meet the requirements of Bill 168 employers must conduct a risk assessment, develop a workplace violence and harassment program, and provide training on your program to employees? Effective **June 1 2010** workplaces must have a violence and harassment program. Visit their website at: <http://www.labour.gov.on.ca/english/hs/topics/workplaceviolence.php> for more information and free resources.
- Did you know that as an employer, you are required to have your violence and harassment program posted in your workplace for your employees?
- Did you know 60% of organizations were given work orders for not having and/or not maintaining their violence and harassment program, in the last year?

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

- Did you know that organizations with one or more employees, who provide goods or services, are required to comply with AODA effective **January 1, 2014**. View the website at:

[http://www.mcass.gov.on.ca/en/mcass/programs/accessibility/understanding\\_accessibility/aoda.aspx#](http://www.mcass.gov.on.ca/en/mcass/programs/accessibility/understanding_accessibility/aoda.aspx#) for more information and free resources.

- Did you know that the first two standards of AODA have already passed?
- Did you know that there are new requirements effective **January 1, 2015**?

### **Health & Safety**

- Did you know that as an employer, you are required to have an employee health and safety representative and the Joint Health and Safety Committee (JHSC) member that conducts monthly workplace inspections?
- Did you know that a new standard for JHSC training programs is coming into effect in **early 2015**?
- Did you know that your organization is required to have an evacuation plan and to have it posted for employees and visitors to be able to see?
- Did you know that as an employer, you are required to inspect and maintain your equipment for the safety of your employees?
- Did you know that your organization is required to have a health and safety policy?
- Did you know that at least one person in the workplace per shift must be First Aid certified?

Overall, did you know that there are posting requirements for all of the above categories? If you have questions about any of the above questions, contact Lindsay Inglis at [Lindsayi@w-u.on.ca](mailto:Lindsayi@w-u.on.ca).

*\*Note that there are some exemptions due to industry or size of the organization\**

### **Small Business Ministry of Labour Inspection Blitz**

Each year, the Ministry of Labour selects different areas of compliance to inspect within specific sectors. They release a blitz report each year on their website, with the results of the inspections. The Ministry of Labour main goal is to promote health and safety, raise awareness of worker rights and overall make workplaces safe for employees.

During the last year, the Ministry of Labour visited 1,589 small businesses in the industrial sector, which included without limitation; retail establishments, restaurants, wood and metal fabrication, industrial services and wholesalers. In this sector alone, they issued over 4,000 work orders and 58 stop work orders. Many of these work orders were related to workplace violence and harassment, employer obligations, establishing,

maintaining and supporting worker health and safety representative and the JHSC. About 60% of small businesses inspected were issued orders related to violence and harassment. The main reasons for these orders were failure to provide information, failure to provide instruction and failure to develop, maintain and implement workplace harassment and workplace violence prevention programs.

In June 2010, Bill 168, Workplace Violence and harassment came into effect. This required that organizations with one or more employees to establish a workplace violence and harassment program. This involves employers conducting a risk assessment of their workplace, developing a program, policies and procedures to control the risks and training employees on Bill 168 and their program. Employers must review the policy and procedures at least on an annual basis and make updates as necessary. It is recommended that employers keep record of employee training and have the employees sign off on any updates to the policies. Many organizations have put the workplace violence and harassment into their workplace by the June 15, 2010 deadline but, have you been maintaining your program since 2010?

About 50% of small businesses inspected were issued orders related to employer obligations. The main reasons for these orders were failure to provide training, failure to post the requirements under the *Occupational Health and Safety Act*, failure to have and/or post policies and programs. As an employer, have you fulfilled your obligations?

Approximately 30% of small businesses inspected were issued orders related to health and safety representative and JHSC. The main reasons for these orders were failure to establish, maintain and support worker health and safety representative or the JHSC. As an employer, if you have one to five workers your organization is not required to have a health and safety representative or JHSC. If you have six to nineteen workers you are required to have one health and safety representative who is selected by the workers they represent. An exception to this is if your workplace uses designated substances, then you are required to have a JHSC. If you have twenty to forty-nine workers you are required to have a JHSC with at least two members. If you have fifty plus employees you are a required to have a JHSC with at least four members. As an employer, you are also required to support the health and safety representative or JHSC. The best way to support them is by taking their concerns on health and safety seriously and ensuring that the issues are dealt with in a timely manner. Also, as an employer, you are to ensure that the health and safety representative or JHSC

has been given the proper training. Did you know that a new standard for JHSC training programs is coming into effect in early 2015? Do you know the roles and responsibilities of the health and safety representative and JHSC?

Overall, in the last year there were a high number of orders issued to employers. This shows a lack of awareness and understanding for the *Occupational Health and Safety Act* and responsibilities of workers, employers and supervisors in the workplace.

Ward & Uptigrove Consulting & Human Resources wants to ensure you are complying with the standards set out by the Ministry of Labour. Contact Lindsay Inglis at [Lindsayi@w-u.on.ca](mailto:Lindsayi@w-u.on.ca) and we can help you be compliant, to ensure you are ready for a Ministry of Labour blitz inspection.

## **OFFICE NEWS, COMINGS AND GOINGS**

### ***New and Returning Staff***

This fall, we are happy to welcome Steve Johns to our business group. Steve is a native of Listowel and graduate of Wilfrid Laurier University. He obtained his CPA designation in 2013 and has experience focused mostly in assurance engagements.

Cheryl Laffin has returned after a maternity leave to our business group. She is once again focusing on client payroll and bookkeeping preparation.

Shayna Gibson will return to our farm department in October following her maternity leave. She will again be involved in financial statement preparation and various farm program work.

### ***Departed Staff***

Nick d'Halluin, who joined our farm department in 2012, has left to pursue an opportunity in the private sector and to be closer to family. We wish him all the best in his future and will miss him at the office.

### ***Office Hours***

As a reminder to all of our clients, our office hours from May 1 through December 31 are:

Monday – Thursday: 8:30 am – 5:00 pm  
Fridays: 8:30 am – 4:30 pm