



where people matter ...
SHPAK & COMPANY
 chartered accountants

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From The Inner Office

- by Lowell

Tax seasons are just piling up faster and faster each year. It's our goal to be absolutely current with the changes and updates published and announced by CRA. We know you count on us for the best and we are prepared to deliver just that.

We have mentioned before that Gail has completed the In Depth Tax Course offered by the Institute of Chartered Accountants. The combination of training and experience allows Gail to keep on top of the moving target of completing complex tax returns, both Canadian and US.

Mario is in his second season with our firm this year. As our newest CA, he has brought great ideas to the firm and of course many years of experience in completing tax returns. He is looking forward to talking to you again as he completes your personal tax returns for 2004.

Peter has been with Shpak & Company longer than I have. I know he travels a lot, but he earns the right by working very hard when he is here. Peter spends more time out of the office than in and does a great hands-on job with our clients who need controller like services.

Sherry is our great inside professional who spends most of her time at her desk completing your business statements and corporate tax returns. She is still quilting and has now increased her focus on physical fitness and strength training.

Doris is our quiet CGA who works mostly inside the office on businesses and year ends. She and Sherry are really tied to their desks on your behalf. However, we do let them loose once in awhile.

Barb, our Office Manager is continually looking for ways to streamline the office and make us more efficient. Just keep us on our toes Barb.

Shirley is our pleasant receptionist who does a lot of behind the scenes work on personal tax returns. She prints, assembles, and returns many of them to our clients after the professionals have completed their part.

Syd, our Chartered Business Valuator is available to you in that capacity. This is a very specialized field, and one that not every client needs. When you do need this service, it's great to have a Chartered Accountant with the additional skills to do the job.

Anneke keeps our office as organized as possible by filing everything in its place after the work is done. Without her, we would be in trouble.

Lowell is getting prepared to review most of the Canadian Tax Returns again. He may not see as many of you as he has in the past, but you can be certain that he sees your tax return. If you would like to see Lowell or another team member, please ask and we will be happy to accommodate your request. By the way, with his new IFR rating, he can legally fly with his head in the clouds. Scary eh!!!

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TAX SEASON HOURS

In addition to our regular hours we will be open

Saturdays

March 19 - April 30

9am - 1pm

Evenings by Appointment

Closed Friday Mar 25 for

Good Friday



NEWS FLASH!!

SHPAK & CO MOVES

We have outgrown our present location. After Tax Season, we will move to the former Century Holdings Office on 56th Street south of the Tsawwassen Inn.

MORE SPACE

MORE PARKING

Details to Follow

2005 Car Allowance and Benefit Limits

- by Gail (from CANTAX PUBLICATIONS INC., February, 2005)



For the 2005 year, the general limits governing the payment of car allowances to employees and the calculation of taxable benefits in respect of employer-provided cars have been increased from the 2004 amounts.

First, the general limit on the amount of a deductible tax-free car allowance that an employer can pay to an employee (where the employee uses his or her own automobile in performing employment duties) is increased by 3 cents to 45 cents per kilometer for the first 5,000 kilometres driven and 39 cents for each additional kilometer.

Second, in the case of an employer-provided car, where the employer pays any of the operating costs, the employee will generally be taxed on an operating expense benefit in respect of the employee's personal driving. For these purposes, the rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers will increase by 3 cents to 20 cents per kilometre of personal driving for the 2005 year. For employees who are employed principally in selling or leasing automobiles, the rate will increase by 3 cents to 17 cents per kilometer.

The general deduction limits for capital cost (CCA) for cars, interest on car loans, and car lease payments will remain the same for 2005 (for car purchases and leases entered into from 2001 through 2005). Thus, CCA can be claimed on a maximum cost of \$30,000 plus applicable federal and provincial sales taxes; the maximum interest deduction for car loans is \$300 per month; and the general limit on deductible leasing costs is \$800 per month plus applicable federal and provincial sales taxes.

CRA PROJECTS

- by Gail

Owner Managers Beware!

CRA has a current project to follow up on management fees or bonuses paid to individuals and not reported on T4's or subject to payroll deductions at source. CRA is currently reassessing 2001-2003 personal income tax returns and the related corporate employers for CPP on income reported on line 104. Penalties and interest are being assessed. We strongly recommend that all income paid as remuneration from a company be reported as wages on a T4 and have the appropriate source deductions withheld and remitted. Problems arise where individuals are paid from more than one company as there may be duplicate employer portions being remitted. Please call us to discuss potential solutions to this issue.

Similarly, we recommend that all payments to children or spouses be reasonable for the services provided, paid on a timely basis, be reported on a T4 and be subject to deductions at source for the applicable CPP and income tax. Please call us to discuss your current payroll setup if you have any concerns.

Net Worth Assessments

CRA are also doing a number of net worth assessments under the "independent verification of income procedures". These assessments are issued when a taxpayers lifestyle is higher than their reported income would support. These assessments are real and should not be ignored. A notice of objection should be filed within the prescribed time limits if they are incorrect.

BC Business Corporations Act

- by Lowell

On March 29, 2004 the BC Government passed into law the new BC Business Corporations Act. It replaces the former Company Act RSBC 1996, c 62 and the Company Act SBC 1999, c 27.

Every company incorporated in the Province of BC will have 2 years from the date of proclamation to carry out transition procedures or risk dissolution.

This is really the purview of the legal profession but we feel it is our duty to inform our clients. We recognize that some may not use the services of a lawyer on a continuing basis and may miss hearing of this change.

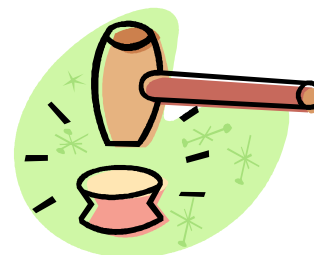
The Budget in Brief - Proposed Changes

- by Gail

FEDERAL BUDGET HIGHLIGHTS

PERSONAL

- Increase in basic personal exemption to \$10,000 by 2009
- Increase in spousal or equivalent to married exemption to \$8,500 by 2009
- Increase in RRSP contribution limits to least of 18% earned income and
 - \$18,000 for 2005 - need earnings of \$100,000
 - \$19,000 for 2006 - need earning of \$105,556
 - \$20,000 for 2007 - need earnings of \$111,111
 - \$21,000 for 2008 - need earnings of \$116,667
 - \$22,000 for 2009 - need earnings of \$122,222
- Eliminate the 30% foreign content limit in RRSP's
- Increase refundable Medical Supplement to \$750 for 2005
- Increase the medical expense tax credit for caregivers from a maximum of \$5,000 to a maximum of \$10,000 for 2005
- Adoption expense tax credit up to 16% of the least of \$10,000 or total eligible adoption expenses incurred
- Donations made for Tsunami relief before January 12, 2005 be eligible to claim in 2004
- Non-capital losses (essentially your business and property losses that cannot be utilized in the year) incurred in 2004 or later can be carried forward ten (previously seven) years and deducted against other income in those years. They can still be carried back three years.



CORPORATE

- Eliminate corporate surtax for tax years ending after December 31, 2007
- Reduction in general corporate tax rate equal to
 - 0-.5% for 2008
 - 1% for 2009
 - 2% for 2010

PROVINCIAL BUDGET HIGHLIGHTS

PERSONAL

- New non-refundable personal income tax credit for 2005 that will eliminate BC income tax payable for individuals with income less than \$16,000

CORPORATE

- Small business deduction limit increased to \$400,000 effective January 1, 2005

Changes, Changes, Changes

- by Gail

Effective for 2005 tax years, CRA has released draft proposals that require, once again, a REASONABLE EXPECTATION OF PROFIT, from a business or property in order for a tax payer to deduct a loss. (Note: "PROFIT" does not include a capital gain). If you need help analyzing the potential profit of a new investment or venture, please call us to set up an appointment.

Computer equipment purchased after March 22, 2004 will be eligible for a 45% CCA rate (previously 30% CCA rate).



Senior Watch

- by Barb

AGING BABY BOOMBERS

“You don’t stop laughing because you grow old. You grow old because you stop laughing.”

Ain’t it great to be aging? Are you in that Baby Boomer class of being born between 1946 and 1964?

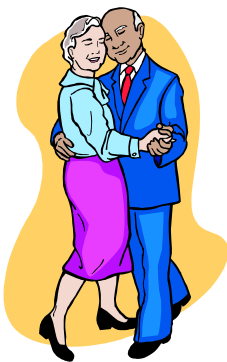
READ ON!

Not that long ago our life expectancy was only 42 years, now it’s almost twice that number. Some signs of aging may be a slow decrease in overall strength, the appearance of wrinkles and gray hair. Maybe you’ve noticed a change in your hearing or eye sight. You may have noticed you’d be happier to just rest than play, well welcome to middle age.

Due to the numerous advances in medicine and technology our generation has experienced many health benefits. Things like vaccines that have eradicated most childhood diseases, antibiotics, fluoridation of water and the advantages of vitamin and mineral supplements have greatly helped. We have many more preventative medical tests for early detection.

Knowing this we must also recognize our part. We need to be active in our aging process by taking care of the following areas:

- See your doctor at least once every two years.
- Take his or her advice
- Start exercising – be active – join a group (with the doctor’s clearance)
- Eat a balanced diet. The rule of thumb for anti-aging should be 50% carbohydrates, 25% protein and 25% fat.
- Become aware of your stress level. Relieve it with things like music, reading, singing, and exercise through sports activities or visiting a spa.
- Take vitamin and nutrient supplements. Many of our diets are deficient in the essential nutrients even when we follow a healthy diet.



Health fact: “The most common or pervasive health issues facing baby boomers today – in terms of lifestyle – are smoking, diet and lack of exercise.” Dr. Brian Peck, author of *The Baby Boomer Body Book*.



PERSONAL TAX CHECKLIST 2004

Client name: _____

Telephone() _____ Fax () _____ E-mail _____

Address change: indicate only if changed from previous return filed. Yes ___ No ___

Marital Status: indicate only if changed from previous return filed and date of change

Yes ___ No ___ Date of change _____

Income:

- Employment - T4
- Employment Insurance - T4E
- Old Age security - T4A (OAS)
- Other Pensions - T4A
- Canada Pension Plan benefits - T4A(P)
- RRSP's - attach T4RSP
- Mutual Funds and other Trust Income—T3 (Issue deadline is March 31)
- Interest - Bank, Trust, Bonds - T3/T5/T600
- Dividends - T5/T600 (Issue deadline is February 28)
- WCB—T5008
- Business or Professional - Financial Statements or T5013 or a summarized list of income and expenses including automobile with business mileage and total mileage and home office expenses with office square footage and total square footage.
- Rental Property (attach details of income, expenses, purchases and sales)
- Capital Gains/Losses. Did you dispose of any capital properties this year? (attach copies of sales detail, original purchase documentation and 1994 capital gains election made)
- Spousal support (provide copy of post April 30, 1997 agreement(s) or election, if changed or not previously provided)
- Other income (e.g., stock options, annuities, scholarships, research grants and bursaries)
- Foreign pension amounts in Canadian dollars



Deductions:

- Registered Retirement Savings Plan contributions (attach receipts)
- Annual union, professional dues (attach receipts)
- Child Care expenses (attach receipts)
 - For individual child care providers - Include S.I.N. and address _____
 - For summer camps - Indicate number of weeks that child was in residence _____
- Attendant care expenses (attach receipts)
- Allowable business investment losses (refer to Capital Gains/Losses above)
- Moving expenses (attach receipts) - Indicate distance moved to new employment _____
- Commission and employment expenses (detail and attach form T2200 or TL2)



Deductions—cont'd

- Federal and provincial political contributions (attach receipts)
- Spousal support or separation allowances paid (include name(s) and address(es) of recipient(s)); attach a copy of the agreement or court order for spousal support which was signed on or after May 1, 1997 or election, if changed or not previously provided)
- Carrying charges (interest on money borrowed to earn dividends and interest, investment counseling fees, interest for limited partnerships, safety deposit box)
- Other deductions and expenses (attach receipts)
- Charitable donations (attach receipts)
- Medical expenses (attach receipts) and details of private health insurance premiums, including amounts paid while traveling
- Disability deduction for you or dependant (if first time claim, attach T2201 signed by physician)
- Tuition fees for yourself (attach T2202/T2202A including amounts which can be transferred from dependants)
- If one of your dependants was in full time attendance at a college or university, include details concerning name of institution, number of months in attendance, tuition fees, income of dependent, Form T2202
- Interest paid on student loans (attach reporting slip)
- Labor-sponsored funds - T5006
- Details of accounting fees
- Details of lump sum pension plan contributions
- For wholly—dependent persons, please attach list and indicate for each dependant: name, address if different, relationship, birth date, S.I.N., and net income. Note infirmity, if any.

Other deductions:

- 2004 installment amount (attach February 2005 notice) Total remitted: \$ _____
- Attach copy of 2003 assessment notices, if possible
- Attach details of RRSP - Home Buyers' Plan or Lifelong Learning Plan withdrawals and/or Canada Revenue's Statement of Account - Home Buyer's Plan, if received
- Amount of any distributions or loans from foreign trusts received in 2004
- Details of previous capital gains exemptions claimed, business investment losses and cumulative net investment loss accounts
- Details regarding residence in a prescribed area which qualifies for the Isolated Area Deduction
- Details of carry forwards from previous years including losses, donations, forward averaging amounts, registered retirement savings plans contributions not previously claimed
- Details of foreign property, other than personal use property, if aggregate cost is in excess of \$100,000
- 2004 Personalized Tax information which CCRA may have sent you
- Details of any new dependants

Are we filing a return for any or your children? Please circle one: Yes or No