

where people matter ...



**SHPAK & COMPANY**  
Chartered accountants

1631 56th Street  
Delta, BC V4L 2B2  
Phone: (604) 943.2811  
Fax: (604) 943.1464  
Email: info@shpak.com  
Web: www.shpak.com

## From The Inner Office—Live your dream

- by Lowell

## TAX SEASON 2008

### Inside this issue

<i>Pension Income Splitting</i>	2
<i>2008 Car Allowance</i>	3
<i>Personal Real Estate Corporations</i>	3
<i>Tax Free Savings Accounts (TFSA)</i>	3
<i>Corporate Late Remittances</i>	3
<i>Senior Watch</i>	4
<i>Universal Child Care Benefit (UCCB)</i>	4
<i>Personal Tax Checklist</i>	5-6

**W**hen I related how and when to prepare for retirement in our last Newsletter, I must have been toying with the idea personally. What was really happening is that I was running the concept through my mind as I wrote. Over the holidays I had time to let this thought grow and develop.

I have had a lot of unexpected feedback on this article including comments from clients, friends, and even some of my relatives. Yes, they read our Newsletters too. The first question was always whether I was leaving Shpak & Company. You can guess if you are reading this that I am still here, however, I will be limiting my time and availability in the office.

I have served some of you now for over 20 years as a member of the Shpak professional team. I have done so with a great deal of personal satisfaction knowing that you were getting professional and friendly service from Shpak & Company. With my reduced availability, I recommend you contact either of my colleagues, Gail Thompson CA, or Mario Costa CA. They have been working on your files for years and are completely up to date with your ongoing tax and business needs. They are both Chartered Accountants with years of public practice experience. Gail and Mario look forward to meeting and dealing with you and your business affairs in the future. I have absolutely no reservations in leaving this team to carry the heavy load in the years to come.

You can see this is clearly a case of my walking the talk. If I believe that each of you should be putting a retirement plan into practice, then why shouldn't I?

For me, the role of Flight Instructor is my new focus. John Montgomery, the President of Boundary Bay's Professional Flight Centre, is waiting to put me to work. This is one of the few years where the old rule of having a million dollars in aviation means putting 2 in and waiting till there is only one left, no longer applies. 2008 looks like it may well be the best year since 9/11 in aviation. I would love to be part of it.

As I make room for younger and brighter minds to look after your tax, accounting, and business consulting needs, I thank you for your business and support over the past 20 years.

If you drop in during March or April, stick your head in the door of my office to say hello or just to see my collection of aircraft models. And of course, have a cookie.

**1983 - 2008**

**CELEBRATING  
25 YEARS  
SERVING OUR  
CLIENTS**

### TAX SEASON HOURS

In addition to our regular hours, we will be open

Saturdays

March 15-April 26

9am - 1pm

Evenings by Appointment

Closed Good Friday and

Saturday

March 21 & 22

### BOOKKEEPING

*Don't have time to keep on top of payroll, GST, PST??*

*Let Shpak & Company look after all your bookkeeping needs so you can look after your business !!*

## Pension Income Splitting

### **1. What is pension income splitting?**

Beginning with 2007 income tax returns, Canadian residents will generally be able to allocate up to one-half of their income that qualifies for the existing pension income tax credit to their resident spouse (or common-law partner) for income tax purposes.

The amount allocated is deducted in determining the net income of the person who actually received the pension income, and it is included in computing the net income of the spouse or common-law partner. Pension splitting affects the calculation of income and tax payable for both persons, so both must agree to the allocation in their tax returns for the year in question.

### **2. Who qualifies for pension income splitting?**

A pension recipient and his or her spouse or common-law partner can elect to split the pensioner's "eligible pension income" received in the year if:

- \* they are married or in a common-law partnership with each other in the year and are not, because of a breakdown in their marriage or common-law partnership, living separate and apart from each other at the end of the year and for a period of 90 days commencing in the year [Footnote 1]; and
- \* they are both resident in Canada on December 31; or
  - \* if deceased in the year, resident in Canada on the date of death; or
  - \* if bankrupt in the year, resident in Canada on December 31 of the calendar year in which the tax year (pre- or post-bankruptcy) ends.

### **3. What is "eligible pension income"?**

Eligible pension income is generally the total of the following amounts received by the pensioner in the year (these amounts also qualify for the pension income amount):

- \* the taxable part of annuity payments from a superannuation or pension fund or plan; and
- \* if received as a result of the death of a spouse or common-law partner, or if the pensioner is age 65 or older at the end of the year:
  - \* annuity and registered retirement income fund (including life income fund) payments; and
  - \* registered Retirement Savings Plan annuity payments.

**\*\*NOTE:** Old Age Security and Canada or Quebec Pension Plan (CPP) payments do not qualify, however the CPP act permits a married couple to have their CPP retirement benefits divided equally, once both have applied for CPP at the appropriate age.\*\*

### **4. Who will claim the tax withheld at source from the eligible pension income?**

The income tax that is withheld at source from the eligible pension income will have to be allocated from the pensioner to the spouse or common-law partner in the same proportion as the pension income is allocated.

### **5. Will pension income splitting affect the pension income amount?**

The pensioner will be able to claim whichever amount is less: \$2,000 **or** the amount of his or her eligible pension income after excluding amounts allocated to his or her spouse or common-law partner.

The spouse or common-law partner will be able to claim whichever amount is less: \$2,000 **or** the amount of his or her pension income that is eligible for the pension income amount, including the allocated pension income.

Note: A pension that qualifies for the pension income amount in the hands of the pensioner does not necessarily qualify for the pension income amount in the spouse or common-law partner's hands because eligibility can depend on age (see question 3).

[Footnote 1]: A pensioner and his or her spouse or common-law partner will still be eligible to split pension income if living apart at the end of the year for medical, educational, or business reasons.

For more information visit Canada Revenue's web site at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca) (search for "pension income splitting")

## 2008 Car Allowance and Benefit Limits

January 2007

**T**he federal government recently announced the 2008 monetary limits that apply for income tax purposes for employees who use automobiles in the course of employment or personally.

As a general rule, you are allowed to deduct certain car expenses incurred in the course of your employment if you are ordinarily required to carry on your employment away from your employer's place of business, and you are required to pay the expenses under your contract of employment. You must file Form T2200 signed by your employer with your tax return for the year indicating that the requirements for the deduction have been met.

The monetary limits for 2008 for cars purchased from 2001 to 2008 are as follows:

Capital cost allowance (CCA) in respect of your owned vehicle

-maximum is \$30,000 plus applicable federal and provincial taxes

Interest on loans - maximum is \$300 per month

Leasing costs - general limit is \$800 per month plus applicable federal and provincial taxes.

Mileage - 52¢ per kilometer for the first 5,000 km and 46¢ cents for each additional km



In the case of an employer-provided car, where the employer pays any of the operating cost, the employee will generally be taxed on automobile benefit in respect of the employee's personal driving.

### PERSONAL REAL ESTATE CORPORATIONS INTRODUCED IN B.C.

Effective January 1, 2009, the Real Estate Services Act will allow individual real estate licensees to form personal real estate corporations. This will allow licensed realtors to access the business advantages of incorporation. This can include better planning of income and tax streams and is similar to options available to other professionals, such as dentists, accountants and lawyers.

### TAX FREE SAVINGS ACCOUNTS (TFSA)

#### Introduced in the recent Budget

The budget introduces a new form of registered savings accounts. Starting in 2009, individuals age 18 and over who are resident in Canada can contribute up to \$5,000 annually to their TFSA.

Key features are as follows:

Contributions to TFSA will not be tax deductible.

Withdrawals will be tax-free.

Income, losses and gains on investments in the account, as well as amounts withdrawn, will not be taxable, and they will not be taken into account for determining eligibility for certain income-tested benefits or credits.

### LATE REMITTANCE OF SOURCE DEDUCTIONS

For remittances due after February 26, 2008, the current 10% fixed penalty is replaced with a graduated penalty as follows:

3% if one to three days late

5% if four to five days late

7% if six to seven days late

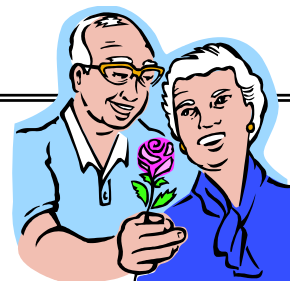
10% if more than seven days late

For more information on these topics, contact our office at 604-943-2811 or for a complete detailed list of all changes visit the DEPARTMENT OF FINANCE's web site at

[www.budget.gc.ca/2008/home](http://www.budget.gc.ca/2008/home)

**Senior Watch**

- by Barb



**LIFE WITHOUT A CAR !!**

Currently, 2.7 million seniors in Canada are licensed to drive. While the majority of these drivers are safe, the fact is that the 85+ group has the highest reported crash rate. While the adjustment to not driving can be difficult for the older adult, caregivers can try these four tips to help the older adult handle the transition:

**Decide together:**

Giving up a car will be a lot easier if the individual decides to do so on their own. If you feel someone you know should hang up the keys, have a candid conversation with them and ask them to consider the idea. Ensure that they understand you are focusing on their safety and the safety of those around them, rather than trying to undermine their independence. Be supportive and remember to be diplomatic in your approach.

**Research options:**

Be prepared by researching alternative transportation options. This can help ease the mind of the loved one and show them that they can still get around. Include options such as taxis, buses, handyDART, or professional transportation packages from home nursing or other care providers. Along with the options be sure to include schedules, cost, and telephone numbers.

**Make a schedule:**

A transportation schedule will ensure that your aging loved one isn't missing out on their favourite activities simply because they can't drive.

**Involve family:**

Involving more family members can ease the burden on any one person and allow others to spend some quality time with the older adult. Remember having a positive attitude can make it easier on the driver and will ensure the older adult doesn't feel like a burden.

**Personal Income Tax Installments for 2008**

You will have to pay installments for 2008 if your net tax owing is more than \$3,000 in 2008, 2007 or 2006. Installments are due March 15, June 15, Sept 15 and Dec 15, 2008. This includes self-employed individuals whose chief source of income is from farming or fishing.

**Universal Child Care Benefit (UCCB)** – parents who have not yet applied for the \$100 per child per month UCCB should be aware that benefits will only be paid retroactively to a maximum of eleven months.

**Foreign Exchange Rates**

The average rates for fifty-six countries is published in Guide RC4152 on CRA's website at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca). This is from the Bank of Canada.

US/CDA - exchange rate is 1.07478

UK/CDA - exchange rate is 2.14865

**KEEPING UP WITH THE TIMES!!**

If you're currently receiving our newsletter via regular mail and would like to receive our newsletter vial email, please let us know. You can simply email us at [info@shpak.com](mailto:info@shpak.com) and confirm the email address you wish us to use.

Just a reminder to please be sure to use our NEW address when addressing mail to our office.

Shpak & Company CA's  
1631 56th Street  
Delta, BC V4L 2B2

**PERSONAL TAX CHECKLIST**

*In order for us to prepare your tax return on a timely basis, please bring in as much complete information as possible when dropping off your package.*

**Please include your Notice of Assessment for 2006 (sent to you from CRA) and any other CRA correspondence.**

Client name: \_\_\_\_\_

Telephone(\_\_\_\_) \_\_\_\_\_ Fax (\_\_\_\_) \_\_\_\_\_ E-mail \_\_\_\_\_

Address change: indicate only if changed from previous return filed \_\_\_\_\_

Marital Status: Indicate only if changed. YES \_\_\_\_\_ Date of Change \_\_\_\_\_

SIN (new clients only): \_\_\_\_\_ Birthdate (new clients only): \_\_\_\_\_

**Income:**

- ◆ Employment – T4 (Issue deadline is February 29)
- ◆ Employment Insurance – T4E
- ◆ Old Age security – T4A (OAS)
- ◆ Other Pensions – T4A Consider pension income splitting? Y\_\_\_\_ N \_\_\_\_
- ◆ Canada Pension Plan benefits – T4A(P)
- ◆ RRSP's – attach T4RSP, T4RIF - attach spouses info if income splitting pensions
- ◆ 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 29)
- ◆ WCB—T5008
- ◆ Business Professional/Partnership – Financial Statements or T5013 or a summarized list of income
- ◆ 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; or court order
- ◆ Other income (e.g., stock options, annuities, scholarships, research grants and Directors fees) T4F, T4PS, T5018
- ◆ Foreign pension amounts in Canadian dollars
- ◆ RC62 Universal Child Care Benefits

**Deductions:**

- ◆ Declarations of Conditions of Employment (detail and attach form T2200 signed by your employer)
- ◆ If your employer required you to have a home office, a vehicle, a cell phone, or other expenses which you were not reimbursed for, you may be eligible to deduct some of these expenses. Apprentices may claim certain tool expenses.
- ◆ Allowable business investment losses (refer to Capital Gains/Losses above)
- ◆ Sole Proprietor Business expenses
  - Automobile expenses including business mileage and total mileage, new purchase or lease, gas, regular repairs & maintenance, insurance, parking relating to business
  - Home office expenses including phone, hydro, gas, property taxes and utilities (if you own the home), rent, insurance, office supplies, repairs & maintenance, mortgage interest
  - Office square footage and total square footage and the number of rooms in the home
  - Any new assets purchased for the business
  - Copy of GST return for 2007 if already filed and applicable
  - Advertising

**Deductions - cont'd**

- ◆ 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
  - For Child Fitness tax credit ( for dependents 17 years of age at the end of the year or 19 years of age if eligible for the disability credit)
  - Other receipts for child care (e.g. Preschool,)
- ◆ Details regarding in home care for dependent relatives (attach receipts)
- ◆ Disability deduction for you or dependant (if first time claim, attach T2201 completed by your physician)
- ◆ Registered Retirement Savings Plan contributions (attach receipts)
- ◆ Annual union, professional dues (attach receipts)
- ◆ Moving expenses (attach receipts), Indicate distance moved to new employment
- ◆ 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) (e.g. public transit)
- ◆ Charitable donations (attach receipts)
- ◆ Medical expenses (attach receipts) and details of private health insurance premiums, including amounts paid while traveling. For dependents over 18 years of age, up to \$10,000 can be transferred.
- ◆ Tuition fees for yourself - attach a **completed** (signed, dated, etc) T2202/T2202A
- ◆ Tuition fees for a dependent - If one of your dependants was in full time attendance at a college or university, have them **complete** a Form T2202 (signed, dated, etc) and bring in. This form can be obtained by going on the education institution's web site, signing in with their student ID and printing the form.
- ◆ Interest paid on student loans (attach reporting slip)
- ◆ Labor-sponsored funds – T5006
- ◆ Details of accounting fees
- ◆ Details of lump sum pension plan contributions and T10 forms
- ◆ 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.
- ◆ Adoption expenses
- ◆ Film and tax shelter credits

**Other deductions:**

- ◆ 2007 installment amount(s), attach February 2008 notice. Total remitted: \$ \_\_\_\_\_
- ◆ 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 2007
- ◆ 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
- ◆ Details of any new dependants

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