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CHRISTMAS 2011



During the holidays, we intend to spend time at home with our family and friends visiting and relaxing. We also plan to spend some time skiing and visiting with my family in Kamloops. It will be nice to step back from the hustle and bustle of everyday life to relax and enjoy the Christmas season. Best wishes to you all for the holidays!

This Christmas my family and I will be spending Christmas at home. My brother and his family from Prince Rupert will be joining us. I look forward to relaxing and spending some extra time off with my girls. I'd like to wish everyone a Merry Christmas and all the best for the New Year.



This holiday season I will be spending some quality time relaxing with my wife, new born son, family and friends. I hope that you all have a happy holiday and a very happy New Year.

How did we get to this time of year so soon? Unbelievable! Our plans this year come with a caveat. Both of our children are to join us for the holiday but my daughter in Armstrong will only be able to come if her husband is recovered enough from a back injury to make the drive down. She's the one with the grand children, so fingers are crossed. A very Merry Christmas everyone.



I will be keeping the home fires burning this year and enjoying Christmas in Ladner with my family. May your cookie tins always be full and your hot chocolate steaming. Merry Christmas to you all.

I am looking forward to a quiet Christmas relaxing with family and friends at home. There will be the usual overeating but hopefully balanced with some good long walks around our beautiful community. Merry Christmas to you all and looking forward to seeing you again in the New Year.



This year my family and I will be celebrating our first Christmas in our new home. I am looking forward to spending some quiet time with my wife and daughters and visiting with my wife's family. Wishing a Merry Christmas and a Happy New Year to you all.

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CHRISTMAS HOURS

Fri. Dec. 23	9am-12n
Mon. Dec. 26	Closed
Tues. Dec. 27	Closed
Wed. Dec. 28	9am-5pm
Thurs. Dec 29	9am-5pm
Fri. Dec 30	9am-12n
Mon. Jan 2	Closed

If you require an appointment over the holidays, please call us as soon as possible.



BOOKKEEPING

*Don't have time to keep on top of payroll, HST ??
 Let Shpak & Company look after all your bookkeeping needs so you can look
 after your business !!*



YEAR-END TAX PLANNING

Some **2011 year-end tax planning tips** include:

1. Certain **expenditures** made by **individuals** by **December 31, 2011** will be eligible for **2011 tax deductions or credits** including: moving expenses, child care expenses, safety deposit box fees, charitable donations, political contributions, medical expenses, alimony, eligible employment expenses, union, professional, or like dues, carrying charges and interest expenses, certain public transit amounts, and children's fitness and arts amounts.
2. You have until **February 29, 2012** to make tax deductible Registered Retirement Savings Plan (**RRSP**) contributions for the 2011 year. Consider contributing to a **spousal RRSP** to achieve income splitting in the future.
3. If you own a business, consider paying a **reasonable salary** to family members for services rendered to the business.
4. An individual whose **2011 net income** exceeds **\$67,668** will lose all, or part, of their **old age security**.
Senior citizens will begin to lose their income tax **age credit** if net income exceeds **\$32,961**.
Contact your professional advisors for assistance in **managing** 2011 personal income.
5. Consider purchasing assets eligible for **capital cost allowance** before the year-end.
6. Consider selling capital properties with an **underlying capital loss** prior to the year-end if you had **taxable capital gains** in the year, or any of the **preceding three years**. This capital loss may be offset against the capital gains.
7. **Registered Education Savings Plan (RESP)**
A **Canada Education Savings Grant (CESG)** for RESP contributions will be permitted equal to 20% of annual contributions for children (maximum \$500 per child per year).
8. **Health and dental premiums for the self-employed**
Individuals will be allowed to **deduct** amounts payable for **Private Health Service Plan** coverage in computing **business income** provided they meet certain criteria.
9. Taxpayers that receive "**eligible**" dividends from private and public corporations may have a significantly lower tax rate on the dividends. **Notification** from the corporation to the shareholder is required.
10. A **Registered Disability Savings Plan** may be established for a person who is eligible for the **Disability Tax Credit**. Non-deductible contributions to a **lifetime maximum of \$200,000** are permitted which are eligible for tax-deferred grants and bonds. Please contact your professional advisors for details.
11. If required income or Forms have **not been reported** in the past to the CRA, a **Voluntary Disclosure** to the CRA may be available to avoid penalties. Contact us for details.
12. **U.S. Citizens and green card holders** have U.S. filing obligations.



TAX PLANNING

Charity Tax Schemes

It was noted in the **August 24, 2011 issue** of the **Globe & Mail** (page B8) that the CRA has reassessed more than **130,000** donors in charity tax schemes in the last year for more than **\$4.5 billion**. For example, it notes that the Burlington, Ontario based **Parklane Financial Group Ltd.** was promoting a charity tax scheme in which a donation receipt for \$10,000 would be provided for every \$2,500 of contribution.

In one example, Mr. D had made over \$75,000 in cash contributions which were totally disallowed and now owes the CRA \$180,000 in taxes and interest. Mr. D is involved in a potential **Class-Action Lawsuit** in the Ontario Superior Court against the Plan's promoters. CRA noted that it has **revoked** the charitable status of participating charities.

**EMPLOYMENT INCOME****CELLULAR PHONE ALLOWANCE**

In a June 8, 2011 **Technical Interpretation**, CRA notes that CRA Guide T4130 provides that where an employer reimburses an employee for the cost of a **cellular phone service plan** and the **primary use** is for business purposes, the reimbursement would generally **not be considered a taxable benefit** if:



the Plan's cost is **reasonable**, the Plan is a **basic Plan** with a fixed cost, and the employee's **personal use** of the service does **not** result in charges that are **more than the basic Plan cost**.

However, CRA notes that a **taxable benefit** may arise where **additional charges** are incurred as a result of the employee's **personal use** of air time minutes or personal long distance calls.

PER DIEM ALLOWANCES

An employer may pay reasonable **tax-free per diem allowances** for **board and lodging** to an employee while at a **special worksite** if the employee otherwise maintains a principal place of residence and is away for at **least 36 hours** and the **distance** was such that he/she could not reasonably return daily from the **special worksite** to the principal place of residence.

BUSINESS TRAVEL/LOG

In a November 3, 2010 **Tax Court of Canada** case, the taxpayer was a self-employed Remax residential real estate agent who received commissions of \$81,440 and \$79,552 in the 2005 and 2006 years.

The taxpayer did **not keep a log** of her business kilometres but she claimed that she had driven 31,185 kilometres and 23,693 kilometres in 2005 and 2006 for a business percentage of 95%.



CRA reassessed on the basis that **only 55%** of her kilometres were for business purposes.

The taxpayer appealed to the Tax Court of Canada and the Court noted:

1. That keeping a log book for automobile expenses is not specifically required by the ITA. However, by not doing so, she faces a **heavier burden** in proving that she used her motor vehicle almost exclusively for business purpose.
2. The Court understood that keeping a log book may be tedious and may not always be practical; however, it would be **useful** in determining the actual business use.
3. The Court noted that if she did not have time to report all her business driving, which they serious doubt, she could have reported her **personal driving**.

CRA countered with a proposal to **allow 75%** and the **Court agreed**. **Editor's Comment** See www.cra.gc.ca/whtsnw/lgbk-eng.html for **CRA's comments** on "Documenting the Use of a Vehicle".

PARTNERSHIP INFORMATION RETURNS - T5013

On September 17, 2010, CRA announced that, effective for fiscal periods ending after December 31, 2010, a Partnership that carries on a business in Canada must file a **T5013 Partnership Information Return** where **one** of the following conditions are met:

At the end of the fiscal period the **revenues plus expenses** are greater than **\$2 million** or, the Partnership has more than **\$5 million in assets**.

At any time during the fiscal period the Partnership was either in a **tiered Partnership**, had a **Partner** that was a **Corporation** or a **Trust**, invested in **flow-through shares** of a principal business corporation that incurred Canadian resource expenses and renounced these expenses to the Partnership **or** had received a **Written Request from CRA** to file a T5013 Information Return.

The **due date** for filing the **T5013 Return** depends on the type of Partners.

If, throughout the fiscal period, all **Partners** are **individuals** (CRA considers a Trust to be an individual), the T5013 Form should be filed no later than **March 31** after the calendar year in which the fiscal period of the Partnership ended.

If **all Partners** are **corporations** throughout the fiscal period, the T5013 Return should be filed no later than **5 months** after the end of the **Partnership's fiscal period**.

If any of the members of the Partnership are a **combination of individuals** (including Trusts) and **corporations**, and if the Partnership is **not** a tax shelter, file the T5013 Form no later than the **earlier of March 31** after the calendar year in which the fiscal period of the Partnership ended; **or** the day that is **5 months** after the end of the fiscal period.



CHANGES TO THE CANADA PENSION PLAN (CPP) FOR INDIVIDUALS WHO ARE AT LEAST 60 YEARS OF AGE BUT UNDER 70

In a **July 14, 2011 Release**, CRA discussed these **CPP changes** and notes that as of **January 1, 2012** the rules for contributing to the CPP will change.

1. **Individuals under 65 years of age** - starting on January 1, 2012, will **now have to contribute** to the CPP if you are **working**, even though you may be receiving CPP.

Individuals at least 65 years of age but under 70 - starting on January 1, 2012, unless you **elect to stop** contributing to the CPP, you will now **have to contribute to the CPP** if you are working.

2. **To stop contributing to the CPP:**

Employee - an employee who is **at least 65 years of age but under 70** and receiving a CPP or QPP retirement pension, can **elect to stop contributing to the CPP** by completing Form CPT30, giving a copy to all your employers, and sending the original to the CRA. **Note:** This is to be done by December 31, 2011, to avoid paying CPP for January 2012 and onwards.

Self-Employed - If you are **self-employed**, at least **65 years of age but under 70** and **receiving a CPP or QPP** retirement pension, you can **elect to stop contributing** to the CPP. To do so, complete the applicable section of Schedule 8, CPP Contributions on Self-Employment and Other Earnings for 2012 and file it with your income tax return for 2012. Do not use Form CPT30.

The **Election** stays in **effect** until you turn **70 years of age** or until you **revoke the Election**.

3. If you want to **start contributing to the CPP again**, you need to **revoke your Election** to stop contributing to the CPP. However, you cannot revoke an Election in the same calendar year that you elected to stop contributing to the CPP. For example, if you elected to stop contributing to the CPP in 2012, you cannot revoke this election before 2013. Since you cannot revoke an Election until 2013, Service Canada will provide information about this at a later date.

Starting in 2011

The following changes will be phased in during the five year period:

1. The CPP monthly pension amount will **increase** by 0.57% in 2011, 0.64% per month in 2012 and 0.70% in 2013 for each month the person defers taking the pension in the years between 65 and 70. For example, a person who becomes 70 in 2013 or later would enjoy a 42% increase in monthly benefits (5 years x 12 months x 0.70%).
2. Beginning in 2012, the CPP monthly pension amount will **decrease** by a larger percentage if taken **before** age 65. The standard reduction will be 0.52% in 2012 and rise annually until it reaches 0.60% in 2016. Thus, a person reaching age 60 in 2016 who chooses to take the pension then would see the monthly amount reduced by 36% (5 years x 12 months x 0.60%) compared with what would be received if they had waited until age 65.
3. The number of low or zero earnings years automatically dropped from the monthly pension calculation will be increased in the years 2012 and 2014.
4. Effective 2012 employees will no longer have to stop working in order to start receiving their benefits.

OLD AGE SECURITY (OAS) APPLICATION

A taxpayer may apply to receive **OAS payments** at the age of **65**. Failure to apply means a taxpayer could lose OAS payments because the Government only has to pay **retroactive payments** back to the 65th birthday for a **maximum of 11 months**, plus the month of application.

In a June 29, 2011 **Federal Court** case, the taxpayer argued that he was given incorrect information from Service Canada and, therefore, did not make an application for the OAS. Therefore, he was applying for retroactive payments past the **11 months**.

Taxpayer Loses

The Court found that the **information** provided by Service Canada was **not erroneous**. Therefore, the taxpayer was **limited** to a retroactive payment of **11 months**.





ECOENERGY RETROFIT-HOMES PROGRAM

The Federal Government renewed the **ecoENERGY Retrofit-Homes Program** in the 2011 Federal Budget. From June 6, 2011, until March 31, 2012, homeowners are eligible to receive **Grants** of up to **\$5,000** to make their homes **more energy efficient**.

There are two important changes to the Program. **First**, there is a **requirement** for participants to register directly with the Program **before booking** their evaluation. **Second**, homeowners will now be required to provide receipts to their energy advisor at the time of the post-retrofit evaluation to confirm eligibility for the Grant. Google **ecoENERGY Retrofit-Homes** for more information.

Only products purchased after June 6, 2011 and installed after a **pre-retrofit evaluation** are eligible for an ecoENERGY Grant. All energy retrofits and post-retrofit evaluations must be **completed** by **March 31, 2012**. The homeowner must also sign the **Grant application** by this date.

When you apply for an ecoENERGY Retrofit-Homes grant, you may be eligible for complementary or matching funds from **Provincial, Territorial and Municipal Governments**, as well as from certain energy utilities and non-government organizations that use the EnerGuide Rating System. You should consult with these regional organizations directly to ensure you are meeting their respective guidelines and deadlines.

Google “**complementary regional programs with ecoENERGY Retrofit-Homes**”.



RRSP PLANNING

An individual must **collapse their RRSP** by December 31 of the year in which they turn 71. Because of the current low interest rates, **most taxpayers** choose to purchase a Registered Retirement Income Fund (**RRIF**), rather than an annuity which would result in low interest rates throughout the person's retirement years.

Usually, an arrangement is made with the financial institution to **directly transfer** the **RRSP** into a **RRIF** thereby avoiding the inclusion in income.

A **RRIF** requires that funds be withdrawn on an **annual basis** other than in the year the **RRSP** is converted to the **RRIF**. A **RRIF** can be self-directed and may hold investments similar to those held by the **RRSP**. The minimum withdrawals range from **7.38% at age 71** to, say, 8.99% by 81 to 14.73% by 91, and 20% by 90 and older. These rates increase each year.

An individual may use either their **own age** or that of **their spouse** in determining the **minimum withdrawal** amounts. The **advantage** of using the age of a **younger spouse** will be to extend the period that the funds **remain in the RRIF** earning tax sheltered interest.

When a taxpayer **dies** owning an **RRIF**, there will be a **rollover** if a spouse is the “**successor annuitant**” and will continue to receive the monthly **RRIF** payments.

However, if the **RRIF** goes to the **Estate** and the spouse is the **beneficiary**, the spouse will receive the funds in the **RRIF** at the time of death; however, these may be **transferred tax-free** to the **spouse's RRIF**. Also, the **RRIF** may be transferred to a **spouse's RRSP** if the spouse is under the age of 72.

Where there is no spouse, and the beneficiary is a **dependent child or grandchild**, the funds may be **taxable** to the child; however, the child may purchase an **annuity** that must expire by **age 18**. If the child is dependent under a **mental or physical infirmity**, an annuity may be purchased that does not have to end by age 18.

Otherwise, the amounts in the **RRIF** are taxable in the **deceased's Estate** on the final tax return.

WEB TIP

GOVERNMENT SERVICES AND PROCEDURES AFTER BIRTH

<http://www.servicecanada.gc.ca/eng/lifeevents/baby.shtml>

This website offers a **helpful checklist and description of the items to consider** and **government services** that should be registered for **after you welcome a new one to the family**. Topics include: **parental leave/EI**, registering the baby's birth, **RESPs**, **Canada Child Tax Benefit**, **Universal Child Care Benefit**, and many more.



*A festive recipe
from Barb*



Savory Biscotti

This delicious savoury treat is a perfect with a glass of your favourite wine, and of course great friends to share it with...

- 2 cups all purpose flour*
- 3 Tbsps herbes de Provence*
- 1 1/2 tsps baking powder*
- 3/4 tsp fine sea salt*
- 1/2 cup(1 stick) unsalted butter at room temperature*
- 1/4 cup goat cheese at room temperature*
- 3 Tbsps sugar*
- 2 eggs, beaten at room temperature*

Preheat oven to 350 degrees. Put oven rack in centre of oven.

Line a baking sheet with parchment paper. Set aside.

In a medium bowl, whisk together the flour, herbes de Provence, baking powder and salt. Set aside.

In a large bowl, beat the butter and goat cheese together until smooth. Beat in sugar and eggs.

In batches, add the flour mixture and beat until just combined. Transfer the dough to the prepared baking sheet. With damp hands, form the dough into a 13 inch long, 3 1/2 inch wide loaf. Bake until light golden, about 30 minutes. Cool on the baking sheet for 30 minutes.

Transfer the loaf to a cutting board. Using a serrated knife, cut the log on the diagonal into 1/2 inch thick slices. Arrange the biscotti, cut side down, on the baking sheet. Bake until pale golden about 15 minutes. Transfer the biscotti to a wire rack and cool completely, about 30 minutes.

*The Shpak Team wishes you & your family
a wonderful Christmas &
a Happy New Year!*

*Gail, Mario, Phil, Garreth, Barb,
Julie & Paula*

