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Tax Letter



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OUR OFFICE IS MOVING!

We are now located at 9 Mccausland Crt., Barrie, Ontario. The intersection of Essa Rd and Veterans Blvd... See you all there!

Tax Alert: CRA warns of “Phishing” Schemes

The CRA recently published a tax alert informing taxpayers to be cautious of phone calls, e-mail, or mail that claim to be from the CRA. These are referred to as “phishing” scams that could result in identity thefts:

“Canadians should especially beware of phishing scams asking for their personal information, such as a social insurance, credit card, bank account, and passport numbers. Some of these scams ask for this personal information directly, and others refer the taxpayer to a web site resembling the CRA’s where the person is asked to verify their identity by entering personal information.”

Schemes involve informing taxpayers that they have been involved in a tax evasion.

Taxpayers are instructed to contact CRA directly before providing any personal information or to obtain assistance from their accountant.

Interesting facts to know about GST/HST

HST on SERVICES is calculated based on CUSTOMER’s address (with some exceptions, such as “personal services”). Professional services follow the above mentioned general rule.

HST and MEDICAL / HEALTH clinics. The contractual arrangements between a doctor (or other health care provider) and a clinic are of great importance when determining if HST should or should not be charged. (CRA Policy P-238).

HST on CUSTOMER DEPOSITS is not collectible until such time when it is applied as a “consideration” for the

purchase. However, once an amount is invoiced, the entire HST is to be remitted for that reporting period.

HST on COSMETIC-related health care services now applies to ALL services “in respect of” a cosmetic service (ex. dental hygienist service). The exception is a cosmetic surgery needed for medical or reconstructive purposes.

HST and GOODS sold by a third-party. An agent working on your behalf that sells your “item” is required to collect HST on the entire selling price (not only the commission being held back), even though you yourself may not be a

Top Tax-Free Savings Account (TFSA) tips

Maximum **TFSA contribution** room is made up of (1) annual \$5000 (2) unused TFSA room from prior yr (3) withdrawals made in the previous year.

Income earned in your TFSA and withdrawals are not taxed.

Transfers between TFSA’s **must** be completed by your financial institution in order to not affect your contribution limit.

Tax of **1%** per month will be charged on highest excess TFSA amount. Withdraw the excess funds immediately to avoid additional tax.

In situations of excess contributions, the CRA mails a **TFSA Return** indicating tax owing on the excess TFSA amount.

registrant.

HST on the sale of VACANT LAND is generally not applicable when sold by an individual. There are many exceptions, such as the land was partitioned into smaller land plots, the land was previously rented, or the land is being sold by a corporation.

HST on certain HEALTH CARE SERVICES is applicable if the service is not on the “exempt” list. For example acupuncturists, massage therapists and naturopaths are taxable health care services in Ontario.

Federal Budget Highlights

The federal government tabled its budget on June 6, 2011. The budget carries forward the announcements made in the prior budget of March 22, 2011 introduced by the previous minority Conservative government.

Below are the highlights worth mentioning:

Volunteer firefighters tax credit – starting in 2011, a non-refundable tax credit equal \$450 is available for firefighters who generally perform at least 200 hours of volunteer firefighting services.

Medical Expense Credit – the \$10,000 annual limit of qualified medical expenses that qualify for the medical expense credit, if incurred in respect of dependants 18 years or older, is removed in 2011.

Children's arts tax credit – starting in 2011, the \$500 eligible expenses are allowable per year for "eligible activities" in an "eligible program". The credit is available for children under 16 years of age.

Eligible Program

A program of at least 8 consecutive weeks in which a minimum of 90% of all activities are "eligible activities", or at least a 5 day program (ex. a camp) where more than 50% of the daily activities are eligible activities. Membership fees to a club, association or similar organization will also be eligible.

A program that is a part of schools curriculum is **not** eligible.

Eligible Activity

Activities include those that contribute in developing

creative, artistic or cultural skills, focus on wilderness and natural environment, help develop intellectual skills, to name a few.

Eligible Expenses

Expenses include fees paid for the cost of registration or membership, which may include administration costs, instruction, rental of facilities and incidental supplies.

Non-eligible expenses include musical instruments, travel, meals and accommodation fees, fees that qualify for child care expenses or the children's fitness tax credit.

Tuition Tax Credit – will now include fees paid to an educational institution, professional association, provincial ministry or other similar institution to obtain a provincially or federally recognized professional status, license or certification.

Foreign Study – Starting in 2011, foreign full-time course duration is lowered from 13 to 3 consecutive weeks, in order to qualify for tuition and education tax credits.

Extension of "kiddie tax" – the highest marginal federal rate (29%) on income received by children under the age of 18 (dividends and shareholder benefits), from private or unlisted corporations, is now going to apply to capital gains from a disposition of shares, where taxable dividends on the shares would have also been subject to kiddie tax. The capital gains will be treated like dividends and applies to gains realized after March 22, 2011.

Updates

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Corporate Fiscal Year Ends

Many corporations have its year ends ending in November or December. If you are a shareholder of one of those corporations please contact me ASAP as you may need to follow certain steps around this time (ex. calculate your inventory at or closest to your FYE date). Contact me for further details and/or instructions...

Personal and Corporate Tax Planning

This is also the time to evaluate your tax situation and determine if any steps need to be taken before the year is over. Corporations may want to invest in capital assets before their fiscal year is over. Individuals may want to do the same if they own a sole-proprietorship. Other types of transactions may also be advantageous as well depending on the current level of income and financial position of the sole-proprietorship or corporation.