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Tax Letter



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RRSP for 2012

Generally, the amount you can contribute to your own RRSP, your spouse's RRSP, or your common-law partner's RRSP for a given tax year without tax implications is determined by your RRSP deduction limit. This is often called your "contribution room". Amounts that you contribute above this limit may be considered excess contributions (over-contributions).

The maximum RRSP contribution room for 2012 is 18% of your prior year income, with a limit capped at \$22,970. The simplest way to determine your contribution room is to review the 2011 Notice of Assessment received from CRA.

Your RRSP contribution room is reduced by "pension adjustment" if you are a member of a registered pension plan. You can make your contribution any time from January 1, 2012 to March 1, 2013.

compliance.

Currently, exemptions exist allowing individuals to opt out of WSIB coverage, specifically those who were self-employed, owned a company, or acted in an executive management role within an organization.

Starting in 2013 most of these exemptions will no longer be available to the construction industry, and all construction companies will be required to register with WSIB and pay insurance premiums on all insurable earnings, including those of officers and owners.

TFSA

Savings just got a whole lot easier!

The Tax-Free Savings Account (TFSA) allows Canadians, age 18 and over, to set money aside tax-free throughout their lifetime. Each calendar year, you can contribute up to \$5,000, any unused TFSA contribution room from the previous year, and the amount you withdrew the year before.

The annual TFSA dollar limit for 2013 is \$5,500.

All income earned and withdrawals from a TFSA are generally tax-free. Plus, having a TFSA does not impact federal benefits and credits. It's a great way to save for short and long-term goals.

Home Buyers' Plan (HBP)

The Home Buyers' Plan (HBP) is a program that allows you to withdraw funds from your registered retirement savings plan (RRSPs) to buy or build a *qualifying home* for yourself or for a related *person with a disability*. You can withdraw up to \$25,000 in a calendar year.

Your RRSP contributions must remain in the RRSP for at least 90 days before you can withdraw them under the HBP, or they may not be deductible for any year.

Generally, you have to repay all withdrawals to your RRSPs within a period of no more than 15 years. You will have to repay an amount to your RRSPs each year until your HBP balance is zero. If you do not repay the amount due for a year, it will have to be included in your income for that year.

New WSIB Requirements for Contractors

Beginning January 1, 2013, there will be significant changes to Workplace Safety and Insurance Board (WSIB) coverage for those involved in the construction industry. All construction companies (independent contractors to executive officers) must review their WSIB coverage.

Also, companies that hire contractors or subcontractors must have a valid WSIB clearance certificate from the Board in advance of initiating any work. Failing to obtain one may lead to an offence under the provincial act and a penalty for non-

**Reporting Requirements for Payments to Subcontractors in the Construction Industry
(T5018)**

Canada Revenue Agency (CRA) established the Contract Payment Reporting System in 1996. The system was first set up on a voluntary basis but became mandatory with the 1998 Federal Budget and effective January 1, 1999.

All construction businesses are required to report any payment of \$500 or more to subcontractors providing construction services, reported on a T5018 Information Slip and summarized on a T5018 Summary.

Construction businesses include individuals, trusts, partnerships, and corporations whose income earning activities are primarily, that is at least 50%, in construction.

Businesses that spend less than 50% of their time in construction activities are not required to report payments to subcontractors.

Businesses that are outside of the construction industry are not required to report subcontractor payments either, even if they have construction work done for them. Note that such businesses may have to file T4A slips for payments for services in excess of \$500.

Subcontractors are defined as individuals, partnerships, or corporations that offer construction services, including those under the GST limit of \$30,000. Contractors who provide non-construction services such as janitorial work or bookkeeping are not reportable.

All amounts paid or credited to a subcontractor for construction services must be reported, including:

- payments by cheque
- cash payments
- barter payments (report the fair market value of the bartered goods or services)
- payments offset against amounts owing

CRA's penalties for late filing are \$25 per day per slip, with a minimum penalty of \$100 and a maximum of \$2500 per slip. As a result, the penalty quickly becomes a very large amount.

Even a moderate-sized company with 20 subcontractors could face bankruptcy with a penalty of up to \$50,000.

Prepare for 2012 Tax Year

Provide any CHANGES to information previously given to us, and/or any new information that was not part of your 2011 tax year (address changes, name changes, new births, marital status changes etc.).

Name:
 Company Name:
 Street address:
 City, Postal Code:
 Phone:
 e-mail:
 SIN:
 DOB:

SPOUSE INFO
 Spouse Name:
 SIN:
 DOB:
 Marital Status:

DEPENDANT INFO
 Name: DOB:
 Name: DOB:

Also...

- Please bring all your T-slips with you (T4, T3, T5 and other slips)
- Bring your Notice of Assessment received for the 2011 Tax Year
- Medical receipts (or yearly statements requested from the pharmacy or doctor's office)

