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Client Newsletter

January 2014

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Happy New Year!

Welcome to 2014. It is the start of the New Year so I thought I would focus on planning for 2014. My clients fall into two broad categories. One, individuals and two, businesses. Businesses can be either corporations or proprietorships but in most cases the deductions available to each are the same.

For individuals tax returns get filed for two reasons. The first is you have to, it's the law. The second is to settle up with CRA to see if you owe them money or they owe you money. Our job is to let you keep as much money in your pocket as you are entitled to. I hope this newsletter gives you a few good ideas.

Businesses file tax returns for the same reason. And this newsletter will also focus on reducing taxes. But for businesses we also help clients with their bookkeeping and help them run their businesses. Business owners need accurate information to help them make good decisions. I will discuss those services at a later time.

So please enjoy! I welcome your comments.

It's Your Money!

For individuals to save tax there are a number of things you can do. Here are 10 suggestions to keep more of your money!

1. Tax Free Savings Accounts (TFSA)

Another January 1st has past so another \$5,500 can be contributed to your TFSA. If you have never contributed the limit is now up to \$31,000. By contributing now and maximizing your savings the interest, dividends and capital gains on these savings will never pay tax. Ever.

2. Registered Retirement Savings Program (RRSP)

Many clients contribute before the deadline (March 3, 2014) to get a tax deduction on their 2013 tax return. But you can contribute now for 2014. By doing this now the investments can grow sooner and any income you earn on those funds will not be taxed in 2014. I know this is hard to do. But if you have the cash available, don't wait a year to contribute. Do it now!

3. Registered Education Savings Plan (RESP)

If you have children or grandchildren an RESP is a great way to save for their post-

Plan now for 2014.

RESPs allow savings to grow on a tax deferred basis.



Non-Taxable Benefits are like getting free money!

It's Your Money Continued...

secondary education. On the first \$2,500 per year contributed the government will contribute 20% or \$500 into the plan. If no contribution was made in the prior year you can catch up and get a \$1,000 grant. This is not tax savings but it is free money from the government. Any investment income or capital gains are not taxed until the funds are distributed to the child (and the child pays any tax). And since most young adults attending school have little income, little or no tax will be paid.

4. Income Splitting Loans

A loan to a spouse or child can be made at 2% interest. The spouse or child can then invest the funds and report the income. As long as the returns are greater than the 2% income will be effectively shifted from a higher income taxpayer to a lower income taxpayer. There are special rules here so professional advice is needed.

5. Review your Investment Portfolio

If you hold investments that produce interest, dividends or capital gains consider which account holds each security. Since dividends and capital gains are taxed less than interest income it makes sense to hold any interest bearing investments in registered accounts and any non-interest bearing investments in non-registered accounts.

6. Make your Mortgage Deductible

If you have non-deductible debt (i.e. mortgage) and non-registered investments consider selling the investments, paying off the debt, re-borrowing the money and buying the investments. By doing this your mortgage interest may now be deductible. As always there are rules but this can be a great way to significantly reduce your tax bill.

7. Track Employment Expenses

If your employer requires you to pay for expenses, use your home office or drive for work start 2014 off right by tracking all your employment expenses and keeping a mileage log.

8. Non-Taxable Benefits

Need a raise? Next time you negotiate your salary consider asking for non-taxable benefits instead of actual money. Consider asking for any of the following:

- Payment of Club dues (must mainly benefit employer)
- Non-Cash gifts and awards
- Home computer
- Tuition fees and professional registration fees
- Scholarships to children

In Business? – Plan to Pay Less

If you run a business there is no doubt you want to pay less tax. Here are four ideas that may significantly reduce the money you send to the CRA.

1. Consider Incorporating

If you have a proprietorship or partnership you may save tax by incorporating. Businesses that this works well for are those companies which have excess profits that the owner does not need to live on. It also works well for companies that have large amounts of assets such as receivables or equipment. If this applies to you, please contact me.

2. Don't Invest in Your Business

If you have debt and you have a business, considering having the business borrow money to pay expenses and using all the cash receipts to pay off your personal debt. This will make the interest deductible and reduce taxes payable. Again, there are rules so let's discuss if this strategy can work for you.

3. Split Your Income

This is a great way to reduce tax. Pay your spouse or children for the work they do in the company. Or pay dividends to your adult children. Planning compensation at the start of the year can save your family thousands of dollars.

4. Business and Travel Conventions

Have a convention to go to? Have some business travel to do? Bring the family along and you will be able to deduct some of the travel costs.



Income splitting is a great way to reduce taxes.

Need a Good Referral?

I belong to a networking group. We refer business to one another. I have belonged to this group for 10 years and its members are all reputable business people. Many of their services I have used myself. So if you need any of the following services please contact me and I will give you their contact information:

- Information technology
- Mat Rentals, rug cleaning and restoration
- Creative Design, Marketing and Advertising
- Custom Closets and Garages
- Life, Disability and Critical Illness Insurance
- Home and Auto Insurance
- Travel Agent
- Auto Repair Shop
- General Contractor
- Mortgage Broker
- Internet Marketing Consultant
- Lawyer
- Residential Real Estate Agent
- Home Inspector

If you are in business and want to grow your business by referral give me a call and we can discuss the possibility of joining my networking group.

Charitable Donation Super Credit

The federal government's Budget 2013 established a First-Time Donor's Super Credit to encourage charitable donations from first-time donors or those who have not claimed a charitable donation on their taxes in the last five years. It's a great opportunity for anyone making their first charitable gifts.

Charitable donations are eligible for tax credits. That means you get a certain portion of your donation back on your tax return. The standard federal tax credit for a donation is 15 per cent for the first \$200 donated and 29 per cent for donations above that level. The Super Credit increases these federal tax credits by 25 per cent. Provinces also give a donation tax credit.

If neither you nor your spouse has claimed a donation tax credit from 2008 to 2012 you will now be eligible. Please advise us if you think you qualify for this enhanced credit.



Upcoming Deadlines

Accountants work with deadlines all the time. Here are a few you should be aware of in the near future.

Spousal Loan Interest Payment	January 31, 2014
October-Dec. HST and/or WSIB Return	January 31, 2014
T4 and T5 Issuing	February 28, 2014
RRSP Deadline	March 3, 2014
Personal Tax Installment	March 15, 2014
Trust Return	March 31, 2014
January-March HST and/or WSIB Return	April 30, 2014
Personal Tax Return	April 30, 2014
Proprietorship Tax and HST Payment	April 30, 2014
Proprietorship Tax and/or HST Return	June 15, 2014
Personal Tax Instalment	June 15, 2014
December Corporate Tax Return	June 30, 2014



*Thank you for your referrals!
We very much appreciate the referrals we
receive. If you know of someone who may benefit
from our services please pass my name to them.
As always, we provide a complimentary initial
meeting.*