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# WILLIAMS ACCOUNTING PROFESSIONAL CORPORATION

## Client Newsletter

January 2017

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*Plan now for 2017.*

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## New for 2016 and 2017

Since my last newsletter we have had a federal and a provincial budget. Here is a summary of those items of most interest.

### 1. Children's Fitness Credit

The federal government lowered the federal fitness tax credit to **\$500** for 2016. It has been eliminated for 2017. The federal arts credit is lowered to **\$250** and it too is eliminated in 2017. This is not to be confused with the Ontario Child Activity tax credit of **\$560** for 2016. Generally, anything that is fitness or arts related qualifies for Ontario purposes. Ontario also allows many other items including tutoring. What is **NEW** is that the federal fitness credit is now refundable and will benefit some lower income tax payers. When we complete your tax return we are required to see these receipts so please provide them and we will determine the optimal way to make the claim.

### 2. Income Splitting for Parents

**Gone!** While it was nice while it lasted it is no longer available. However, pension splitting continues so we will continue to calculate the best way to keep overall taxes to a minimum.

### 3. Universal Child Care Benefit

As of July 2016 this too has been eliminated to be replaced by a new Canada Child Benefit. The new Canada Child Benefit will not be so generous to higher income earners. It is income tested so some clients will not benefit with the new program.

### 4. Lower Middle Class Taxes and New High Income Tax Bracket

In December 2015 the new government announced lower taxes for those in the "middle" tax bracket. For those earning between \$45,282 and \$90,563 the federal taxes have been reduced from 22% to 20.5%. This could save someone up to \$680 per year. But they also created a new tax bracket for income over \$200,000. Now the top federal tax bracket is 33%. When combined with the Ontario taxes the top marginal tax bracket is now 53.53%!

### 5. Teacher School Supply Tax Credit

For 2016 there is a new tax credit. "Eligible Educators" will receive a tax credit of 15% of expenses (up to \$1,000) they personally pay for. So a teacher may have

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## New for 2016 and 2017 Continued...

their taxes reduced by up to \$150. As usual, we need to see the receipts to claim this credit.

### 6. Elimination of Education and Textbook Tax Credits

For 2016 nothing changes. But in 2017 there will no longer be a tax credit for education and textbook amounts. Tuition tax credits will continue. Bottom line is you will get less of a tax credit for post-secondary education.



## Lower Small Business Tax Rates!

Beginning in 2016 the small business tax rate has been reduced to 15% from 15.5%. Further reductions were to continue but the last federal budget stopped that plan. If you are currently operating your business as a proprietorship this may be a good time to evaluate if you should incorporate to potentially take advantage of the lower business rates.

## Small Business Tax Rule Changes

### 1. Incorporation Costs

As of January 1, 2017 and costs of incorporation up to \$3,000 are now fully deductible. In the past, these amounts, usually less than \$2,000, could only be partially deductible and they were deducted over decades.

### 2. Eligible Capital

The purchase of goodwill, incorporation costs other similar expenditures were only 75% deductible over years and decades. The system was also extremely complex. As of January 1, 2017 the old system has been replaced with these intangibles being treated like other assets and capital cost allowance (depreciation) can be claimed. Assets acquired before January 1<sup>st</sup> can now be written off at the rate of 7% per year. New purchases can be written off at the rate of 5% per year.

### 3. Multiplication of Small Business Deduction

Accountants like to save taxes. In the past we would regularly suggest corporate structures that allow successful companies to earn more than \$500,000 at the low small business rate of 15%. Father might own the operating business. Mother might own the building the business is operated from. Their adult daughter might own the equipment used in the business. This might have allowed us to have \$1,500,000 of income taxed at the lower rates.

Well...the rules have changed. For any corporation that has a year-end that starts after March 22, 2016 the small business limit must be shared where the services provided from one company are to another company owned by a related party. If you think this may apply to you give me a call. Let's look at the options to keep the taxes as low as possible.



## Reporting of Principal Residence Sales!

**This is the biggest change in taxation in years or maybe decades.** Most people know that in Canada you can claim a "principal residence exemption" on the sale of your home (or cottage) and potentially eliminate all taxation. If you have ever only owned one home at a time no tax would be payable. And to make life easier, CRA did not even require you to report the sale if you only owned one property at a time.

But it seems some people may not have been playing by the rules. They owned two or more homes at the same time (home and cottage for example). When the first one sold they would say to themselves that this was the principal residence and nothing had to be reported. When the second property was sold they would "forget" that they already used the exemption for some of the years the second property was owned. And they would also report nothing to CRA. So not only did they not pay the correct taxes they didn't tell CRA anything making it pretty hard for CRA to catch them.

Beginning with **sales after December 31, 2015** all sales must be reported. You also report the years you are claiming the principal residence exemption. So as long as you can and do make the claim for all years you owned the property no taxes will be payable. But if you do have two properties and sell a second home CRA can now tell if you have a gain to report.

What if you just don't report still? Well...the penalty for not reporting is **\$100 per month to a maximum of \$8,000**. It is expected that CRA is now going to look at land registry records, see the sales, ask taxpayers to file (even if no tax is payable) and assess thousands in penalties.

## Need a Good Referral?

I belong to a networking group. We refer business to one another. I have belonged to this group for 13 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, carpet and furniture cleaning and restoration
- Creative Design, Marketing and Advertising
- Internet Marketing
- Life, Disability and Critical Illness Insurance
- Home and Auto Insurance
- Travel Agent
- Auto Repair Shop
- General Contractor
- Mortgage Broker
- Certified Home Inspector
- Lawyer
- Residential Real Estate Agent
- Send Out Cards Distributor
- Investment Advisor

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.





## CREATING VALUE FOR YOUR BUSINESS



Williams Accounting Professional Corporation is a full service firm providing bookkeeping, accounting and tax services to small and medium size businesses in Peel Region since 1997.



GLENN WILLIAMS  
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- FINANCIAL STATEMENTS
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We have updated our website and marketing materials. Please check us out!

## Upcoming Deadlines

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

|   |                   |
|---|-------------------|
| <b>T4 and T5 Issuing</b>                    | February 28, 2017 |
| <b>RRSP Deadline</b>                        | March 1, 2017     |
| <b>Personal Tax Installment</b>             | March 15, 2017    |
| <b>Trust Return</b>                         | March 31, 2017    |
| <b>January-March HST and/or WSIB Return</b> | May 1, 2017       |
| <b>Personal Tax Return</b>                  | May 1, 2017       |
| <b>Proprietorship Tax and HST Payment</b>   | May 1, 2017       |
| <b>Proprietorship Tax and/or HST Return</b> | June 15, 2017     |
| <b>Personal Tax Instalment</b>              | June 15, 2017     |
| <b>December Corporate Tax Return</b>        | June 30, 2017     |



*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.*