



Glenn Williams, CPA, CMA  
glennw@williamsfm.ca



# WILLIAMS ACCOUNTING PROFESSIONAL CORPORATION

## Client Newsletter

February 2020

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*Plan now for 2020.*

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## New for 2019 and 2020

Since my last newsletter, there have been some changes to the federal and provincial tax rules. Here is a summary of those items of most interest.

### 1. Canada Training Credit

Beginning in 2020 there is a new refundable tax credit for tuition or fees paid to an eligible education institution. The limit starts with \$250 and will increase another \$250 every year. For example, after only 4 years each of us will have \$1,000 available. The government is trying to encourage Canadians to retrain and keep their skills up to date. Of course, there are rules. You must earn more than \$10,000 to earn the credit and your net income has to be less than \$147,667 in 2019.

For those that run a business an option often exists to deduct training costs as a business expense. Going forward we will have to determine which choice gives the best savings.

### 2. Ontario Childcare Access and Relief from Expenses (CARE)

Ontario has a new **refundable tax credit** to help parents pay for child care expenses. The calculations are complicated and it is determined based on "adjusted family income". Our software automates the calculation so some of you may be surprised with a refund larger than usual.

### 3. Low Income Individuals and Families (LIFT) tax credit

Ontario has introduced a new tax credit so those earning less than \$30,000 per year pay no Ontario tax. The calculations are automatic completed in our software so again, some clients will see bigger refunds than usual. It should be remembered that the federal government still collects its taxes so those earning modest incomes will still have tax to pay.

### 4. Canada Workers Benefit

This credit has been around for a few years. It used to be called the Working Income Tax Benefit. The amount of the credit has been increased so again, some clients will see larger refunds.

### 5. Journalism Tax Credit

There is a new 15% tax credit in 2020 on eligible digital news publications. Spend \$500 and get \$75 back on your tax return. Another "boutique" tax credit. This

sounds a lot like the previous tax credits that were cancelled a few years ago. So...keep your receipts, have us add them to next year's tax return, potentially get audited and you get \$75. If it appears I am not a fan of this credit you are correct.

## Employee Stock Options

When we think of Employee Stock Options, we often think of the very wealthy who seem to make high incomes and appear to not pay enough tax. What is enough tax is debatable. Stock options are treated like capital gains so only 50% of the income is taxable. The federal government was proposing to put an annual cap of \$200,000 on options eligible for this preferred tax treatment. It was supposed to come into effect January 1, 2020. In late December this plan was shelved – for now. A new proposal is to be announced in the upcoming federal budget.

Stay tuned for further developments!

## Lower Small Business Tax Rates! Again!!

I remember when small business tax rates were 18.62%. Then they started to drop. Recently, rates dropped to 13.5% effective January 1, 2018 and then to 12.5% on January 1, 2019. Well, here we go again! **As of January 1, 2020, to small business tax rate is now only 12.2%.**



## Audits and Reviews

CRA has a responsibility to ensure that we all pay the taxes owed to the government. It is the price we pay to live in the **GREAT** country we call Canada. To ensure this, CRA performs various Reviews and Audits. There is no difference when these two names are used. Reviews tend to be more limited in scope whereas audits tend to be more in-depth but they are essentially the same thing.

In many cases my office will receive the notice of the review and we may even reply to CRA without the client even knowing this has happened. This would apply to simple reviews when the CRA asks for something simple like a tuition receipt. Often, we will contact the client to get the information we need to reply to CRA.

I am often asked if the cost to reply to the review was included in our original fee. The answer is no, we do not charge clients ahead for something that may not apply to them. When we respond to the audit, we track our time and bill for the time spent on the file. While some Reviews and Audits are randomly selected by CRA most are not. CRA tends to review items that do not meet the "norm". Examples are large employment expenses, large medical or charity receipts. Sometimes CRA decides to focus on specific areas. Recently there were many "professional fee" audits in businesses. Now they have switched to "automobile expenses."

If you want to increase the likelihood of being audits it is simple. File late. Owe money. To decrease the odds, file on time and pay on time.

Most audits (90%) result in no adjustments. When there are adjustments the most common issue is that the documentation we can supply CRA does not match what we were originally told by the client. For example, we get told the insurance cost for a car is \$3,600. We use that number. When reviewed it turns out this is not for one vehicle but for both family vehicles. The error gets caught and the return is adjusted.

It is important to remember that the taxpayer has to keep supporting documents to support the claim. Keep poor records and you may get reassessed!



## Tax Free Employee Benefits

Most benefits you receive from an employer are taxable, but some are not. It can be advantageous to negotiate tax-free benefits when you discuss raises with your boss. And if you're self-employed, your boss is usually quite willing to let you reduce tax! Consider arranging to be paid the following to reduce your tax bill:

- Contributions to a "private health services plan"
- Payment of club dues if the primary beneficiary is the business
- Home computer if the primary beneficiary is the business
- Tuition fees for courses related to the employment
- Scholarships to children of employees
- Uniforms or special clothing
- Overtime meals
- Reasonable per km motor vehicle allowances (Now HIGHER for 2020)

There are rules for these so please call us before you implement them in your business.

## Income Splitting

One of the best ways to reduce the family tax bill is by income splitting. This shifts income from someone in a higher tax bracket to someone in a lower tax bracket. The result is a reduction in the total tax bill paid by the family. Examples include:

- If you own a business, pay a reasonable salary to a spouse or child.
- Pay your child over 18 to provide child care for your child under 17!
- Rearrange who holds investment assets
- Share CPP benefits
- Any many more!

Please contact me so we can discuss what alternative may apply to you.

## Need a Good Referral?

I belong to a networking group, the Business Hub. We refer business to one another. I have belonged to this group for over 15 years and its members are all reputable business people. Many of their services I have used myself. If you need any of the following services, please contact me and I will give you their contact information:

<ul style="list-style-type: none"> <li>• Carpet and furniture cleaning and restoration</li> <li>• Window Coverings</li> <li>• Personal Trainer</li> <li>• Marketing</li> <li>• Life, Disability and Critical Illness Insurance</li> <li>• Home and Auto Insurance</li> <li>• Auto Repair Shop</li> <li>• General Contractor</li> <li>• Mortgage Broker</li> </ul>	<ul style="list-style-type: none"> <li>• Banker</li> <li>• Lawyer</li> <li>• Residential Real Estate Agent</li> <li>• Home Stager</li> <li>• Send Out Cards Distributor</li> <li>• Certified Home Inspector</li> <li>• Investment Advisor</li> <li>• HVAC Contractor</li> <li>• Travel Agent</li> <li>• Information Technology</li> </ul>
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If you are in business and interested in growing your business by referrals give me a call and we can discuss the possibility of joining my networking group. Examples of businesses we are looking for include Graphic Design, Plumbers and a Printer.



Next Networking visitors meeting  
 February 28, 2020  
 7:00 a.m. – 8:30 a.m.  
 Call me for details  
 I'll pay for your breakfast!



# 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  
CPA, CMA

- FINANCIAL STATEMENTS
- CORPORATE, PERSONAL & ESTATE TAX
- BOOKKEEPING & PAYROLL
- TAX MINIMIZATION STRATEGIES
- NON-PROFITS & CHARITIES
- ACCOUNTING SYSTEM IMPLEMENTATION

We take care of the details so you can focus on your business.  
Could your business do better?  
Let's talk and "Create Value for YOUR Business"

Check out our website for additional information and useful links.

905-457-2302 | WILLIAMSFM.CA

## 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 29, 2020
<b>RRSP Deadline</b>	March 2, 2020
<b>Personal Tax Installment</b>	March 15, 2020
<b>Trust Return</b>	March 31, 2020
<b>January-March HST and/or WSIB Return</b>	April 30, 2020
<b>Personal Tax Return</b>	April 30, 2020
<b>Proprietorship Tax and HST Payment</b>	April 30, 2020
<b>Proprietorship Tax and/or HST Return</b>	June 15, 2020
<b>Personal Tax Instalment</b>	June 15, 2020
<b>December Corporate Tax Return</b>	June 30, 2020



*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.*