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WILLIAMS ACCOUNTING PROFESSIONAL CORPORATION

Client Newsletter

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Plan now for 2019.

New for 2018 and 2019

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. Tuition credit changes

For 2018 there are no provincial tuition or education credits of any kind. This was done to allow Ontario to give more grants and loans to students. Now the current Ontario government has lowered the grants and loans. I note they did not reinstate the tax credits that were cut! At the federal level, tuition tax credits can still be claimed against federal taxes, but the education amount has been eliminated. Bottom line – more taxes to pay.

2. Tax on split income (TOSI)

New federal legislation was passed regarding income splitting from family businesses. The old tax on split income for individuals under 18 years of age has been expanded to include individuals over 18. Amounts paid to family members that are not exempt will be taxed at the highest marginal tax rate. This includes dividends, income on interest, and gains from the disposition of property after 2017. These rules **do not apply** to salaries and wages, as long as they are deemed reasonable for the work being done.

3. New TFSA Limits

This year the contribution limit for TFSA's has been increased from \$5,500 to \$6,000. The contribution limit is cumulative. If you have never contributed, and you were 18 or older in 2009, the total cumulative limit is 63,500.

Superficial Loss Rules

Stock markets have been very volatile in the past few months. If you own securities related to the technology sector, your investments have likely gone down and you may be in a loss position. It is advantageous to crystallize the losses to enable these losses to reduce other gains you may have to report. But what if you don't want to miss any bounce back in the market prices? Can you just sell on one day and buy the same security back later the same day? Or how about having your spouse make the new purchase? What about buying more shares of the stock on the day before you sell? All these strategies have been considered by the Income Tax Act and will not work. You need to know the Superficial Loss Rules.



The rules are fairly simple. If you or your spouse buy or sell the same security within 30 days, either before or after the loss sale, then the loss will be denied. The denied loss will be added to the adjusted cost base of the new security.

To get around this, buy a different security that will behave similarly to the security you want to sell. For example, if you have a loss on Apple, perhaps sell it and buy Hewlett-Packard shares. After 30 days you could then sell Hewlett-Packard and buy Apple.

Lower Small Business Tax Rates! Again!!

Beginning in 2016 the small business tax rate was reduced to 15% from 15.5%. Recent announcements at both the federal and provincial levels reduce the rate even further to 13.5% effective January 1, 2018 and then to 12.5% on January 1, 2019.

RESP Strategies

The Registered Education Savings Plan (RESP) is a great way to save for a child's education. I won't go into the details here but generally whatever you contribute (up to annual limits) will receive a grant from the federal government of 20% of the contributed amount. Let's say you contribute for a number of years and it is time for the child to go to University or College and the RESP is now worth \$40,000. This is made up of \$20,000 you put in, \$4,000 from the federal government and \$16,000 of accumulated growth (interest, dividends and capital appreciation). Now what do you do?

The first thing to know is how this will be taxed. When funds are withdrawn the amounts contributed (\$20,000) will come out tax free. But the grants (\$4,000) and growth (\$16,000) will be taxed on the child's tax return.

The objective should be to withdraw the funds and pay the least tax possible. Having all the grants and earnings taken out in the same year could result in a significant tax bill! To minimize the tax you have to be a bit of a fortune teller. You need to know what your child's taxable income will be in each year. To achieve this consider:

- In the final year of high school the child only has two months in the summer to earn income. Income may be low this year.
- Be careful in the final year of school. If the student graduates and gets a full-time job they may have 8 months of income at a good salary that year. This is not a good time to take out RESP income and pay tax.
- When the child has started post-secondary school consider moving the principal invested in the RESP into a TFSA in their name. You can withdraw the capital of the RESP tax-free 8 months after the start of university. In an RESP, any growth is taxable, but in a TFSA, growth will be tax free. They can invest up to \$6,000 dollars in 2019 or \$5,500 for 2016-2018. Making this move could save a substantial amount of tax.
- Consider what effects Co-op jobs might have on your child's income. Many co-op students can make \$10,000 or more during a four-month work term. As tuition credits are reduced plan your withdrawals ahead of time to minimize taxes.



**Consider how you can
minimize taxes on your
child's RESP**

Death and Taxes

"In this world nothing can be certain, except death and taxes"

Benjamin Franklin

One of the unpleasant parts of our business is hearing of the loss of a loved one. Often we hear the news from the spouse or child of the deceased or from the executor. While death comes to us all, the payment of taxes at the time of death can be lessened.

Before Death

Since we are all going to die someday, planning to minimize taxes should not be something to avoid. As I have said to many clients, "You can choose to give your money to the government or give it to your family...your choice." Planning can involve transferring assets to beneficiaries before death, second wills, joint ownership, or full-blown estate freezes. If this is an area that interests you, give me a call to discuss.

After Death

After death there will be a final return(s) to complete up to the date of death. There may also be returns for the estate. This is referred to as a trust or T3 return. The estate may have to continue to file each year until there are no assets left to distribute.

To minimize taxes it is important to speak to an accountant **before** you do anything. There are options that can save thousands in taxes, but once certain actions are taken by the executor it is too late.

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 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">• Carpet and furniture cleaning and restoration• Window Covering• Essential Oils• Personal Trainer• Internet Marketing• Life, Disability and Critical Illness Insurance• Home and Auto Insurance• Auto Repair Shop• Auto Body Repair• General Contractor• Mortgage Broker	<ul style="list-style-type: none">• Merchant Services• Banker• Lawyer• Residential Real Estate Agent• Home Stager• Send Out Cards Distributor• Certified Home Inspector• Investment Advisor• HVAC Contractor• Travel Agent
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If you are in business and interested in growing your business by referral give me a call and we can discuss the possibility of joining my networking group. We are looking for someone in IT, Graphic Design, Plumber and a Printer.



Next Networking meeting
February 8, 2019
7:00 a.m. – 8:30 a.m.
Call me for details
I'll pay for your breakfast!



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GLENN WILLIAMS
CPA, CMA

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Could your business do better?
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Check out our website for additional information and useful links.

Upcoming Deadlines

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

T4 and T5 Issuing	February 28, 2019
RRSP Deadline	March 1, 2019
Personal Tax Installment	March 15, 2019
Trust Return	March 31, 2019
January-March HST and/or WSIB Return	April 30, 2019
Personal Tax Return	April 30, 2019
Proprietorship Tax and HST Payment	April 30, 2019
Proprietorship Tax and/or HST Return	June 15, 2019
Personal Tax Instalment	June 15, 2019
December Corporate Tax Return	June 30, 2019



*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.*