McCANN & ROQUE

CHARTERED ACCOUNTANTS

SEASON'S GREETINGS

&

HAPPY HOLIDAYS

The holiday season is a time for us to gather with friends and family, celebrate the joys of the season and look forward to the New Year. It is also a time to reflect on the outgoing year at what we have accomplished together. All of us here at McCann & Roque would like to extend our heartfelt thanks for all your support this past year, and welook forward to working with you again this coming year.

Our office will be closed Thursday, December 24th through Friday, January 1st; reopening Monday, January 4th, 2016. Our payroll department will still look after your direct deposit payroll during the holidays. Please follow their instructions and timelines carefully to minimize their time away from their families, and to make sure everyone gets paid on time!

Thanks
Marcia, Allan & rest of the team

Did You Know? Current & Upcoming Tax Changes that May Affect You!

"Estate Tax" Replaces Probate

A Toronto star article on Sep 24th, 2015 stated "Many people are just waking up to the fact that a change in this year's provincial budget, effective Jan. 1, requires executors to file estate information to the province within 90 days for tax purposes or face a fine and/ or two years in jail."

Quite the headline – intended to attract attention, and I'm sure it did.

Mackenzie Investments has published a 3-page document, entitled "Ontario Executors Face New Probate Rules". If you do an internet search on this title, you will locate the pdf document. It is written in understandable English and is quite good.

So here are the highlights:

• **Name change only** - The name has changed to "Estate Administration Tax". Ontario has NOT introduced estate taxes, just renamed it's probate fees and introduced other changes at the same time.

• **Who does it affect?** – If you need to "probate" a will (in other words, obtain "Letters Probate" or the new term "Certificate of Appointment of Estate Trustee With (or Without) a Will" – then these new rules affect you.

• **What do you have to do?** – Within 90 calendar days of receiving your "Certificate of Appointment …", you must file an "Estate Information Return". This return will provide details on how the estate's value was determined.

• **Do "probate fees" change?** – NO. And, you still have to pay the estimated fees when you apply for the "Certificate" and the current rates are:
o 0.5% on the first $50,000 of the estate, and
o 1.5% on any amount above $50,000
o No probate is payable on amounts which are not included in the will.

New HST Elections for Closely Related Companies MUST be Filed by December 31st

CRA released a new election form, RC4616, in January 2015to replace form GST25. These forms permit members of a "qualifying group" to elect to have many transactions between the companies treated as made for no consideration, which means that no related HST payments would need to be made between the affected companies.

All new elections made starting January 1, 2015 must be filed with the CRA using the new form. Similarly, **all elections that were in place prior to 2015 must now be filed with CRA by December 31, 2015, using the new form**. If the new Election form is not filed by December 3st, any prior election will be considered invalid, which could lead to significant tax consequences in the event of an audit.

This Election can be filed electronically using the "File an Election" service in "My Business Account" or "Represent a Client" or can be mailed in to CRA.

If you have not taken advantage of this Election in the past, and think it might be useful to your companies, please contact either Allan or Marcia to assist you in making the decision.

New Rules for T3 Trust & Estate Returns effective January 1st, 2016

If you know of anyone who is dealing with the estate of a loved one, or has an trust for some other reason, please pass along this information to them.

Effective January 1st, 2016, testamentary trusts, estates and grandfathered inter vivos trusts located in Ontario will be taxable at a flat rate of approximately 42.16%. These trusts and estates will pay more taxes because they will no longer be subject to graduated tax rates. In addition, they:

• must have a calendar year-end
• must remit quarterly instalments
• cannot claim the $40,000 basic exemption when calculating alternative minimum tax, and
• will be subject to Part XII.2 tax on certain income.

Any effected trust/ estate that does not already have a calendar year-end, will be required to select a December 31 year-end, **commencing with December 31, 2015. These trusts/ estates will have two year-ends in calendar 2015.**

There will be 2 exceptions to this rule change:

1. A "graduated rate estate" is a testamentary trust , for the first 36 months after the individual's death. Such an estate will have to designate itself as a graduated rate estate to take advantage of the reduced tax rates. The estate will have an actual or deemed year-end immediately before it ceases to be a graduated rate estate.

2. A "qualified disability trust" has a beneficiary who qualifies for the disability tax credit, and it will benefit for the graduated tax rates. In this case, the trust and beneficiary must jointly elect for the trust to be a qualified disability trust.

If you, or someone you know is dealing with this situation, please encourage them to give Marcia a call to ensure they meet the new requirements.

Giving To Charity - Everything You Need To Know

Check with McCann and Roque to make sure your charitable donation meets the requirements for your maximum tax deduction.

Canadians seem to be a very generous people and are more than willing to support charities or give to non-profit organizations that promote ideas in which the donors believe. A Statistics Canada study reported that in 2010, approximately 24 million or 84% of Canadians 15 years of age and older donated a total of $10.6 billion.

The Canada Revenue Agency (CRA) facilitates this desire to help by providing a tax deduction. For the individual to receive the tax deduction, the donee (i.e., a charity or other qualified recipient of donations) must be registered with the CRA. Donees are not required to issue a receipt for a donation but the taxpayer cannot receive the deduction without supplying one to the CRA when remitting their tax return. Qualified donees include:

• registered charities and national arts services organizations (For a list of registered charities see www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html)
• registered amateur athletic associations
• registered Canadian corporations providing low-cost housing for the aged
• registered government entities including the government of Canada, provinces/territories, and municipal and public bodies performing the function of government in Canada
• registered universities outside Canada that normally take Canadian students
• United Nations and its agencies
• Gifts to U.S.-registered charities to the extent of 75% of U.S. net income

Qualifying as a Registered Charity

To qualify as a registered charity, the organization must be registered in Canada but can carry out its activities anywhere in the world. Its structure is normally that of a charitable organization, but it can also be a public or private foundation.
To meet CRA requirements, the purpose of the charitable organization must be for:

• relief of poverty
• advancement of education
• advancement of religion
• other purposes that benefit the community in a way the courts have identified as charitable

Donations can be made in kind as well as cash.

Gifts in Kind

Gifts other than cash can also be made to registered charities. The valuation of these amounts can be complicated so discuss your plan with McCann and Roque before you act.

The following are examples of donations in kind:

1. Capital gains realized on gifts of certain capital property may be subject to capital gains tax. Check with McCann and Roque whether an inclusion rate of "zero" can be assigned.

2. You may not be able to claim a gift of an option to acquire property until the donee either exercises or sells the option.

3. Gifts of securities acquired under a security option plan provided by your employer may be eligible for additional deductions, provided certain criteria have been met.

4. Donations of ecologically sensitive land may provide an inclusion rate of "zero" for only certain institutions if certain conditions are met.

5. Gifts of certified cultural property.

What Potential Donors Should Look for

The CRA requires that the receipt issued by the donee contain the following information:

- a statement that it is an official receipt for income tax purposes
- the name and address of the charity as on file with the CRA
- the charity's or registered Canadian amateur athletic association's registration number (not required for other qualified donees)
- the serial number of the receipt
- the place or locality where the receipt was issued
- the day or year the donation was received
- the day on which the receipt was issued if it differs from the day of donation
- the full name, including middle initial, and address of the donor
- the amount of the gift
- the value and description of any advantage received by the donor
- the eligible amount of the gift
- the signature of an individual authorized by the charity to acknowledge donations
- the name and website address of the CRA

If gifts in kind are donated, additional information must be provided:

- the date the donation was received (if not already indicated)
- a brief description of the property transferred to the charity
- the name and address of the appraiser (if property was appraised)
- the deemed fair market value of the property in place of the amount of gift

Non-Profit Organizations

Taxpayers should not confuse a registered charity with a non-profit organization.

Non-profit organizations are not registered to issue donation receipts.

These organizations are managed and operated to provide benefit to specific groups but cannot earn profit. Non-profit organizations are usually set up as clubs for activities such as golf or curling, as leagues for sports such as hockey or baseball or as associations for festivals or seasonal celebrations. Non-profit organizations do not pay income tax but are required to file income tax returns. If the organization is active in only one province, the short version of the T2 annual form is filed; in more than one province, the regular T2 return will have to be completed. Quebec and Alberta require separate provincial returns. The non-profit organization must complete form T1044 if it meets any one of the following conditions:

• is entitled to receive taxable dividends, interest, rentals, or royalties of more than $10,000 in a fiscal year
• the total assets were more than $200,000 at the preceding year end
• an NPO return was filed in the previous year

If an organization's main purpose is to provide dining, recreational, or sporting facilities, then the property of the organization is deemed to be held by a trust and a T3 Trust Income Tax and Information Return must be filed. The deemed trust will be taxable on the income earned (including some capital gains) on any property held.

Check Then Cheque

Because the CRA now accepts so many different charitable causes and so many different methods of contributing, the taxpayer needs to be careful to meet the reporting requirements to ensure the maximum tax benefit. For complicated gifting, seek assistance from McCann and Roque.

How To Detect CRA Tax Scams And Avoid Them

Beware of telephone calls or emails from persons pretending to be CRA agents and asking for personal information or promising you a tax refund.

According to the Canada Revenue Agency (CRA), an increasing number of Canadians are receiving telephone calls from persons falsely presenting themselves as CRA agents and aggressively asking for personal information such as credit card, bank account, passport numbers and even social insurance (SIN) numbers. (Keep in mind that CRA already knows your SIN.) This type of telephone scam, as well as other similar kinds of scam perpetrated through email, could result in identity theft and significant financial loss for unsuspecting taxpayers.

How the Scam Works

The bogus calls have a readily recognizable structure.

1. Callers identify themselves as "CRA agents", provide an "ID number" and return telephone numbers within the local tax office area code.

2. Callers usually make one or more of the following accusations (often in aggressive and threatening language):

• Your taxes are in arrears and outstanding amounts must be paid immediately or bank accounts, personal assets or businesses will be seized. The amount is usually between $700 and $2,500, amounts small enough to be payable through a line of credit or a credit card.

• CRA has issued a warrant for your arrest or deportation because back taxes have not been paid and the police are on their way to your home or place of business.

• You have been involved in a fraudulent activity and are under investigation.

• Your tax returns have been audited and you owe money.

3. The fraudster might also suggest that instead of being in trouble you are to receive a refund. Usually the amount is small enough to be believable but large enough to be enticing. The amount will be deposited directly into your

bank account via an Interac transfer, but the caller needs your bank account number to make the direct deposit. The fraudster may also ask you for your social insurance number, driver's licence number and date of birth just to "confirm" they are talking to the right taxpayer. The risk is not just that the fraudster might access your bank account but that the fraudster now has some of your unique identifiers that can be used later to steal your identity.

4. The caller counters objections by assuring the frightened taxpayer of one or more of the following:

• If all or partial payment is made they will not proceed with collection procedures that would freeze all bank accounts, seize your home or close the business.
• The "warrant" for these measures can be revoked and the police called off if the taxes are paid immediately.
• As a show of good faith, the taxpayer should provide a deposit.
• The CRA will take no further action if the taxpayer pays the arrears for the oldest one or two years immediately.

5. After making their "pitch", the scammer adds a tone of authenticity to the call by providing a telephone number for the taxpayer to call if they wish to confirm the call is really from the CRA. This is a false number to a fellow fraudster who simply answers the phone, "Canada Revenue Agency-Collections, Agent X speaking".

CRA protects the confidentiality of personal tax information.

How the CRA Actually Works

Taxpayers should know that the CRA does NOT:

• request personal information by email

• ask for driver's licence, health card, social insurance or passport numbers

• leave or ask you to leave voicemail messages containing details of taxes owing or refunds available

• discuss personal details of your tax situation with anyone other than you unless you have provided the appropriate authorization

• make calls that threaten immediate arrest or seizure of bank accounts or other assets

• send the police, jail or deport anyone

How You Should Take Action

If the call sounds too good to be true, or the "CRA agent" uses aggressive language, or if the "agent" asks for information you know is already on file with the CRA, **HANG UP IMMEDIATELY.** Do not engage in conversation, and do not answer any questions.

If you receive the request by email, do not click the link, which could automatically download malware that could harm your computer and put your personal information at risk.

Be Proactive

If in doubt about the authenticity of an email or telephone call concerning your taxes, call the **CRA at 1-800-959-5525** for businesses and **1-800-959-8281 for individuals**. Also, contact the Canadian Anti-Fraud Centre at **www.antifraud-centre-centreantifraude.ca** or call toll free 1-888-495-8501. For additional information on taxpayer fraud, go to the CRA website at **www.cra.gc.ca/security**.

Happy New Year

The end of the year is a good time to review long-term investments and mortgages.

New Year's resolutions. So easy to make, so hard to keep.

According to a Nielsen survey, the most common resolution for 2015 was to keep fit. A resolution to spend less money and save more was only the fourth most popular after lose weight, and enjoy life to the fullest. As we are

about to enter 2016, perhaps we should all resolve to pay more attention to spending and saving and the effect on our investment portfolios and mortgages in the coming year.

Review Your Investment Portfolio

• Start with investments outside the RRSP or RRIF.
• Calculate the gain or loss between the end of 2014 and the end of 2015.
• Review your statements for the entire year.
• Calculate investment fees paid.
• Identify withdrawals or contributions.
• Net your gains against your losses.
• Calculate the percentage return on investment after deducting the cost of fees paid to your broker, financial advisor or mutual fund manager.
• Using this rate of return and a compound interest table, assume a constant rate of growth and calculate what the investments could be worth by the time you want to cash them in.
• Calculate the potential future value assuming:
  a)a regular annual capital infusion
  b) no capital infusion.
• Using different rates of return, calculate how much additional capital must be saved and invested to meet your investment goal.

Review Your RRSP

For self-employed persons and those not in pension plans, the RRSP probably represents the principal source of retirement funds. As such, the capital gains and income generation should be monitored closely. Perform the exercise mentioned above on your RRSP portfolio to determine whether the future value of your RRSP investments will be sufficient when you can no longer contribute and have to roll the RRSP into a RRIF in the year you turn 71.

If you discover the calculated rate of return on the RRSP and your current level of contributions will not meet your investment goals, discuss the various options available to you with your investment advisor. Perhaps you will need to restructure the balance between equities and interest-bearing securities, increase the risk or increase your contributions. Keep in mind, however, that higher rates of return usually bring a higher risk of a loss.
Now is also the time to review your RRSP contribution limit to determine any unused amount. Do not forget that unused annual contribution amounts are carried forward. If you find a fairly large balance of accumulated contribution room, you and your advisor may be able to develop a strategy to meet your investment/retirement goals.
Funds can be withdrawn from a RRIF into a trading account or a TFSA.

Review Your RRIF

If you have already rolled your RRSP into your RRIF, review the RRIF portfolio using the procedure outlined above. There is a mandatory withdrawal rate based on a predetermined percentage. (This information is available from CRA or from your investment advisor.) Review the current value and rate of return. Remember that the withdrawal rate simply determines the portion of the RRIF that must be deregistered each year and brought into taxable income. It does not mean you have to sell that portion of your portfolio every year. In a self-directed plan, for instance, the taxable amount can be transferred in kind into a trading account and thus remain part of your total investment portfolio for future use.

Instead of having a trading account to receive the securities withdrawn from your RRIF, you could move them into a Tax-Free Savings Account (TFSA) if you have the room. Future capital gains and income within the TFSA are not taxable.

Review Your Mortgage

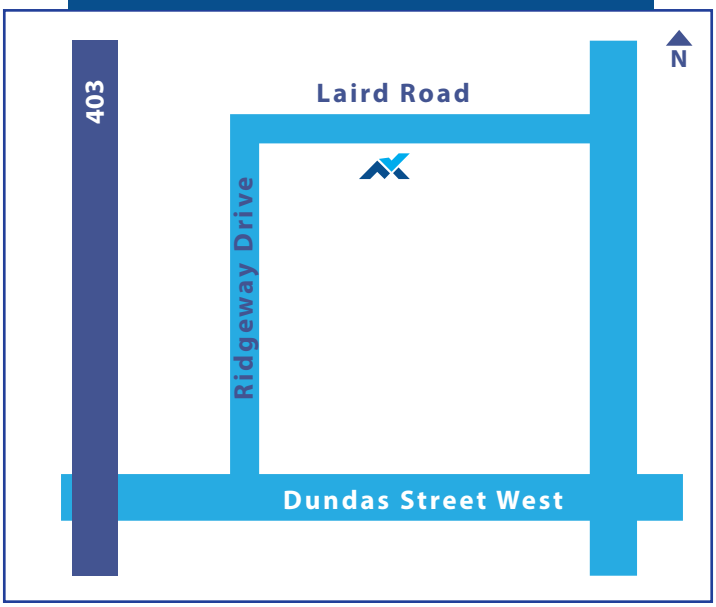
Reviewing your mortgage should be part of any New Year's resolution. Look at the current balance and determine when the mortgage will be completely paid off at the current payment rate. Ideally, your mortgage should be fully paid before retirement so you do not retire still having to withdraw funds from your RRSP or RRIF to meet mortgage payments. Review the mortgage agreement and identify any lump sums that can be paid to reduce the remaining balance owing. Use an amortization table to calculate the number of years by which the life of the mortgage can be shortened by doing any or all of the following:

a) finding a better interest rate
b) changing the payment frequency from monthly to weekly, or
c) making a lump sum payment.

Work with Your Partner At McCann & Roque

Whether projecting income within your investment or retirement portfolios or calculating a strategy to reduce your mortgage, amortization tables will help you with those calculations. Work with Allan Roque or Marcia McCann to provide unbiased feedback on the choices available to you in your particular circumstances. The decisions you make now will impact not only your lifestyle but personal income taxes in the future.

Our New Location



FREE PARKING AVAILABLE

Enter the complex from Laird Road

Contact Information

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