



2009 Personal Income Tax

Once again we are gearing up for personal tax season. Many of you have already started receiving tax slips and other tax information.

To help keep it all together we are enclosing our Personal Tax Envelope and Checklist. Please review the checklist to help ensure you have everything we will need to prepare your return. You will also find a Home Renovation Tax Credit Worksheet. If applicable to you, please complete the schedule. Selina and Crystal will be contacting you to setup an appointment.

Record Retention

CRA's general rules provide the following:

- ★ General ledger (or other book of final entry) and any special contracts or agreements necessary to an understanding of the entries, must be retained for 6 years after the last day of the taxation year in which the business ceased for an individual or 2 years after dissolution of a corporation. If you file your return late, the retention period is extended to 6 years from the date the return was filed.
- ★ Corporate minute books, share ownership and share transfer registers must be retained for 2 years following the dissolution of the corporation.
- ★ In an ongoing business, most other records (e.g. invoices & receipts) must be retained for 6 years after the last day of the taxation year to which they relate.
- ★ Earlier destruction of records may be allowed with written permission from CRA.

The minimum retention period is based on the last tax year when a record may be required for purposes of the Act, and not when the transaction occurred. For example, documents relating to long term transactions such as the acquisition of investments and other capital property, should be maintained until the day that is six years from the end of the last tax year in which the investment or capital property are disposed of. We recommend you maintain a separate folder or filing system for your investment and property, plant & equipment purchases

Brooks & Bow Island Hours

For the upcoming personal income tax season our hours are as follows:

Brooks office

- ★ Every Thursday from 11:00 am to 2:30 pm commencing March 4th to April 29th.
- ★ We are still located @ 440 – 2nd Street W, however we are now at the back of the building sharing office space with Stringam Denecky Law Office.

To set up an appointment phone 403-362-7202. All calls are forwarded directly to the Medicine Hat office.

Bow Island office

- ★ Every Tuesday from 12:30 pm to 3:00 pm commencing March 2nd to April 22nd.
- ★ Located in Bolton Bishop's office @ 137 - 5th Avenue E.

To set up an appointment phone 403-527-9760.

Accounting Standards Update

Canadian accounting standards, commonly referred to as Generally Accepted Accounting Principles ("GAAP"), will be no more as of 2011. All publicly accountable enterprises will have to adopt International Financial Reporting Standards (IFRS) for fiscal years beginning January 1, 2011.

Thankfully, the Accounting Standards Board came to the conclusion that "one size does not necessarily fit all" and has issued separate accounting standards for Private Enterprises. These new standards are mandatory for fiscal years beginning January 1, 2011, but are available for early adoption.

QuickBooks Tips

QB 2010

Since January 31, 2010, Intuit has not been providing product support for QuickBooks 2007. We recommend that anyone using QuickBooks 2007 or an earlier version, upgrade to QuickBooks 2010. Here are a few of the new features:

- *QuickFilter* – In the Customer & Vendor Centres as well as your Item List, you can type text in the search box and find the best matched results.
- *Live Community* – You can get help from other users and experts from within QuickBooks.
- *Security & Permission Levels* – New encryption and permission levels make your data more secure.
- *Company Snapshot* – Provides you with a real time view of your critical information, including which customers owe you money, what bills need to be paid immediately, and what you need to do by the end of the day.
- *Online GST Filing* – you can efile your GST return from within QuickBooks.

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2010 Mileage Rates

The limit on tax-exempt mileage allowances has not changed from 2009. Employers can reimburse employees for business use of their personal automobiles at the following rates and the allowance will not be taxable to the recipient:

- \$0.52 per km for the first 5,000 km
- \$0.46 per km after the first 5,000 km

Snowbirds – Are you a US Resident?

If you are a Canadian resident (but not a US citizen) who spends significant amounts of time in the US for either work or leisure, you may be considered a US resident and required to file a US federal income tax return. You are considered a US resident if you hold a green card or you meet the "substantial presence" test.

You are considered to have a "substantial presence" if you spend at least 31 days in the US during the year, and the result of the following is 183 days or more:

- ★ All the days you were present in the current year, and
- ★ 1/3 of the days you were present in the previous year, and
- ★ 1/6 of the days you were present in the 2nd previous year.

If you meet the substantial presence test, however, you have a "closer connection" to another country; you won't be considered a US resident. A "closer connection" means:

- ★ You were present in the US less than 183 days during the calendar year,
- ★ You have a tax home in another country for the entire year, and
- ★ You establish you have a closer connection to that tax home compared to the home you have in the US.

If you meet the above criteria, you can file a closer connection statement, IRS form 8840 (aka "snowbird form"). This form should be filed even if you have no income from US sources, in order to avoid reporting your worldwide income on a US tax return.

Managing Credit



Although there are overall signs that the economy is improving, there are still many companies of all sizes in Western Canada working with smaller cash flows, an inability to borrow and a general lack of liquidity. We would therefore like to remind you to monitor your accounts receivable closely, obtain deposits where applicable and consider credit checks on any new customers prior to ordering materials or commencing work.

Paying the Receiver General

CRA has a new on-line tool for making payments regarding your personal income taxes, repayment of Child & Family Benefits, GST, payroll, corporate income taxes, etc. You can use this "My Payment" service if you have access to online banking with the following institutions:

- ★ BMO Bank of Montreal (personal accounts only)
- ★ Scotiabank
- ★ RBC Royal Bank
- ★ TD Canada Trust

The amount you can pay is limited to your online banking daily limit set by your bank. You may need to call your banker and have them increase this limit.

The benefits of using this service are:

- ★ The payment is considered received by CRA on the day the payment is made, unless it is a weekend or statutory holiday, in which case it is the next business day;
- ★ You don't require a remittance slip; and
- ★ The fees are based on your banking package with the transaction considered *the same as a debit payment*.

To use "My Payment" go to www.cra.gc.ca and under the Online Services heading click on "My Payment".

Non-Cash Gifts & Awards

The current rules are that up to two gifts and two awards with a total cost of \$500 or less are non-taxable to the employee and deductible to the employer. For 2010, the following changes are being made to CRA's gift and award policy:

- ★ Non-cash gifts and non-cash awards to an arm's length employee, regardless of the number, will not be taxable to the extent that the total aggregate value of all non-cash gifts and awards to that employee is less than or equal to \$500 annually. The total value in excess of \$500 annually will be taxable.
- ★ In addition to the above, every 5 years a separate non-cash long-service award may also qualify for non-taxable status to the extent its total value is \$500 or less. The value in excess of \$500 will be taxable.
- ★ This policy does not apply to non-arm's length employees or related persons of the non-arm's length employee
- ★ Items of an immaterial or nominal value, such as beverages, T-shirts with employer logos, mugs, etc, will not be considered a taxable benefit to employees.
- ★ Performance related rewards (e.g. sales targets) or cash and near cash awards (e.g. gift certificates) will continue to fall outside the administrative policy and will be required to be included in the taxable income of the employee.

Loyalty Rewards

CRA has issued a new interpretation, effective for 2009, whereby employees will no longer incur a taxable benefit on "air miles" or other loyalty points earned on a personal credit card from business expenses, so long as:

- ★ The points are not converted to cash,
- ★ The plan or arrangement is not indicative of an alternative form of remuneration, or
- ★ The plan or arrangement is not for tax avoidance purposes.

Where an employer controls the points (e.g. a company credit card), the employer will continue to be required to report the fair market value of any benefits received by the employee on the employee's T4 slip when the points are redeemed.