

# The Tax Break

## CHANGE IS GOOD!

No, we are not lamenting the demise of the Canadian penny – we're introducing a fresh new look for PEL!

### NEW LOGO

Our old logo had been with us since our inception, and we felt it was time for something different. So here we are:



**PagnaniniEdwardsLam**  
CHARTERED ACCOUNTANTS

(You may still see the old logo from time to time during the transition as we plan to use up our old stationery where we can, to save a tree or two.)

### NEW WEBSITE (COMING SOON!)

To go with our brand new logo, we are also getting a brand new web site – but please be patient with us as it's still a work in progress. Expect to see a cleaner, more modern and more

relevant representation of who we are. We will also be updating the content more frequently than we have in the past.

Be sure to keep an eye out for further announcements about our site launch!



### OWNER-MANAGER REMUNERATION

#### INSURABLE EMPLOYMENT

The Employment Insurance Act (EIA) notes that insurable employment **does not include** the employment of a person that controls more than 40% of the voting shares of the corporation.

It also **excludes** employment if the employer and employee are **not dealing with each other at arm's**

**length.** However, if the employer is **related** to the employee, they are deemed to deal with each other at **arm's length** if the Minister of National Revenue is satisfied that, having regard to all the circumstances of the employment, including the **remuneration paid, the terms and conditions**, the duration and the nature and **importance of the work performed**, it is reasonable to conclude that they would have entered into a **substantially similar contract of employment** if they had been dealing with each other at arm's length.

Therefore, to avoid EI, the taxpayer must show that they do **not** have a substantially similar contract of employment as other arm's-length employees.

#### Caution

If EI has been incorrectly paid for a family member and a refund is to be requested from the CRA, or a Ruling is to be asked for, this could be a **lengthy process.**

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### BIRTH AND TAXES!

They say that "nothing can be said to be certain, except **death and taxes,**" but we prefer to put a more positive spin on things when we can. Please join us in congratulating staff member **Ivonne Mendoza** and her family on the **birth** of their new baby girl, **Gisella**, who was born early on February 2. To give us a hand with **taxes** etc., we also wish to welcome to the PEL team **Leanne Vanderende, CA.** (Leanne was recently married, so we congratulate her as well!)

And, speaking of taxes...personal tax season is once more upon us. We look forward to seeing you all in the coming weeks as you gather your tax information and bring it in – just remember the deadline for our Early Bird Draw is March 31!

*If you are receiving this newsletter by mail and would like to receive it by email instead (or vice versa), or if you no longer wish to receive our newsletter, please contact Julie at [julie@accountantsplus.ca](mailto:julie@accountantsplus.ca) or 604.299.9274.*



## PERSONAL TAX

### FAMILY CAREGIVER TAX CREDIT

Effective **January 1, 2012**, the new **Family Caregiver Tax Credit**, a 15% non-refundable credit on **\$2,000**, will provide tax relief to caregivers of mentally or physically **infirm** dependent **relatives**, including, for the first time, **spouses, common-law partners, and minor children.**

### MEDICAL EXPENSES

You may claim medical expenses for **yourself**, your **spouse** or **common-law partner**, and your or your spouse's or common-law partner's **children** who are **not age 18** before the end of the taxation year. Medical expenses may also be claimed for certain **other dependents.**



## DID YOU KNOW?

### CPP SHARING

**Spouses or common-law partners** who are both at least **60 years old** and who are **both receiving** the CPP retirement pension can **share** their **CPP retirement benefits.** If only one of you is a CPP contributor, you may share that one pension. This may have **tax advantages.**

The portion of the retirement pension that can be shared is based on the number of **months** you and your spouse or common-law partner **lived together** during your **joint contributor period.** Your joint con-

tributor period is the time during which either one of you could have contributed to the CPP if you had sufficient earnings.

See the HRSDC website for more details on CPP sharing.



## EMPLOYMENT INCOME

### EMPLOYEE EXPENSES

#### Supplies

CRA notes that an employee can deduct the cost of **supplies** paid if the employee meets **all** of the following conditions:

- Under your contract of employment, you had to provide and pay for the supplies.
- You used the supplies directly in your work.
- Your employer has not repaid and will not repay you for these expenses.
- You keep with your records a copy of Form T2200, Declaration of Conditions of Employment, which has been completed and signed by your employer.

Supplies are only materials used **directly in your work**, and for no other purpose.

Supplies **include items** such as stationery, stamps, toner, ink cartridges, street maps, and directories. Supplies do **not** include items such as briefcases or calculators.

### MOTOR VEHICLE EXPENSES

In a July 31, 2012 Technical Interpretation, CRA notes that where an employee receives a **motor vehicle allowance** that is **unreasonable**, the

employee may **include** the allowance in **income** and claim a **deduction** for the **vehicle expenses** incurred in the course of carrying out his or her employment duties if they are reasonable and supported by receipts. Motor vehicle **expenses** based on a **fixed kilometre rate** may **not** be **deductible** as they may not reflect the actual expenses incurred.

The best evidence to support the employment use of a vehicle is an accurate **log book** for the **entire year**, showing for **each trip** – the **date**, the **destination**, the **reason** for the trip, and the **distance** covered. For alternative records to support a claim, see [www.cra.gc.ca/whtsnw/lgbk-eng.html](http://www.cra.gc.ca/whtsnw/lgbk-eng.html).



## ESTATE PLANNING

### OLD AGE SECURITY – VOLUNTARY DEFERRAL

The **voluntary deferral** of the Old Age Security (**OAS**) pension proposed in the 2012 Federal Budget will provide the **option to defer** take-up of the OAS pension by up to five years past the age of eligibility, in exchange for an enhanced monthly benefit of **0.6 percent per month** of deferral (7.2 percent for a full year of deferral). Once a person chooses to receive their OAS pension, this percentage increase will be applied to the benefit for the rest of their lives.

If an individual decides to make a five-year deferral, his/her annual pension will be \$8,814 instead of \$6,481 (in 2012 dollars).

This new voluntary deferral of the OAS pension starts in **July 2013.**

*We recommend that you obtain professional advice before acting on information contained in this newsletter.*

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