



August 13, 2006

"We take your taxes personally!!"

Volume 2

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Sunday, August 13th, 2006

The Tax Tipper

Dear Clients & Friends:

It's officially half way into the summer of 2006 and the second edition of "The Tax Tipper" is here. I was delighted to hear the comments from the first edition in May was positive so enjoy your next adventure and keep sending that feedback!

What's Happening?

2005 Tax Review Notices Are Out



The CRA conducts its review (post-assessment) of current tax returns during the summer of that year filed. If your *return is selected*, you will receive a letter requesting the information they require. It is absolutely important that the taxpayer responds to these even if you need time to track down the receipts, etc. CRA can usually grant time extensions if the request is reasonable, however if the letter is not responded to, normally they will reassess you within 30 days and you will be responsible for newly assessed balances owing plus interest. After that, the taxpayer must use the *appeals process* to dispute the balance which can be more complicated than the first step.

New Universal Child Care Benefit (UCCB) Program

Do you have dependants 6 and under? Consider applying for the *Universal Child Care Benefit* as of this year. Basically it is an extra \$100.00/month tax free for all eligible dependants. You can contact the call center at 1-800-959-2221. As with current *Canada Child Tax Benefit Program* regulations, your tax returns have to be current in filing for “both” parents in married and common-law situations!



Public Transit User? Now Get a Tax Break!



Now here is a tax break that is long overdue. With most major cities suffering from infrastructure overload, it's high time these tax payers got a well deserved credit. Save your receipts and passes as it's worth something next tax time. The *Transit Pass Web site* has lots of information and you can also call the call center at 1-800-959-8281.

Reduced GST/HST of 1% already Making a Difference

Mr. Harper's Conservative administration made history on Tuesday, May 02nd, 2006 by dropping the GST/HST 1% amongst other benefits. Please note for those simply paying GST/HST for personal purchases and collecting *individual GST/HST Credits*, you will automatically adjust. Those collecting *GST/HST on sales or claims input tax credits/rebates* must make sure their records are adjusted accordingly as of July 01st, 2006. For further information, CRA has set up a hotline at 1-866-959-7797 or you can check out the various information bulletins on the *Reduction in Rate site*.



Real Estate And Taxes

Eye of the Expert

“Let the pros show you how it’s done!”



Last time we featured [Lesley Scorgie](#), investment pro, as our guest expert. This time we explore the world of mortgages and feature Brian Barnett from Bricks and Mortgages in Calgary. All of us have had to ask a professional for help. Why? Simply because they understand something much better than we do. I know this better than anybody because I rely on an awful lot on good folks, experts in their field to help me get my job (and other things) done to give you the best service that you deserve. “Eye of the Expert” which features professionals in their field to help you get the most on a particular subject. While it is usually tax related it will be more focused outside the realm of taxes because that’s what their good at.

I have known Brian for 4 years now and his knowledge of the mortgage business always amazes me. He is a person who truly believes in making a deal work by exploring all options out there while maintaining a professional, pro-client objective. Brian comes from the banking industry and has been in the business over 25 years. He has done both multi-million dollar deals and small simple ones. I have personal dealt with Brian on my own deals since 2003 and he knows how to come though for me personally and my clients, so enjoy!

Does your Mortgage Work for or Against You?



Guest: [Brian Barnett](#)

Expertise: [Mortgage Professional](#)

You had been working faithfully for years as a salaried employee and one day your employer lays you off, but rehires you on contract. No big deal. You are making more money now on contract than you were before. Plus, you now you have write offs against your income and you are paying less income taxes. Life is good.

A few years later, your home escalates in value, and you have all this equity and this new found wealth. Time for you and your family to purchase that vacation home or travel trailer or home renovations. You visit your local bank branch, and they turn you down for the increased mortgage because they say you cannot afford it based on

your income. You explain that you are earning more today, than you were when you first obtained your mortgage. But they turn a deaf ear. They explain to you that because you are self employed, the amount of mortgage that you qualify for is now based on your net income, not your previously stated salaried income.

This is a true situation. You may have less borrowing power and yet earning a greater income. However, all is not lost. If you have been paying your monthly bills, and making all your debt payments on time, then that must account for something, and it does.

There are now programs in the mortgage market place for people like us who are self employed and have good credit but low taxable incomes. We can enjoy the low interest rates on mortgages that salaried people have taken advantage of. We can refinance our homes up to 90% of the value and the determining qualifying factor is not our income, it is our credit. We can also purchase that new home up to 90% of the purchase price based on our credit, not our income.

There are guidelines that we must follow to obtain this type of mortgage. The maximum mortgage amount is \$450K, and you must be self employed for at least 3 years. And of course, good credit.

So do not be discouraged when your bank says no. We can still borrow funds at very good rates and enjoy the equity in our homes.

Client Testimony: "Neil recommended Mr. Barnett to me during tax season 2006 when I was shopping for a mortgage. Brian not only helped me with my goals, but treated me like an old friend. After years in the corporate world, I am now building my own business and recommend the knowledge of Bricks and Mortgage for a true expert opinion!"

Neil Ingroville-Bricks and Mortgage Client, Calgary, Alberta.

Brian welcomes your comments and can be contacted at 1-877-771-7788, www.bricksandmortgage.com.

Just Asking?.....Just Answering!

(Real people with real questions about real situations)

Getting into The Rental Business

Dear Neel,

My husband and I took the plunge this year and bought our first duplex income property. We're a little nervous because we just started a family and only make about 60K per year, so we want to make sure we are doing everything right with respect to taxes and running it. I liked your web site and welcome any suggestions. Jody & John H.



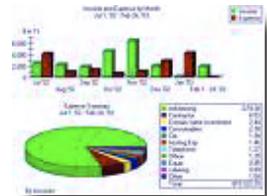
Dear Jody & John H.

Congratulations on taking the first step. It is always a trial moving out of your comfort zone; however you are well ahead of the majority who never take the plunge. You can check out the official [CRA Rental Income Guide](#) for the latest tax rules regarding rental income. However, you can download our free [Rental Property Tax Booklet](#) with [Excel record keeping worksheet](#) to better answer your question regarding operating the property. The booklet includes over 20 tips to help you run the duplex. One thing I recommend when building your contacts is to ask them if they either own their own rental properties or service clients who do. I believe if you do business with those who do, you will get better service from those who understand the business than those who don't. I wish you the very best!

Keeping Your Records Straight

Dear Neel,

Our family owns about 4 rental properties in Calgary and they have really appreciated in the last year. We want to take some money out though refinancing to buy another rental property and pay off some personal debt. Is this refinancing taxable and are there any tax strategies to watch for? Sonny D.



Dear Sonny D.,

It is important to understand that there are two distinct issues here. First, taxes on your refinancing and second is using rental capital to pay off personal debt. From an auditor's point of view, it is critical you keep your personal affairs separate from rental, business, etc. with a clear paper trail. [Your records](#) must be able to prove all your expenses and if you use your rental equity to pay off your personal debts, they will disallow the interest portion allocated towards that. CRA has no restriction on how creative your financing, but do check with your financier and tax pro to make sure your okay before signing. With regards to refinancing, it is not a [capital gain](#) until you sell, so refinancing is great strategy and secret of the rich to save taxes. I trust this will help!

Now That's One Crooked Politician!

Dear Neel,

I am still hemorrhaging from my court case which I lost trying to sue my tenant for unpaid rent. To make a long story short, I rented my place to someone whom is not only well known, but he's an elected official, whose name I can't mention for obvious reasons. I have sued tenants for non-payment in the past without much problem, but when this guy came in to court, he simply told the judge who he was and that elected officials in this district have amnesty from lawsuits, so the judge agreed threw it out! Not only am I out thousands of dollars, I wondering how much this exemption extends. I will have big write offs on my rental property this year, but are these exempt from the tax rules also? To make matters worse, this guy has made a career of this with other landlords and seems endless. Please help! Danielle R.



Dear Danielle R.

I have never heard of any situation even as remote as this, but I am not aware of any exemption The Income Tax Act has towards this type of extortion. You will have to contact a tax lawyer for better clarity, as it is a legal issue first before taxes. On another note, this type fraud is completely unethical and should be reported to the party's ethics commissioner. Also, get together with the other landlords and contact the media. They may do you a big favor buy publishing his name and not only stop him but also get him ousted! Hope this clarifies things!



Are You "Just Asking" tax questions? Neel can "Just Answer" them at:

Neel_Roberts@ptccanada.com

Mid Year Tax Check Up a Good Idea

by Evelyn Jacks



There have been lots of tax changes thanks to the May 2, 2006 federal budget. It is important to be proactive about those changes well before the September 15 quarterly installment payment is due. You may find a possibility for adjustment in these payments, especially if income is expected to fall this year.

Here are some interesting new facts to discuss:

Average Personal Tax Rates

Tax brackets in Canada are indexed according to increases in the consumer price index. For 2006, the indexation rate is 2.2%. The following table shows the 2005 to 2007 rates:

2006 Brackets	2006 Federal Rate	2006 Fed/Prov Average	2007 Federal Rate
Up to \$8,839	0%	0%	0%
Up to \$36,378	15.25%	26%	15.5%
\$36,379 to \$72,756	22%	36%	22%
\$72,757 to \$118,285	26%	42%	26%
Over \$118,285	29%	45%	29%

RRSP Contribution Limits

The RRSP contribution limits were scheduled to increase as shown in the following table.

2006	2007	2008	2009	2010	2011	afterwards
\$16,500	\$18,000	\$19,000	\$20,000	\$21,000	\$22,000	indexed

Note: RRSP limits are based on prior-year earnings so the RRSP limits and thus are one year behind the corresponding RPP limits. How much must your client save monthly to maximize contribution room? Be sure to ask for the Notice of Assessment or Reassessment to confirm the amount of room your client has and then work towards a plan for maximization.

Canada Pension Plan Premium Rates

For employees, the maximum insurable earnings for 2006 are set at \$42,100. The first \$3,500 of earnings is exempt and the remainder (up to the maximum) is subject to the contribution rate of 4.95%. The maximum contribution for employees is \$1,910.70. The employer must contribute a matching amount on behalf of the employee, or in the case of the sole proprietor, a matching amount for him/herself.

Year	Maximum Pensionable Earnings	Basic Exemption	Contribution Rate	Maximum Employee Contribution	Max Self Employed Contribution
2006	\$42,100	\$3,500	4.95%	\$1,910.70	\$3,821.40 or \$318.45 a month

Often this can cause hardship for new proprietors, as this CPP contribution must be added to the taxes payable at the tax filing deadline, which has the effect of increasing the marginal taxes payable, as illustrated below. Many proprietors with net income in the \$40,000 range, forget about this obligation and fail to save for it. This should be reviewed with tax advisors as part of mid-year planning activities for the whole family, and a monthly CPP premium savings plan should be considered.

The effect of new tax and CPP rates should also be reviewed in light of recent changes to the taxation of dividend income, and in conjunction with some RRSP planning.

2006 Federal and Ontario Taxes payable on \$40,000 (with CPP and EI obligations):

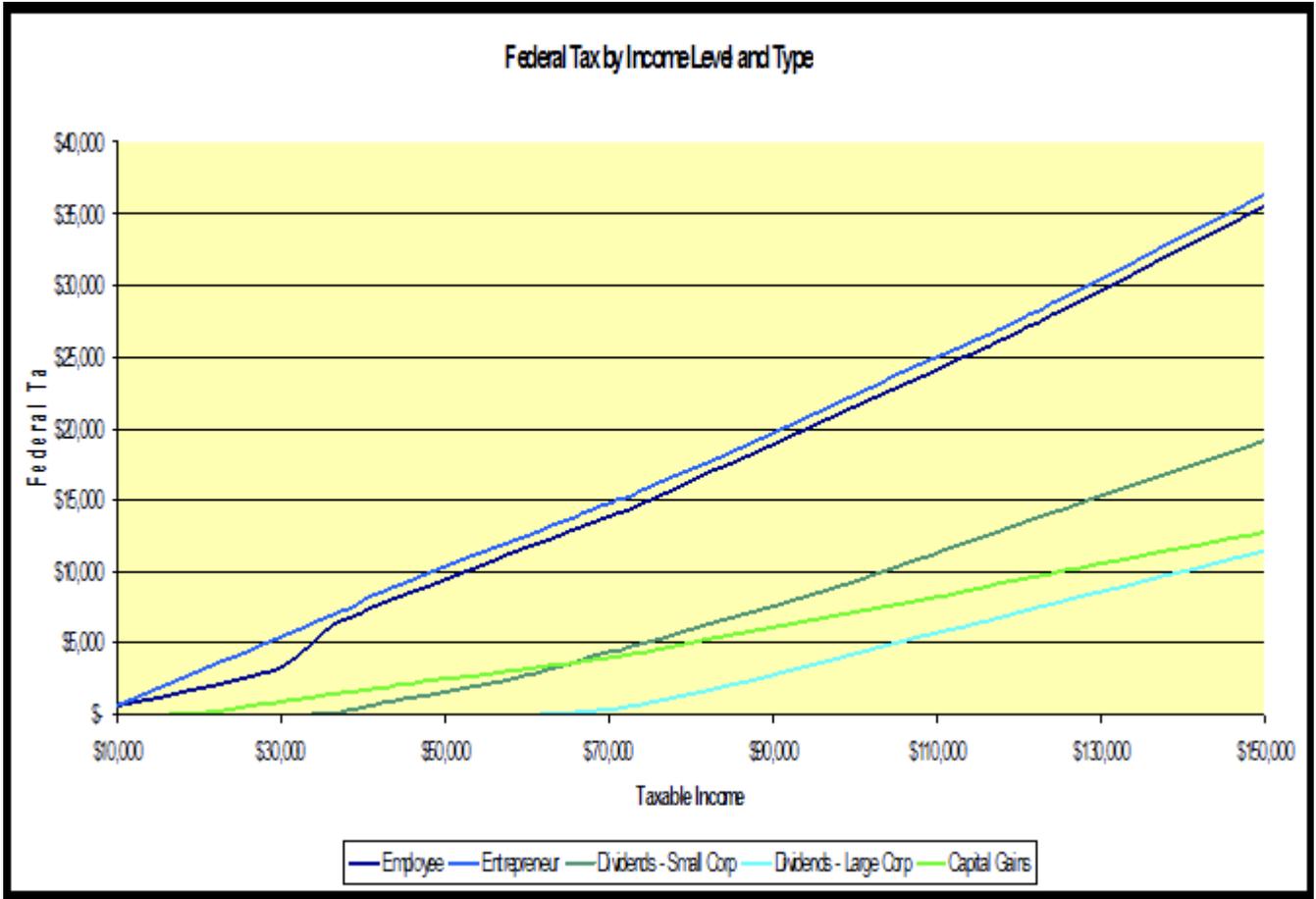
Income Type	Taxes Payable	% of income	Cost of \$100	MTR
\$40,000 Employment	\$9518.10	23.79%	\$35.05	35.05%
\$40,000 Net Business	\$10,169.68	25.42%	\$44.16	44.16%
\$40,000 actual dividends (small caps)	\$1,555.56	3.89%	\$15.87	15.87%
\$40,000 Capital Gains	\$2,405.24	6.01%	\$13.66	13.66%

Note that the difference between MTR for the employee and self-employed is CPP payable under the CPP maximum earnings threshold level of \$42,100.

2006 Federal Taxes Payable (with CPP and EI obligations):

Income	Employee	Entrepreneur	Dividends - Small Corp	Dividends - Large Corp	Capital Gains
\$ 10,000.00	\$ 608.22	\$ 722.72	\$ -	\$ -	\$ -
\$ 20,000.00	\$ 1,821.90	\$ 3,086.45	\$ -	\$ -	\$ 177.05
\$ 30,000.00	\$ 3,367.64	\$ 5,450.47	\$ -	\$ -	\$ 939.55
\$ 36,000.00	\$ 6,076.01	\$ 6,868.89	\$ 96.54	\$ -	\$ 1,397.05
\$ 39,000.00	\$ 6,883.89	\$ 7,636.45	\$ 421.54	\$ -	\$ 1,625.80
\$ 40,000.00	\$ 7,142.84	\$ 7,937.02	\$ 529.87	\$ -	\$ 1,702.05
\$ 42,000.00	\$ 7,669.75	\$ 8,538.15	\$ 746.54	\$ -	\$ 1,854.55
\$ 50,000.00	\$ 9,428.99	\$10,306.20	\$ 1,613.21	\$ -	\$ 2,464.55
\$ 60,000.00	\$11,628.99	\$12,506.20	\$ 2,786.30	\$ -	\$ 3,227.05
\$ 70,000.00	\$13,828.99	\$14,706.20	\$ 4,369.63	\$ 391.30	\$ 3,989.55
\$ 72,000.00	\$14,268.99	\$15,146.20	\$ 4,686.30	\$ 594.30	\$ 4,142.08
\$ 80,000.00	\$16,318.75	\$17,119.53	\$ 5,952.97	\$ 1,406.30	\$ 4,996.54
\$ 90,000.00	\$18,918.75	\$19,719.53	\$ 7,636.30	\$ 2,787.75	\$ 6,096.54
\$100,000.00	\$21,518.75	\$22,319.53	\$ 9,321.08	\$ 4,237.75	\$ 7,196.54
\$110,000.00	\$24,118.75	\$24,919.53	\$11,279.42	\$ 5,687.75	\$ 8,296.54
\$116,000.00	\$25,678.75	\$26,479.53	\$12,454.42	\$ 6,557.75	\$ 8,956.54
\$120,000.00	\$26,770.20	\$27,519.53	\$13,237.75	\$ 7,137.75	\$ 9,396.54
\$150,000.00	\$35,470.20	\$36,213.66	\$19,112.75	\$11,487.75	\$12,786.30

In graph form, it looks like this: (We wish to thank Walter Harder for preparing this information for Breaking Tax and Investment News.)



For more information contact [Evelyn Jacks](#) at [The Knowledge Bureau](#) or call 1-866-953-4769.

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Just The Facts Ma'am (or is it Man?)

(Did you know that?)

1. A cow gives nearly 200,000 glasses of milk in her lifetime.
2. An ounce of gold can be stretched into a wire 50 miles long.
3. "Rhythms" is the longest English word without the normal vowels, a, e, i, o, or u.
4. Mexico City is sinking at a rate of 6 to 8 inches a year because it's built on top of an underground reservoir. Wells are drawing out more and more water for the city's growing population of more than 15 million people.
5. Catfish have 100,000 taste buds.
6. Blood sucking hookworms inhabit 700 million people worldwide.
7. Babies are born with 300 bones, but by adulthood we have only 206 in our bodies.
8. It is forbidden for aircraft to fly over the Taj Mahal.
9. The "O" when used as a prefix in Irish surnames means "descendant of".
10. An ostrich's eye is bigger than its brain.

*Got an interesting fact?
Email it to us!*



Summer BBQ Recipe Beer Can Chicken



"We salute you PTC Canada Clients!"

Step 1

Preheat your BBQ.

Prepare the chicken by applying a liberal amount of your favorite rub or seasoning, to the outside of the chicken.



Step 2

Open a can of your favorite beverage

Our friend finds that Dr. Pepper works very well. Open the can, and remove about one quarter of the liquid. Yes, you can drink it, although you may find that you'll need another one! Insert the can into the stand.



Step 3

Insert the stand and the can into the large cavity end of the chicken

You may want to tie up the wings if you have a particularly floppy chicken.



Step 4

Place on pre heated BBQ

Roast until internal temperature of the meat reads around 175 degrees Celsius.

If you place a pan underneath, with a bit of liquid in it, you may catch some drippings to make gravy. Be adventurous. Try different liquids, like orange or cranberry juice, lemonade, and so on.



Courtesy from the folks at [Barbecues Galore](#)

Send us your scrumptious recipe!

”It’s a Photo Finish”

“Have you ever seen a real meteor shower?”



NOW’S YOUR CHANCE!

Meteor Showers happen several times a year, many more meteors are observed than usual. These meteor showers, which last from a few hours to a few days, occur each year on the same date and the extra meteors seem to come from the same location in the sky, the radiant of the shower.

Here is a list of the most prominent meteor showers:

Name	Date	Duration (days)	rate (meteors/hour)	velocity (km/sec)
Quadrantids	3 January	1	90	42
Perseids	13 August	5	100	60
Leonids	17 November	2	15	71
Geminids	14 December	3	95	35

Don’t miss the *Perseids Meteor Shower* happening today!



“The fall Leonids meteor shower over Niagara Falls!”

Send us your fascinating photo or story!

Client Corner

It’s “YOUR” Say

“When I met Neel Roberts 7 years ago, he was able to offer me tax friendly strategies for my leasing company. Since then, I have also acquired, managed and sold rental property. Thanks to PTC Canada’s invaluable advice, I was able to minimize my capital gains tax and maximize my deductions in an efficient, easy to understand manner. Having owned and managed a variety of businesses in my career, I have constantly appreciated Neel’s “pro-client” approach and always recommend PTC Canada!”



Ken Sands,
Owner of Equipco Leasing,
Calgary, Alberta.
Client since 1999