



THE Tax Tipper

February 7, 2014

We take your taxes personally!

Issue 40

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Our Readers Respond

Neel is the consummate professional. Over the years he has provided top-notch service for our corporate and personal income tax needs. He knows what he is doing and has helped us resolve more than one sticky situation. I highly recommend Neel Roberts and PTC Canada, without reservation.

Chuck Corvec
 Can West IT Solutions
 Edmonton, Alberta

Check out our [Media Room](#) and [testimonials page!](#)
 Need tax help now? Click [here](#) to get started right away!
 As usual, we [welcome your comments](#) on the **Tax Tipper!**

Valentine's Message

Dear Clients and Friends,

A belated Happy New Year! I trust 2014 has started well for you. I have been hard at work for you since January 1, the day I got back from holidays, not that it's a problem for me, as I love what I do. Many of you signed up in the fall through our [early booking](#) to have your 2013 taxes done, and in fact I have already completed quite a few returns. If you just filed, you can expect to see a Notice of Assessment as early as the end of this month.

If this is your first **Tax Tipper**, remember you can download [previous editions](#) from our website, with news bulletins and more. My annual New Year's resolution is always to improve the service I have brought you since 1998, with useful resources that will not only make taxes more manageable but hopefully net a few dollars from the taxman. I have been blessed the last 16 years to have wonderful clients. Some of you have been with me from day one, which is a delightful compliment. Of course, I hope to serve you another 16 years and beyond.

RRSP season is in full swing, and people are looking to get a bigger tax break by contributing before the deadline. As a rule of thumb, you get about a 30% deduction, depending on your tax bracket. While that may be somewhat of a break, I believe that what you put your money into is much more important than lowering your tax burden to CRA. Too often, clients overfocus on the immediate benefit rather than the long-term growth potential. While I don't give financial advice, I can refer you if you need help with that.

Some tax advisers also offer financial services, but that's never been my calling. There's no right or wrong answer to what services you offer, but I think professionals should focus on what they're good at. Since taxes have been my game for a long time and continue to be in high demand, that's where my attention will remain for years.

As a matter of fact, I concentrate on the type of tax services folks require. While PTC Canada's clientele varies from the annual basic filer to those who haven't done much for over 20 years, our efforts have been with small businesses who are behind several years. Why? Because very few professionals specialize in this. Sure, there's a lot of competition in the broad sense, but if you take a closer look, you won't find many who specify whom they serve. When someone new calls or emails us, there's never any doubt about what we do and whether our services will suit what the person needs.

I like what Benjamin Franklin once said: "We do business with those we like and feel comfortable with," which is my other point. I believe a simple, yet informative approach to assisting clients always works best. Scare tactics and elaborate shock campaigns to coerce someone into buying something are not only suspicious but also an insult to the client's intelligence. Most people can figure out that they need help. If they're already frightened about their situation, the last thing they need is some idiot giving them a heart attack for the wrong reasons.

Continued on page 2

Neel's Message, continued

Take my advice: if someone is trying to intimidate you to open your wallet, walk the other way! No one should mistreat you . . . because you won't buy their service anyway!

I can't tell you how many times I hear this. While most in this business are very good, there is a small minority who make life unnecessarily difficult. This year CRA is proposing legislation to weed out unscrupulous practitioners. I will keep you posted on this.

On the flipside, I can't thank you enough for all the praise I've received over the years. While I can't print all

your comments, I do attach at least one per newsletter. The compliments and kind words alone are worth being in this business and remaining faithful to our clients.

PTC Canada remains committed to staying up to date in the tax world and the changes that surround it. When I started the **Tax Tipper** in 2006, I made that promise to you, and eight years later I have kept it and will continue to do so for years to come!



Neel Roberts
President and Founder

What's Happening

2014 Indexation Adjustment for Personal Income Tax, Benefit Amounts and TFSAs



At the end of last year, CRA released the comparative figures for 2013 and 2014 for tax brackets, non-refundable credits, exemptions, GST credit, other benefits and TFSA accounts. Each year, certain personal income tax and benefit amounts are indexed to inflation using the Consumer Price Index data as reported by Statistics Canada. You can check out the complete list at the [CRA facts sheet](#) and the previously announced [Tax Relief Bulletin](#), or call the general enquiries at 1-800-959-8281.

2014 Budget in a Few Days

Canadians can have their input on the upcoming budget by visiting the [Consulting with Canadians](#) webpage. Tune in on Tuesday, February 11, after the markets close for Finance Minister Jim Flaherty's fiscal plan for 2014–15, to be followed by our special bulletin that evening, with expert commentaries prepared especially for you. For further information, check out the [Finance Department website](#) or call 613-992-1573.



RRSP Deadline Approaching!

This year's contribution deadline is Monday, March 3, 2014, for your 2013 income tax return. If you miss the deadline, you can always use the contribution for your 2014 return. Make sure you have relevant information such as your contribution room, Home Buyers' Plan or Lifelong Learning Plan repayment requirements, and so forth. Check out the [RRSP webpage](#) for details or call 1-800-267-3100, and use your [Epass](#) to get your information online.



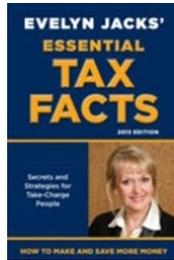
CRA Introduces "Tax Folios" to Help Look Up Rules, Interpretations and More

Last year CRA consolidated bulletins, interpretations and other booklets into [tax folios](#) to help taxpayers and others look up information. This makes it easier to get the required materials and to understand how to fill out your taxes, etc. Check out the [Income Tax Folio Index](#) or contact the general enquiries at 1-800-959-8281.



Evelyn Jacks' Book for 2013 Tax Returns Is Out

If you're wondering what's the best way to spend \$20, it's getting Evelyn Jacks' annual [Essential Tax Facts](#), available mid-January each year. Believe me, it's worth it. In fact, it will actually pay you after the first few tips. One of the functions of her company, [Knowledge Bureau](#), is to train tax preparers like me, so if you've liked my service over the years, she gets quite a bit of the credit. Some of the highlights of her latest book are the special life events that trigger important money moments, with hundreds of tax-savvy tips you will easily understand so you can build and grow your wealth significantly over time. These include saving for your education, moving out, buying your first home, managing pension and other investments, getting married, having children, divorce, illness, a new job, termination, self-employment, inheritance and so on. In 2011 she started her own blog, www.evelynjacks.com. Anybody can sign up for free updates.



Snowbirds and Taxes According to CRA

Many Canadian retirees prefer to hit the beaches outside our borders rather than the local snowbanks. While they usually deal with their taxes upon return, few take the time to see if their extended visit has affected their tax situation. Last year, the [Toronto Star](#) ran an article entitled [Avoiding the Snowbird's Trap](#), laying out the things to look for. The CRA has detailed the relevant regulations on a webpage called [Canadian residents going down south](#). For further information, check out the [bulletin](#) and IRS webpage if you have [US tax obligations](#) (non-toll-free 1-267-941-1000) or contact the general enquiries at 1-800-959-8281.



2014 Tax Service Schedule Filling Up!

Friends, waiting until the last minute to get your taxes done is never a good idea, especially if you need them assessed soon. Once you're [ready to file your 2013 return](#), make arrangements TODAY rather than on April 30. Most pros like me are jammed to the rafters with appointments, and you may have to wait weeks before getting in. Take advantage of our email, fax, phone and mail service. The days of office locations and 9–5 hours are a thing of the past, and regrettably businesses stuck in yesterday's ways will get left there. Most clients are demanding more options, and—no surprise—conventional appointments are becoming a thing of the past too!



E-File Ready for 2013 Personal Returns

It's official. E-File starts first thing Monday, February 10, 2014, for all 2013 personal returns. Most refunds come in 1–2 weeks, and I suggest you get direct deposit. When you file your return, simply take your banking information or a blank cheque and you can have your refund, GST Credit and Child Tax Benefits all done. If you forget, simply file the [Direct Deposit form](#) with CRA and they should be able to start in 1–2 months. Corporations can E-File all year round up to 4 years back, and can do direct deposit via the [Corporate Direct Deposit form](#)!



Students, Check Out All the Tax Breaks, Benefits, etc.

If you study full- or part-time at a qualified institution, check out CRA's [student webpage](#) for all the eligible tax breaks, benefits and remunerations. Tuition fees, education and textbook amounts, student loan interest, public transit, moving expenses, scholarships, and GST/HST credits are just some of the things taxpayers should be aware of when filing their returns. For further details, check out the [information bulletin](#) or contact the general enquiries at 1-800-959-8281.



New CRA Measures for Small Business Conformity

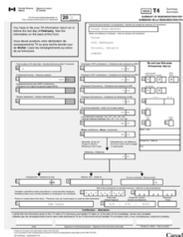


Last month Minister of National Revenue Kerry-Lynne Findlay announced several new steps to help small- to medium-sized businesses comply with tax regulations. The new three-point plan includes:

- **Liaison Officer Initiative:** The CRA will provide in-person information to small and medium enterprises at key points in their business cycle to help them get it “right from the start.”
- **Registration of Tax Preparers Program (RTPP):** This program proposes to register tax preparers so the CRA can better identify recurring errors before tax returns are filed. The RTPP signals real benefits for both tax preparers and taxpayers by helping them get it “right from the start” and avoid costly and time-consuming interventions from the CRA.
- **Enhanced focus on high-risk files:** The CRA will make better use of advanced business intelligence, specialized audit teams for specific sectors, and novel approaches such as letter-writing campaigns, to supplement the CRA’s traditional audit approaches.

These are just in the idea phase and will not likely be implemented until later in the year. For further details, check out the [information bulletin](#) or contact the business line at 1-800-959-5525.

Are You Filing T4s, T5s and Other Information Returns? Now Only One Access Code Needed



As of last year, you no longer need to wait for a new web access code to file your T4s, T5s and other information returns electronically with CRA. The code you used to file your 2012 information return is the same code you’ll use to file your 2013 and future-year returns. If you have forgotten it, simply retrieve it online at www.cra.gc.ca/webaccesscode. For more details on filing information returns electronically, go to www.cra.gc.ca/iref, check out the [information bulletin](#) or contact the business line at 1-800-959-5525.

CRA Continues to Hold Refunds for Tax Gifting Shelters



Donors seeking aggressive refunds on questionable charities may wait years for that fat refund. Last year the CRA passed a policy that refunds will not be paid until the charity is audited and approved as a legitimate organization. However, taxpayers can opt to have their returns assessed if they remove the claim and choose to adjust the return later upon audit approval. To date, the CRA has denied more than \$5.9 billion in donation claims and reassessed over 182,000 taxpayers who participated in these gifting tax shelters. For further details, check out the [information bulletin](#) or contact the general enquiries at 1-800-959-8281.

Tax Relief for Eastern Provinces Affected by Weather and Power Outages



If you were left in the dark or out in the cold, or were otherwise affected by the recent weather causing power outages, etc., the Minister of National Revenue encourages you to apply for tax relief under the [Tax Relief Program](#). Results vary, and while the program does not reduce the taxes payable, it provides time and/or eliminates late penalties or interest on balances owed. For further details, check out the [news release](#) or contact the general enquiries at 1-800-959-8281.

Businesses Must Report Internet Activity on Taxes



If your business has a website (and most do), you **MUST** now report all related sites and the percentage of revenue generated from them as of 2013. This is according to the latest [Business Income Guide](#) and [Business Activities Statement](#) by CRA. We have updated our [Small Business Tax Booklet](#) to reflect these changes, and we anticipate similar requirements for corporate returns shortly. For further details, contact the general enquiries at 1-800-959-8281.

Conrad Black Loses Court Battle on "Non-residency" Claim, May Owe Over \$5 Million in Back Taxes



CRA may succeed in netting over \$5 million from Conrad Black's 2002 tax return.

According to a [CTV news bulletin](#), the Tax Court of Canada rejected Black's argument that because he renounced his Canadian citizenship in 2001 to become a British Lord, he was not a resident of Canada for the purposes of the Income Tax Act. [Black's lawyer are appealing](#) the decision, but whether the amount owed will also be on hold remains to be seen.

Those seeking official non-residency status to be exempt from Canadian taxes must first complete the [Determination of Residency Status Form NR 73 \(Leaving Canada\)](#) and/or [Determination of Residency Status Form NR 74 \(Entering Canada\)](#) approved by the [International Tax Services Office](#).

For more details, check out [Determining an Individual's Residence Status](#), or [contact](#) the International Tax Office at 1-855-284-5942.

Vote Online Now to Knock GST/HST Off Hospital Parking



If you or your loved ones have ever spent substantial time in the hospital, you know how expensive parking can be in a big city.

Finance Minister Jim Flaherty announced last month that with your input, the bite might be lowered a bit. Send your vote of support by Monday, February 24, 2014:

- By email to consultationHP-SH2014@fin.gc.ca
- By snail mail to Tax Policy Branch, Department of Finance, 140 O'Connor Street, Ottawa, Ontario K1A 0G5

For further information, check out the [Tax Policy Branch website](#) or [information bulletin](#), or call 613-992-1646/1630.

Just Asking ... Just Answering

New Dividend Tax Rate for 2014

Real People with Real Questions About Real Situations



Dear Neel,

Is there a new tax rate for dividends paid this year? I own a corporation and get compensated by both salary and dividends, but nothing was explained to me by my accountant. Should I

change the way I am paid, as I always understood that dividends were more tax-friendly?

Jody H.

Dear Jody,

The 2014–15 budget has not been released yet, so stay tuned for updates on this. Whether a corporate owner/operator should be compensated in salary or dividends is one of the questions most often asked by entrepreneurs. You should make sure your accountant reviews this each year. Generally speaking, dividends are more tax-friendly, but the [2013 budget](#) made them more taxable.

Specifically, the previous gross-up for "eligible dividends"

was 38%, meaning you'll report \$138 for each \$100 in dividend income. In return, the federal dividend tax credit is \$20.73 for each \$100 in dividend income you receive, plus the provincial/territorial credit.

In contrast, "other than eligible dividends" from your Canadian controlled private corporation taxes will increase this year. The amount of the gross-up will drop from 25% to 18%, while the federal dividend tax credit will fall from 16.67% of the actual dividends to 13%. No surprise, the provinces and territories will follow suit, since they slide-rule with the federal rate.

For further information, check out the [Investment Income Guide](#). Good Luck!

Are You *Just Asking* tax questions?
Neel can *Just Answer* them.



It's a Photo Finish! I Do — But?

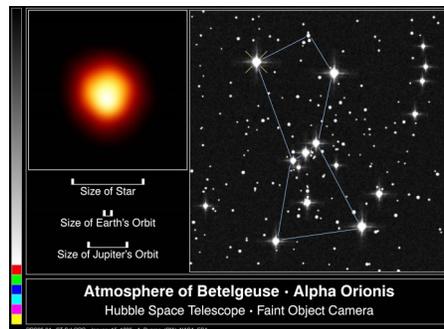


Courtesy www.photobomb.com

When asked if anybody had any objection to this couple getting married, this fish chose the silent approach. Not wanting to make a big deal, he quietly posed for this priceless moment after the couple were officially pronounced husband and wife. Luckily, the photographer was at the right place and time to catch this rare shot!

[Send us your fascinating photo or story.](#)

Celestial Treat – Check Out the Valentine Star!



Have you ever wondered if there was a celestial object named after the saintly love day? Yes, there is! It's the Valentine Star, more commonly known as [Betelgeuse](#) (pronounced beetle juice), and it's a favourite of many astronomers!

So why is it called the Valentine Star? Because it's red in colour, beats slowly like a giant heart and stimulates the spirit of those attuned to it. The prominent object we can see every February 14 is this bright, scarlet star at its highest point above the horizon every Valentine's Day night between the hours of 8 and 9 p.m. It marks the shoulder star of Orion and changes in size regularly like a slowly pulsating heart that beats once every six years. Now, when Betelgeuse is fully contracted to its smallest size, it is a whopping 500 times the width of our Sun, but when it expands to its biggest size it is almost 900 times as wide.

Betelgeuse is an extremely large, red, super-giant star, fluctuating in approximate size from the equivalent of Mars's orbit to Jupiter's; so it's monstrous compared to our puny yellow Sun. It is the second brightest star in the constellation Orion and the ninth

brightest object in the night sky. It is a vertex of the Winter Triangle and centre of the Winter Hexagon. It is possible that Betelgeuse will become a supernova, which will be the brightest ever recorded, outshining the Moon in the night sky.

Considering its size and age, it may explode within the next thousand years. Since its rotational axis is not toward the Earth, and also because of its 640 light-year distance, Betelgeuse's supernova will not cause a gamma ray burst in the direction of Earth large enough to damage our ecosystems.

So, this February, after you get the chocolates and flowers, first surprise your loved ones with a picture of the giant red star pulsing like a heart full of cosmic love, and then show them the real deal that evening. Believe me, they'll remember it. The Valentine Star is visible February 14, 2014, starting in the North American SSE sky after sundown and setting in the west around 3:30 a.m.

Astronomy fans or enthusiasts can follow Neel's monthly column [Sky's the Limit](#) in the [Vulcan Advocate](#) published the first Wednesday of every month!

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