



THE Tax Tipper

December 15, 2008

We take your taxes personally!

Issue 14

Inside

What's Happening	2
Our Readers Respond	5
Just Asking ... Just Answering	6
Did You Know?	6
It's a Photo Finish	7

Editor

Neel Roberts
PTC Canada
Box 1347
Vulcan, Alberta
TOL 2B0

Phone 866-485-2683

Fax 866-485-2761

Neel_Roberts@ptccanada.com

<http://ptccanada.com>

Dear Clients and Friends,

Much has happened since the October newsletter, and I'll try to cover as much as possible briefly so you can get on with the holiday season. I hope you are not still Christmas shopping! This year I set a record by finishing before December, because I refuse to spend more time in the parking lot than in the store. What? You haven't started? Oh well, I pity you in all those crowds! With the first day of winter just around the corner, prepping all my vehicles, farm stuff, etc., takes time, but instead of taking that afternoon nap yesterday, I got down to work for you!

Many thanks for another record year in the tax business. It's been eleven years now, if you can believe it, so what can I say about such a loyal clientele? Do you know why I brag to my friends and family that I have the best job in the world? That's easy. I love what I do, and I do it for great people. I'm pleased with the feedback on the **Tipper**, so I'm going to continue it into 2009 and beyond. There will be five editions this year—Valentine's, Easter, Canada Day, Thanksgiving, and of course Christmas. You'll be updated on the latest news in the tax world, along with some trivia, Q & A, and fun stuff. Also, I'll keep you posted outside the **Tipper** with news flashes. You can download [previous editions](#) from our website, and now we have a [PTC Canada](#) group on [Facebook](#)!

Recently I attended a work reunion in Toronto. I worked for Boeing in my early twenties, and if I could summarize the economic climate in the mid-eighties in a song, it would be "Let the Good Times Roll," given that there seemed to be no end of opportunity in sight. It's interesting when you catch up with the same group 22 years later. The song has changed to "No One Knows the Trouble I'm In," as the ones still in the workforce are worried about whether they will have a job tomorrow. This twist of fate is not only reflected in the economic climate but also in how we choose to deal with the situation. When my friends asked me what I was doing with myself these days, I said that when I got laid off from Boeing in 1992 I decided to make a 180-degree turn in my life and start my own business. This can be very intimidating to the average person, but I saw no choice and decided to stay with it no matter what. While it was tough for the first five years (believe me, the bank doesn't take a holiday!), it did in fact pay off. Today, with over a thousand clients worldwide, I feel good at the end of the day, not because I put a cheque in the bank but because I was able to take a burden off someone's shoulders and help make their life better.

Today Canadians are facing challenges not only with their taxes but also with day-to-day survival. The economic numbers for unemployment and growth are anything but encouraging, so more than ever I look for ways to make my clients' situation run like a well-oiled machine. While I'm delighted

Continued on page 2

that thousands have gotten the help they needed, I use that as a stepping stone to the next level of improvement. I believe that if a person has useful information that they can put into action immediately, I'm on the right track. In 1998 when I started PTC Canada, I had only 29 clients. Today over 5,000 returns have been completed, and the growth shows no end in sight. This tells me that our clients overwhelmingly approve of what we do, and I intend to continue that. Our on-line services have greatly improved our ability to serve you, so expect more e-service improvements in 2009 and beyond!

Lastly, I ask you to help out where you can this holiday season. It's unfortunate that in tough times we cut back on our donations, as institutions like the food bank and Salvation Army need contributions more than ever. In our small town of 2,000 people, I am amazed how many people depend on our community goodwill as a matter of life or death. Cold winters can be especially trying, and I am delighted that many of my clients give heartily. Did you know that Canadians are considered among the most generous people in the world? Having lived in Canada all my life, I'm proud of that. Apart from receiving a tax deduction, you can feel that someone in need benefited. Check out Mark Victor Hansen's book The Miracle of Tithing. I recommend it at this time of year because it is well written on the "non-economic" areas of giving. I have been tithing for years and can't tell you how much it has paid me back. Thank you in advance for doing this. Merry Christmas, Happy New Year, and enjoy the **Tipper!**

Neel Roberts
President and Editor

What's Happening

Parliament Is Prorogued—Now What?

It's no secret that Prime Minister Stephen Harper shut down Parliament on December 4, 2008, because of the Liberal-NDP and Bloc coalition. Tentatively the 2009 Federal Budget is still on track for release on January 27, 2009, one day after the 52-day limit to resume Parliament expires. While it's business as usual for most government offices, there are various sectors, like the auto industry, that desperately need help, and this stalling can make or break them. Did you know that in November the Canadian economy lost over 70,600 jobs? That's staggering, and experts say it's wishful thinking that things will turn around in 2009, even with all the stimulus packages announced worldwide. It's unfortunate that the vulnerable in society become the victims of poor politics. There are petitions circulating, urging our MPs to get back to work for the country and the people who elected them!



2008 Tax Service Now Available

Are you all ready to file your 2008 return? We are ready to roll, thanks to the help of our speedy software developers. Simply contact me with all your information, and you may have your refund in January. Unfortunately "E-File" does not start until Monday, February 9, 2009, so all early returns will be paper-filed with the usual 4–6 week turnaround. There is still a slight advantage, especially if you're expecting a large refund!



New Rules for Locked-in Retirement Plans

The Department of Finance has announced a relaxation of the rules under which taxpayers may withdraw funds from federally regulated locked-in retirement plans. Under the new rules:

- Individuals 55 or older with \$22,450 or less in a locked-in plan will be able to wind up their accounts (in which case the withdrawal will be fully taxable) or transfer the funds to a regular RRSP or RRIF.
- Individuals 55 or older with a Life Income Fund (LIF) will be entitled to a one-time transfer of up to 50% of their holdings into a regular RRSP or RRIF.
- All individuals facing financial hardship may withdraw up to \$22,450 a year regardless of age (in which case the withdrawal will be fully taxable). Financial hardship includes having a low income or high disability or medical-related costs.



The \$22,450 threshold will increase in future years with the average industrial wage. Locked-in retirement plans are essentially no different from regular RRSPs or RRIFs except that the plan member's access to them is restricted. Taxpayers may have them if they were members of a company pension plan and terminated their employment before reaching retirement age. Their pension entitlement will then have been transferred to a locked-in plan. It should be stressed that the rules announced by the Department of Finance only apply to federally regulated locked-in plans such as those sponsored by crown corporations and companies operating under federal charter. Most plans are regulated by the province in which the taxpayer resided when he or she terminated his employment. However, several provinces have also loosened access to locked-in plans in recent years. For further information, check out the [RRSP website!](#)

Tax Free Savings Accounts (TFSA) Now Available

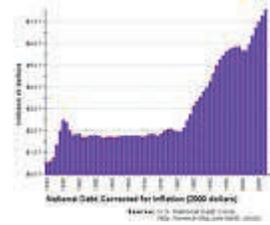
You have probably been approached by your bank or have seen ads for the new Tax-Free Savings Accounts (TFSA) that come into effect on January 1, 2009. Basically all interest and earned money in the account is tax-free and can be used any way you like. Canadians 18 years of age or older will be able to open a Tax-Free Savings Account (TFSA). Annual contributions are limited to \$5,000, but the money earns interest or dividends tax-free. You automatically get your \$5,000 limit when you file your tax return. The TFSA is different than a Registered Retirement Savings Plan (RRSP). Any contributions to your RRSP are tax deductible. If you made a \$5,000 RRSP contribution and your annual income is \$40,000, you could expect a federal tax saving of \$1,100. This is not the case for a TFSA. Initially, the tax saving on a TFSA may not add up to a huge amount. For example, the current interest rate on savings accounts is about three percent. If you deposit \$5,000 in the account on January 1, 2009, you will shelter about \$150 of interest in the first year. Once you apply a standard tax rate, it will mean about \$60 in tax savings.



Whether or not you want to contribute to a TFSA will depend on your situation. A TFSA provides more flexibility if you need to withdraw money. There is no penalty for withdrawing funds at any time, and you still save up to \$5,000 for the year. For example, if you had \$5,000 in the account in January and then withdrew \$2,000 in June, you could redeposit \$2,000 by the end of the year with no penalty. A withdrawal from an RRSP has tax implications, and it usually takes longer to withdraw funds. For further information, contact your financial institution or check out the [TFSA webpage!](#)

2009 Indexation Adjustments for Personal Taxes

Each year, certain personal income tax amounts are indexed to inflation using the Consumer Price Index data as reported by Statistics Canada. Increases to tax bracket thresholds, amounts relating to non-refundable credits, and most other amounts will take effect on January 1, 2009. However, increases to the Canada Child Tax Benefit (including the National Child Benefit Supplement and the Child Disability Benefit) and the goods and services tax credit will take effect on July 1, 2009, to coincide with the beginning of the program year for payment of these benefits. [Check out the chart in detail](#) that compares the indexed amounts for the 2008 and 2009 tax years. It reflects an indexation increase of 2.5% for 2009.



Are You Still Getting Late T3 and T5 Slips for Your Investments?

At our annual meeting, one of the issues brought up to upper management in CRA is the late arrivals of T3, T5, T5013, and other investment slips. Sixty-three percent of our members said this has been a problem in the past, so needless to say it has been very frustrating for both professionals and taxpayers. We have been after CRA to do something about this. As of 2007, a public trust or investment company as defined in section 204.2 of the Income Tax Act must make investment slips available to the general public within 60 or 67 days after the year-end. The only snag here is that, if the institution's year-end is not December 31, they may not be subject to this. You should always get in writing from the person you're buying from the exact date when the slips will be issued!

Beware of "Tax Cheating Software" for Businesses

The Canada Revenue Agency (CRA) is aware that electronic sales suppression software is currently being marketed and sold to Canadian businesses. Business owners are reminded that hiding income to evade taxes is against the law. Using this software is not worth the risk. Electronic sales suppression software is designed to work with point-of-sale systems and electronic cash registers. Businesses use the software to delete a portion of sales from their computer records to evade payment of income and sales taxes. In some cases, restaurant owners who suppressed sales using this software have collected taxes from patrons and not remitted them to the CRA as required by law. For further information, check out the [tax alert bulletin](#), and if you are suspicious of someone trying to sell you illegal materials, contact your local [investigation department](#).



GST Update

Many economists think a further cut in the current 5% GST rate would benefit the slumping economy, so it's possible we may see this in the 2009 budget. In 1991, when the GST was first introduced, retail sales slumped for many months, yet cuts to the GST in 2006 and 2008 did in fact boost spending, which is what is needed today. The CRA puts out a newsletter on what changes have been made to the GST and other areas of taxes. If you want to receive regular updates as the pros do, check out their [subscription list](#) free of charge.



More on What's Happening

New Fitness Tax Credit for Alberta?

As many of you are aware, there is a federal tax credit for those 16 and under called the Children's Fitness Amount. Alberta is proposing a similar tax credit starting in 2009 called the Physical Activity Credit, which will have no age limit. More details will be available in the New Year, as the bill was in third reading as of last month!



Canada Post Labour Action

Since November 5, 2008, there has been the possibility of a labour dispute between Canada Post and its technical staff. CRA has been monitoring the situation closely to ensure that refunds, GST, and Child Tax Credit cheques get to recipients, but they are alerting taxpayers that payments to CRA are still expected on time to avoid penalties. You can now make electronic payments through most banks, and I suggest you set up direct deposit to receive payments from the government. Check out the tax bulletin for further details!



Are You "Tax Preparation Volunteer" Material?

Have you ever considered a profession preparing taxes but lack experience? The Tax Volunteer Program is an excellent program to get you started, as there are minimal qualifications. This experience can be very helpful if you want to pursue a career in the tax industry. Many professionals actually started here before going into practice full-time. I even heard a rumour they have a free meal at the end of the season, but you have to bring your own ketchup, so don't let that discourage you. For further information, contact the general enquires line at 1-800-959-8281 or drop by your local tax centre!



Our readers respond!

I had no idea how to get started until I saw your ad on Facebook last fall. PTC Canada took away the nightmares I'd been having of the taxman for years, and Neel Roberts was able to explain that because of my situation, I'd actually be getting money back rather than owing. I was pleasantly surprised not only to get a sizable refund but to have other debts like B.C. Medical cleared up as a bonus. PTC Canada is set up to do everything in the comfort of your home. With my busy schedule, it's impossible to meet someone during regular business hours. I cannot thank Neel enough for such a service. My life is now back on track, and I would never hesitate to recommend PTC Canada to my best friend!

**John Freeze, Construction Employee
Port Moody, B.C.**



“I Owe, I Owe, So Off to Work I Go”—Or Not!

Real People with Real Questions About Real Situations



Dear Neel,

I'm totally paralyzed that CRA says I owe them over half a million dollars because I have not filed my personal and corporate returns in over seven years. Some people I've talked to say I should declare bankruptcy, while others recommend that I file and try to pay them off. I'd appreciate your commentary as I have no idea what to do and have even become terrified of answering the phone!

Conner D.

Dear Conner,

Bankruptcy is not always the answer, and while some people choose it when they're at the end of their rope, very few of my clients have had to use it because there are lots of options. The first thing you definitely have to do is get your records in order and file the returns. You can do this yourself, but with the potential of half a million owing I would definitely recommend a tax professional. The fees you will pay will not even compare to what the pro is likely to save you. Also, a pro will be able to prepare your returns in your interest while conforming to the rules for each year, and that's important given that there is a good chance CRA will audit you.

Arbitrary assessments are usually high in favour of the CRA, so once you receive the correct notice of

assessments, the assessed balances are still due with appropriate penalties/interest until settled. At this point you can accept them and pay or, if you disagree, consider the appeals process within 90 days of the assessments. If you had health or other personal problems preventing you from filing on time, you may qualify for interest/penalty relief under the fairness rules. The recent Taxpayer's Bill of Rights does in fact give the taxpayer broader rights, but it in no way exempts the taxpayer from their legal obligation after the dust settles. If your debt is sizable at the end of the day, speak to a credit councillor, as they know best how to avoid bankruptcy. They can even recommend a few mortgage brokers if you own your home. There are some brokers who specialize in this field, and if your credit score is good outside of your taxes owing, you stand a good chance of obtaining financing to pay CRA off/down. If you still have a balance owing after that, a councillor is the best to guide you and can arrange a payment plan. I wish you the very best!

Are You Just Asking tax questions?

Neel can Just Answer them.



Did You Know?

The North American version of the Santa Claus figure received its inspiration and its name from the Netherlands legend of Sinterklaas, a Dutch variant of the name Saint Nicholas. Dutch colonists took this tradition with them to New Amsterdam (now New York City) in the American colonies in the 17th century. Now you know how that pioneer streak is mixed with the Christmas spirit!



It's a Photo Finish!

Check Out the World's Largest Santa Claus Puppet



Courtesy of the town of [Torres Vedras, Portugal](#)

A 10-metre tall Santa Claus puppet will try to make its way into the Guinness Book of World Records this Christmas. The monster marionette has been entertaining young and old in the Portuguese town of Torres Vedras, who have been enjoying the chance to pull its strings. By taking the controls in a nearby cabin, they can move the puppet's hands and legs and make Santa move as they want him to. Bruno Melo, who masterminded the giant Santa, said it was not just a children's toy.

"It's a new concept, a new idea, and people are really funny when they play with the Santa Claus. And it's not just for the kids, it's for everybody. My grandmother plays with the Santa Claus, little children play, and everybody is happy with it," he said. The local council has already applied to the Guinness Book of World Records for the title of world's largest Santa puppet, and a representative is expected to visit the town and certify the project soon. 220 metal tubes, 30 square metres of polystyrene foam, 400 square metres of fibre, three litres of polyester resin, 200 kilos of polyester cement, and 150 litres of paint were used in making the marionette. [Check out a live version in action!](#)

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

Check out what others say about us in our [testimony page](#) and [media room!](#)

As always, we welcome your comments on the Tax Tipper!

[Send us an e-mail.](#)

All materials are the exclusive property of PTC Canada and are for information purposes only. Individuals and entities should seek personal advice from qualified professionals before taking further action, as PTC Canada and its associates assume no liability whatsoever for this resource.

[Click here to unsubscribe to this newsletter](#)

The Tax Tipper is professionally finished by Joyce Gram, your newsletter pro.
gramkend@shaw.ca