



WILLSEY DAVIS & Co. LLP

Chartered Accountants

Suite 109, 9824 - 97 Avenue
Grande Prairie, AB
T8V 7K2

Phone: 780.814.7474
Toll free: 1.877.814.7474
Fax: 780.814.7409

Newsletter Now in Electronic Format

Along with this print-friendly newsletter, our e-newsletter provides our clients with timely tips to maximize your tax savings. The e-version is convenient to read at your computers *and* on your mobile device when you're on the go.

To sign-up for free, visit:
www.willseydavis.com/newsletter_signup.aspx

In this issue:

Season's Greetings	1
Holiday Office Hours	1
In Our Community	1
Congratulations	1
Corporate Tax Account	2
Year-End Reporting	2
Year-End Tax Planning	2
Employment Income	3
CPP Changes	4
Old Age Security Application	4
EcoEnergy Retrofit-Homes Program	4
RRSP Planning	5
After the Birth of Your Child	5

SEASON'S GREETINGS

The partners and staff at Willsey Davis & Co. LLP wish you and your family a Merry Christmas and a Happy New Year.

HOLIDAY OFFICE HOURS

Our office will be closed during the holiday season for the week of December 26 - 30. We will resume our regular hours of 8:30 am - 4:30 pm on Monday, January 2, 2012. Please keep these hours in mind if you have a December 31 filing or payment deadline.

IN OUR COMMUNITY

The partners and staff at Willsey Davis are long time supporters of the **Salvation Army Christmas Hamper program**. We enjoy putting together a hamper that provides a local family with the ingredients for their Christmas dinner along with gifts for each member of the family.

In lieu of sending cards to our clients, Willsey Davis supports local Christmas charities, including the Salvation Army. If you would like to make a donation to the Salvation Army, you can do so by visiting www.salvationarmy.ca. Click "Donate Online" and designate your gift to "Grande Prairie."

You may also mail your donation to:
Salvation Army Grande Prairie
PO Box 907
Grande Prairie, AB T8V 3Y1

The **Grande Prairie Boys' Choir** held their Christmas Concert on December 10 and 11. Willsey Davis is proud to be a sponsor of the Boys' Choir performances.

Willsey Davis is a sponsor of the **2nd Annual GPPA Hangar Dance for STARS** to be held on January 14, 2012. This event raises funds for the Shock Trauma Air Rescue Services Foundation – Grande Prairie base.

CONGRATULATIONS RACHEL!

We would like to take this opportunity to congratulate Rachel Gariepy of Willsey Davis & Co. LLP for successfully completing the Uniform Final Examination. Rachel has been studying with the CA School of Business for the last two years and once she has completed her term of service, she will become a designated Chartered Accountant.

We are very proud of her efforts! Congratulations Rachel!



Tax Tips, Traps

...and other financial facts

HOW TO PAY YOUR CORPORATE TAX ACCOUNT

Payments can be made at your financial institution, by mail, through internet banking or by using the CRA's My Payment option. You can mail a cheque or money order, payable to the Receiver General, along with your completed remittance voucher, to the following address:

Canada Revenue Agency
875 Heron Road Ottawa, ON K1A 1B1

Be sure to write your 9 digit business number with RC0001 and the year-end date on the cheque. It is important to note that CRA considers your payment paid when it is received at CRA not when the payment has been mailed.

To learn more about paying a corporate tax account, including instalments, follow this link to the CRA information page: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/crprtns/pymnts/menu-eng.html>.

Corporate tax remittance vouchers must be the original voucher from the CRA. Photocopies are not accepted. Businesses can request additional remittance vouchers by calling 1-800-959-5525 or online by following the link at the bottom of this CRA webpage: <http://www.cra-arc.gc.ca/esrvc-srvce/tx/bsnss/rqsts/t2/t2fill-rmtnc-eng.html>.

YEAR-END REPORTING

If your business made payments to employees or shareholders for employment income, commissions, taxable benefits, dividends, interest or for other services during 2011 this income may need to be reported to CRA on a T4, T4A, T5 or other slip. The deadline to file these slips is February 29, 2012.

YEAR-END TAX PLANNING

Some 2011 year-end tax planning tips include:

1. Certain expenditures made by individuals by December 31, 2011 will be eligible for 2011 tax deductions or credits including: moving expenses, child care expenses, safety deposit box fees, charitable donations, political contributions, medical expenses, alimony, eligible employment expenses, union, professional, or like dues, carrying charges and interest expenses, certain public transit amounts, and children's fitness and arts amounts.

2. You have until February 29, 2012 to make tax deductible Registered Retirement Savings Plan (RRSP) contributions for the 2011 year.

Consider contributing to a spousal RRSP to achieve income splitting in the future.

3. If you own a business, consider paying a reasonable salary to family members for services rendered to the business.

4. An individual whose 2011 net income exceeds \$67,668 will lose all, or part, of their old age security.

Senior citizens will begin to lose their income tax age credit if net income exceeds \$32,961.

Contact your professional advisors for assistance in managing 2011 personal income.

5. Consider purchasing assets eligible for capital cost allowance before the year-end.
6. Consider selling capital properties with an underlying capital loss prior to the year-end if you had taxable capital gains in the year, or any of the preceding three years. This capital loss may be offset against the capital gains.
7. *Registered Education Savings Plan (RESP)*
A Canada Education Savings Grant (CESG) for RESP contributions will be permitted equal to 20% of annual contributions for children (maximum \$500 per child per year).
8. *Health and dental premiums for the self-employed*
Individuals will be allowed to deduct amounts payable for Private Health Service Plan coverage in computing business income provided they meet certain criteria.
9. A refund of Employment Insurance paid for non-arm's length employees may be available upon application to CRA.
10. Taxpayers that receive "eligible" dividends from private and public corporations may have a significantly lower tax rate on the dividends. Notification from the corporation to the shareholder is required.

(con't on next page)



Tax Tips, Traps

...and other financial facts

11. Eligible public transit passes will be entitled to a tax credit.
12. A tax credit for children under 16, at the beginning of the year, enrolled in certain organized activities is available.
13. A Registered Disability Savings Plan may be established for a person who is eligible for the Disability Tax Credit. Non-deductible contributions to a lifetime maximum of \$200,000 are permitted, which are eligible for tax-deferred grants and bonds. Please contact your professional advisors for details.
14. If required income or Forms have not been reported in the past to the CRA, a Voluntary Disclosure to the CRA may be available to avoid penalties. Contact us for details.
15. U.S. Citizens and green card holders have U.S. filing obligations.

EMPLOYMENT INCOME

Cellular Phone Allowance

In a June 8, 2011 Technical Interpretation, CRA notes that CRA Guide T4130 provides that where an employer reimburses an employee for the cost of a cellular phone service plan and the primary use is for business purposes, the reimbursement would generally not be considered a taxable benefit if:

- the Plan's cost is reasonable,
- the Plan is a basic Plan with a fixed cost, and
- the employee's personal use of the service does not result in charges that are more than the basic Plan cost.

However, CRA notes that a taxable benefit may arise where additional charges are incurred as a result of the employee's personal use of air time minutes or personal long distance calls.

Also, when a reimbursement by an employer relates to an asset purchased and owned by an employee, a taxable benefit may apply.

Automobile Standby Charge

In a July 12, 2011 Technical Interpretation, CRA notes that an automobile ceases to be subject to the automobile standby charge only when the employee is required by the employer to return both the automobile and its keys. Therefore, where an employee voluntarily surrenders the keys during a period of absence from work, CRA feels that those days must be counted in the calculation. (For calculation see CRA Form RC18.)

Per Diem Allowances

An employer may pay reasonable tax-free per diem allowances for board and lodging to an employee while at a special worksite if the employee otherwise maintains a principal place of residence and is away for at least 36 hours and the distance was such that he/she could not reasonably return daily from the special worksite to the principal place of residence.

Business Travel/Log

In a November 3, 2010 Tax Court of Canada case, the taxpayer was a self-employed Remax residential real estate agent who received commissions of \$81,440 and \$79,552 in the 2005 and 2006 years.

The taxpayer did not keep a log of her business kilometres but she claimed that she had driven 31,185 kilometres and 23,693 kilometres in 2005 and 2006 for a business percentage of 95%.

CRA reassessed on the basis that only 55% of her kilometres were for business purposes.

The taxpayer appealed to the Tax Court of Canada and the Court noted:

1. That keeping a log book for automobile expenses is not specifically required by the ITA. However, by not doing so, she faces a heavier burden in proving that she used her motor vehicle almost exclusively for business purpose.
2. The Court understood that keeping a log book may be tedious and may not always be practical; however, it would be useful in determining the actual business use.
3. The Court noted that if she did not have time to report all her business driving, which they seriously doubt, she could have reported her personal driving.

CRA countered with a proposal to allow 75% and the Court agreed.

Editor's Comment:

See www.cra.gc.ca/whtsnw/lgbk-eng.html for CRA's comments on "Documenting the Use of a Vehicle."



CHANGES TO THE CANADA PENSION PLAN (CPP)

In a July 14, 2011 Release, CRA discussed these CPP changes and notes that:

1. As of January 1, 2012 the rules for contributing to the CPP will change.
2. Individuals under 65 years of age - starting on January 1, 2012, will now have to contribute to the CPP if you are working, even though you may be receiving CPP.

Individuals at least 65 years of age but under 70 - starting on January 1, 2012, unless you elect to stop contributing to the CPP, you will now have to contribute to the CPP if you are working.

3. To stop contributing to the CPP:

Employee - an employee who is at least 65 years of age but under 70 and receiving a CPP or QPP retirement pension, can elect to stop contributing to the CPP by completing Form CPT30, giving a copy to all your employers, and sending the original to the CRA.

Self-Employed - If you are self-employed, at least 65 years of age but under 70 and receiving a CPP or QPP retirement pension, you can elect to stop contributing to the CPP. To do so, complete the applicable section of Schedule 8, CPP Contributions on Self-Employment and Other Earnings for 2012 and file it with your income tax return for 2012.

Do not use Form CPT30.

The Election stays in effect until you turn 70 years of age or until you revoke the Election.

4. Individuals receiving both pensionable earnings and self-employed earnings who are at least 65 years of age but under 70 and receiving a CPP or QPP pension can elect to stop contributing to the CPP by completing Form CPT30, giving a copy to all your employers, and sending the original to the CRA.

5. If you want to start contributing to the CPP again, you need to revoke your Election to stop contributing to the CPP. However, you cannot revoke an Election in the same calendar year that you elected to stop contributing to the CPP. For example, if you elected to stop contributing to the CPP in 2012, you cannot revoke this election before 2013.

Since you cannot revoke an Election until 2013, Service Canada will provide information about this at a later date.

To get details, search for "changes to the Canada Pension Plan" on the CRA website.

Other changes that come into effect in 2012 include a person aged 60 or older will not have to cease working to qualify for early CPP. Also, the reduction to benefits when a person collects CPP before age 65 and the increase in benefits for delaying the receipts past 65 will both be increased over the next several years.

OLD AGE SECURITY (OAS) APPLICATION

A taxpayer may apply to receive OAS payments at the age of 65. Failure to apply means a taxpayer could lose OAS payments because the Government only has to pay retroactive payments back to the 65th birthday for a maximum of 11 months, plus the month of application.

In a June 29, 2011 Federal Court case, the taxpayer argued that he was given incorrect information from Service Canada and, therefore, did not make an application for the OAS. Therefore, he was applying for retroactive payments past the 11 months.

Taxpayer Loses

The Court found that the information provided by Service Canada was not erroneous. Therefore, the taxpayer was limited to a retroactive payment of 11 months.

ECOENERGY RETROFIT-HOMES PROGRAM

The Federal Government renewed the ecoENERGY Retrofit-Homes Program in the 2011 Federal Budget. From June 6, 2011, until March 31, 2012, homeowners are eligible to receive Grants of up to \$5,000 to make their homes more energy efficient.

(con't on next page)



Tax Tips, Traps

...and other financial facts

There are two important changes to the Program. First, there is a requirement for participants to register directly with the Program before booking their evaluation. Second, homeowners will now be required to provide receipts to their energy advisor at the time of the post-retrofit evaluation to confirm eligibility for the Grant.

Google ecoENERGY Retrofit-Homes for more information.

Only products purchased after June 6, 2011 and installed after a pre-retrofit evaluation are eligible for an ecoENERGY Grant. All energy retrofits and post-retrofit evaluations must be completed by March 31, 2012. The homeowner must also sign the Grant application by this date.

When you apply for ecoENERGY Retrofit-Homes, you may be eligible for complementary or matching funds from Provincial, Territorial and Municipal Governments, as well as from certain energy utilities and non-government organizations that use the EnerGuide Rating System. You should consult with these regional organizations directly to ensure you are meeting their respective guidelines and deadlines.

Google "complementary regional programs with ecoENERGY Retrofit-Homes."

RRSP PLANNING

An individual must collapse the RRSP by December 31 of the year in which they turn 71. Because of the current low interest rates, most taxpayers chose to purchase a Registered Retirement Income Fund (RRIF), rather than an annuity, which would result in low interest rates throughout the person's retirement years.

Usually, an arrangement is made with the financial institution to directly transfer the RRSP into a RRIF thereby avoiding the inclusion in income.

An RRIF requires that funds be withdrawn on an annual basis other than in the year the RRSP is converted to the RRIF. An RRIF can be self-directed and may hold investments similar to those held by the RRSP. The minimum withdrawals range from 7.38% at age 71 to, say, 8.99% by 81 to 14.73% by 91, and 20% by 90 and older. These rates increase each year

An individual may use either their own age or that of their spouse in determining the minimum withdrawal amounts. The advantage of using the age of a younger spouse will be to extend the period that the funds remain in the RRIF earning tax sheltered interest.

When a taxpayer dies owning an RRIF, there will be a rollover if a spouse is the "successor annuitant" and will continue to receive the monthly RRIF payments.

However, if the RRIF goes to the Estate and the spouse is the beneficiary, the spouse will receive the funds in the RRIF at the time of death; however, these may be transferred tax-free to the spouse's RRIF. Also, the RRIF may be transferred to a spouse's RRSP if the spouse is under the age of 72.

Where there is no spouse, and the beneficiary is a dependent child or grandchild, the funds may be taxable to the child; however, the child may purchase an annuity that must expire by age 18. If the child is dependent under a mental or physical infirmity, an annuity may be purchased that does not have to end by age 18.

Otherwise, the amounts in the RRIF are taxable in the deceased's Estate on the final tax return.

GOVERNMENT SERVICES AND PROCEDURES AFTER BABY'S BIRTH

<http://www.servicecanada.gc.ca/eng/lifeevents/baby.shtml>

This website offers a helpful checklist and description of the items to consider and government services that should be registered for after you welcome a new one to the family. Topics include: parental leave/EI, registering the baby's birth, RESPs, Canada Child Tax Benefit, Universal Child Care Benefit, and many more.



WILLSEY DAVIS & CO. LLP

Chartered Accountants

The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions in a commentary such as this, a further review should be done. Every effort has been made to ensure the accuracy of the information contained in this commentary. However, because of the nature of the subject, no person or firm involved in the distribution or preparation of this commentary accepts any liability for its contents or use.