



Tax Tips, Traps

...and other financial facts

Extended Office Hours During Tax Season

The April 30 personal tax deadline is rapidly approaching. Extended office hours will be in effect at Willsey Davis & Co. February 28 through April 30 from 8:00 a.m. to 5:00 p.m.

We will also remain open during the 12:00 p.m. to 1:00 p.m. lunch hour for your convenience.

February / March 2011

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Newsletter Now in Electronic Format

At the end of 2010, we introduced our new e-newsletter, providing our clients with timely tips to maximize your tax savings. The e-version makes it convenient to read the newsletter 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



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IN OUR COMMUNITY

Willsey Davis & Co. has the privilege of being involved with a number of community organizations as both volunteers and sponsors.

This February, we were proud to be a sponsor at the **STARS** (Shock Trauma Air Rescue Society) Hangar Dance as well as the **Regional EMS Foundation's** Wine Fair and Auction.

We are also proud to be a 2011 Bronze Corporate Citizen with the **Community Foundation of Greater Grande Prairie.**

PERSONAL TAX

Easy-to-Access Tax Forms and Resources

To assist you with your 2010 tax preparation, personal tax forms and checklists are now available on the "Links" section of our website along with updated links to 2010 tax cuts and credits. While you are visiting the site, check out the many useful business and financial resources we provide for our clients.

Medical Expenses

Do air purifiers for an asthmatic, or a dock landing gate for a wheelchair qualify as medical expenses? Read what the Canada Revenue Agency has to say about these items.

In an October 27, 2010 Technical Interpretation, Canada Revenue Agency (CRA) notes that a dock landing gate, associated with the use of a wheelchair, is a medical expense as a renovation or alteration to a dwelling of the person who lacks normal physical development or has a severe and prolonged mobility impairment. However, to qualify, the expenditure should not increase the value of the dwelling and is not of a type that would normally be incurred by persons who have normal physical development.

Also, an air purifier purchased for a house because of the person's asthma and a compromised immune system may qualify as a medical expense.

Medical and Disability Related Information

CRA Guide RC4064 provides medical and disability related tax information for people with medical expenses or impairments in physical or mental functions and anyone supporting these people.

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Also, if a person has permanent mobility impairment, and cannot safely use public transportation, he/she may apply for a refund of part of the Federal Excise Tax on gasoline purchased (Information Sheet XE8, page 24).

Disability Tax Credit

An individual who is markedly restricted in the basic activities of daily living, or requires 14 or more hours per week to administer Life Sustaining Therapy, may be eligible for the Disability Tax Credit.

For example, the Canadian Diabetes Association website (search: disability tax credit) notes that if a taxpayer or a child uses an intensive insulin management system (IMS) or an insulin pump with respect to Diabetes, they may qualify for the Disability Tax Credit.

BUSINESS PROPERTY INCOME

Employee vs. Independent Contractor

How do you determine if you are to be classified as an employee or an independent contractor? Often people are categorized incorrectly. The following article will help you sort out the differences.

Case 1 - Independent Contractor

In an October 22, 2010 Tax Court of Canada case, given the clear shared common intention to be a subcontractor between the payer and the workers, the Court found that the workers were independent contractors, not employees.

Case 2 - Independent Contractor

In an August 31, 2010 Tax Court of Canada case, the issue was whether the salesman was an independent contractor or engaged in employment income. The Court concluded that the salesperson was an independent contractor and noted that:

1. The worker had signed Written Agreements with the Appellant when he began his working relationship on the basis that he was an independent contractor.
2. The facts that apply in respect to establishing control, ownership of tools, possibility of profit, risk of loss, and integration show that the worker was an independent contractor.

3. No controls were exercised on his services and the worker had the opportunity to make a profit and took on a risk of a loss. He provided his own work tools and his own equipment. He had no job security and was free to accept other employment or contracts while engaged.

4. The test of intent also indicates that the worker was an independent contractor.

Case 3 - Independent Contractor

In a November 16, 2010 Tax Court of Canada case, the Court found that the workers were independent contractors, not employees, and noted that:

1. A mutual intention to create an independent contractor relationship indicates that the individuals were independent contractors, not employees.

2. The workers were able to set their own hours of work, although within certain limits.

3. The workers were able to work for other clients without consent of the payer.

4. The workers used their own vehicles to pick up supplies and charged an hourly rate for the use of their vehicles.

5. The workers carried on their business under a business name, for example "Cleaning with Care," and had their own liability insurance coverage.

Case 4 - Employee

In a November 22, 2010 Tax Court of Canada case, the Court found that the workers were employees and noted that:

1. The parties did not share a common understanding that the worker was to be self-employed and not an employee. Where the intention of the parties cannot be ascertained, it is necessary to look at all the facts to see the legal relationship.

2. The payer provided all the tools and equipment, except for a keyboard.

3. The worker had no responsibility for investment in management.

4. The worker had no expenses and no liability exposing her to a risk of loss and there was no opportunity for her to increase her income.

5. The worker received instructions and directions from the payer on a daily basis.



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DID YOU KNOW?

Pensions

For an individual who has reached age 65 before the end of the year, the types of "pension income" that are eligible for a tax credit on up to \$2,000 and for splitting with a spouse or common-law partner include:

- a life annuity out of a superannuation or pension plan;
- an annuity payment out of a Registered Retirement Savings Plan;
- a payment out of a Registered Retirement Income Fund;
- an annuity payment from a Deferred Profit Sharing Plan; and
- the interest portion of certain other annuities.

For example, if a person does not have any otherwise qualifying "pension income," is age 65 or over, and does not want to draw down on registered assets, he/she could consider purchasing a non-registered annuity. The deposit should be enough to produce at least \$2,000 of interest income which qualifies for the pension income amount.

Also, individuals 65 years old with an RRSP may wish to consider transferring a portion of the RRSP into an annuity or into a Registered Retirement Income Fund on which pension income may be received. Professional advice may be needed in this area.

ESTATE PLANNING

Donation Schemes

In an October 28, 2010 Federal Court of Appeal case, the Federal Court confirmed the Tax Court decision that found that Mr. M should not receive any donation tax credit even though he did have a cash donation of \$30,000 in return for the inflated \$100,000 donation receipt.

EMPLOYMENT INCOME

Taxable Benefits

Canada Revenue Agency Guide T4130 provides information on a number of taxable and non-taxable employment benefits and allowances.

These include: board and lodging, cellular phone service, child care expenses, counseling services, disability related employment, discounts on merchandise, education benefits, gifts and awards, group term life insurance policies, housing, interest-free and low interest loans, internet use, loyalty and other "points programs," meals, medical expenses, moving expenses, municipal officers expense allowance, parking, power saws, premiums under provincial hospitalization, private health service plans, professional membership dues, recreational facilities and club dues, RRSPs, security options, social events, spouse's or common-law partner's travelling expenses, TFSAs, tool reimbursements, transit passes, transportation to and from home, travel allowances, uniforms and special clothing, and wage-loss replacement plans or income maintenance plans.

The Guide also has a benefits chart, which lists the benefits and the applicability of CPP, EI, and GST/HST.



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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.