McIntyre & Associates
Professional Corporation

Chartered Accountants
comptables agréés

A publication for McIntyre & Associates' clients | Winter 2010

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To learn more about McIntyre & Associates, visit us online at: www.mcintyreca.com

Questions? Call (613) 726-7788 and we will be happy to address any of your questions.

EI Special Benefits for the Self-Employed

The Government of Canada has introduced the Fairness for the Self-Employed Act, which would extend Employment Insurance (EI) special benefits – maternity, parental, sickness and compassionate care – to self-employed people.

Self-employed Canadians would be required to opt into the program at least one year prior to claiming benefits, and would be required to pay the same EI premium rate as salaried employees. They would not be required to pay the employer portion of premiums, in recognition of the fact that they would not have access to regular EI benefits.

The program start date is January 2010, which means that claims could be made as early as January 1, 2011.

We are monitoring the progress of this legislation and will inform you of any important developments. ■

Non-Cash Gifts and Awards

The CRA's employer gifts and awards policy was introduced in 2001 with an intention to remove the burden of determining the fair market value of small gifts and awards and recognize common business practices. It allowed for the non-taxation of up to two non-cash gifts costing a total of no more than $500, as well as the non-taxation of up to two non-cash awards costing a total of no more than $500. The condition that the employer could not deduct the costs as business expenses was also removed.

When this policy was introduced the CRA stated: "This new position will be closely monitored and will be adjusted if abuse or undue revenue loss is identified."

The CRA has received submissions stating that the current policy has not significantly reduced administrative burden in cases where numerous immaterial items may be given to an employee in a year. Concerns also include employers introducing gift and award policies principally for the purpose of providing tax-free remuneration to employees. Additionally, numerous tax planning questions are received as to how to maximize the tax-free status by categorizing items in order to qualify for either the gift policy or award policy.

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Non-Cash Gifts and Awards (continued from page 1)

In order to address these issues, the CRA has made changes and clarifications to the gift and award policy that are in effect for 2010.

Non-cash gifts and non-cash awards to an arm's length employee, regardless of number, will not be taxable to the extent that the total aggregate value of all non-cash gifts and awards to that employee is less than $500 annually. The total value in excess of $500 annually will be taxable.

In addition to the above, a separate non-cash long service/anniversary award may also qualify for non-taxable status to the extent its total value is $500 or less. The value in excess of $500 will be taxable. In order to qualify, the anniversary award cannot be for less than five years of service or for five years since the last long service award had been provided to the employee. For the purposes of applying the $500 thresholds, the annual gifts and awards threshold and the long service/anniversary awards threshold are separate. In other words, a shortfall in value under one policy cannot be used to offset an excess value of the other.

The employer gift and award policy will not apply to non-arm's length employees (e.g., relative of proprietor, shareholders of closely held corporations) or related persons of the non-arm's length employee.

For clarification purposes, items of an immaterial or nominal value, such as coffee, tea, T-shirts with employer logos, mugs, plaques, trophies, etc., will not be considered a taxable benefit to employees. There is no defined monetary threshold that determines an immaterial amount. Factors that may be taken into account include the value, frequency, and administrative practicability of accounting for nominal benefits.

The CRA's administrative policies as to the qualifying nature of gifts and awards will remain unchanged. For example, performance-related rewards (e.g., sales targets) or cash and near-cash awards (e.g., gift certificates) will continue to fall outside the administrative policy and will be required to be included in the taxable income of the employee. Further details as to the qualifying nature of gifts and awards may be found on the CRA's website. ■

Members of the McIntyre & Associates team enjoyed a holiday potluck on December 23rd.

2009 Personal Income Tax Return Organizer

We are mailing out personal income tax return organizers to all of our clients in January.

If you would like us to prepare your 2009 personal income tax return and you have not received an organizer by the end of the month, please contact us.

Important Deadlines to Remember

January 30, 2010
Interest relating to 2009 on interfamily and employee loans must be paid.

February 28, 2010
2009 T4, T4A, T4PS, T5 slips and summaries must be filed. Please ensure that any applicable taxable benefits (i.e. automobile, shareholder loan) are calculated and included on the T4s.

March 1, 2010
RRSP contributions made on or before this date can be deducted on your 2009 personal income tax return if you have not exceeded your contribution limit.

March 15, 2010
The 2009 Employer Health Tax Annual Return must be filed and any amount owing must be paid.

March 31, 2010
2009 Inter Vivos Trust Returns are due (i.e. family trusts).

April 30, 2010
April 30, 2010 is the last day to pay your 2009 personal income tax liability to avoid interest charges. In order to avoid penalties, personal income tax returns must be filed on or before April 30, 2010 with the exception of self-employed individuals (and their spouse or partner) who have until June 15, 2010.

When these deadlines fall on a weekend or a statutory holiday, the deadline defaults to the next business day.

CRA's Prescribed Interest Rates

The prescribed interest rates for the first quarter of 2010 are as follows:
- 1 % to calculate a deemed interest benefit on subsidized employee and shareholder loans;
- 3 % on refunds of income tax overpayments; and
- 5 % on payments of overdue income taxes, insufficient income tax instalments, unremitted employee source deductions, CPP contributions or EI premiums, and unpaid penalties.

These rates are in effect from January 1, 2010 to March 31, 2010.

Has your contact information changed?

If your contact information has changed recently, please let us know.

contactupdate@mcintyreca.com

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