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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.

Testamentary Trusts – Saving Your Beneficiaries Income Tax in the Future

You may have an opportunity to help your beneficiaries save a significant amount of income tax with a properly planned will.

A testamentary trust can be created through an individual's will. The advantage is that each testamentary trust is taxed as a separate taxpayer and will enjoy graduated income tax rates. Testamentary trusts can be created for a spouse, children, or any other beneficiary.

Example:

An individual has two beneficiaries for his or her estate and each beneficiary is in the top income tax bracket in Ontario (taxable income exceeding \$128,800 in 2011). The estate has a value of \$2,000,000. The investments generate 5% per year or \$100,000. Without a trust, the beneficiaries pay \$46,410 in additional income tax each year. If the income was shared by two testamentary trusts, the income taxes would be \$23,160, a savings of \$23,250 per year. Further benefits could be obtained by including other family members, such as grandchildren.

In addition to the benefits discussed in the example, spousal testamentary trusts also benefit from the tax-free rollover of assets. Separate tax returns must be prepared for each trust, so the benefit must outweigh the compliance costs to justify the use of these trusts.

Tax Relief Deadline Approaching

Tax relief introduced in the 2009 Federal Budget included a temporary 100% capital cost allowance (CCA) rate for computers acquired after January 27, 2009 and before February 1, 2011. This is truly a 100% write-off because the rule that restricts CCA deductions to one-half of the CCA write-off otherwise available in the first year does not apply to these computers.

Letter Campaign Initiative

The Canada Revenue Agency is taking new steps to provide Canadians with the information they need to understand their tax obligations. This initiative will begin in early 2011.

Two types of letters will be sent to people across the country. Some will receive a letter providing information about the eligibility criteria for certain deductions they have claimed on their recent income tax returns. Others will receive a letter with the same information; however, it will also inform them that their income tax returns may be selected for audit.

The goal of the campaign is to educate taxpayers about certain claims made and to promote compliance with the Income Tax Act. CRA is asking individuals to review their income and expense claims related to rental and/or business activities.

CRA is also providing taxpayers with the opportunity to amend their income tax returns by completing an adjustment request in cases where they may have claimed deductions in error or provided inaccurate information. Requests for adjustments can be made online by accessing My Account, or by mail using Form T1-ADJ, T1 Adjustment Request, which is available on the CRA website at www.cra.gc.ca/forms.

If you receive one of these letters and have any questions, or need help making changes to previously filed or current tax returns, please do not hesitate to contact us.

CRA's Prescribed Interest Rates

The prescribed interest rates for the first quarter of 2011 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, 2011 to March 31, 2011.

What's New at McIntyre & Associates

Congratulations to Larry Hasson for completing his practical experience requirement and receiving his CA designation in November 2010.

We are pleased to welcome Adnan Rauf to the McIntyre & Associates team. Adnan is well on his way to obtaining his CA designation. He has written and passed the Uniform Final Exam, and is now working on completing his practical experience requirement.

Important Deadlines to Remember

January 30, 2011

Interest relating to 2010 on interfamily and employee loans must be paid.

February 28, 2011

2010 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, 2011

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

March 15, 2011

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

March 31, 2011

2010 Inter Vivos Trust Returns are due (i.e. family trusts).

April 30, 2011

April 30, 2011 is the last day to pay your 2010 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, 2011 with the exception of self-employed individuals (and their spouse or partner) who have until June 15, 2011.

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

2010 Personal Income Tax Return Organizer

We have mailed out the personal income tax return organizer.

If you would like us to prepare your 2010 personal income tax return and you have not received an organizer by the end of the month, please do not hesitate to [contact us](#).

Has your contact information changed?

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

contactupdate@mcintyreca.com

McIntyre & Associates Professional Corporation

The opinions and advice in this newsletter are provided for the general guidance and benefit of McIntyre & Associates' clients, based on information that we believe to be accurate. We cannot guarantee its accuracy or completeness for individual circumstances. While we strive to provide reliable material herein, we cannot account for all industry conditions and legislative changes that occur. Should you have any questions or concerns regarding the contents of this newsletter, please contact us.

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