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Three Tax Resolutions For 2012

By Jamie Golombek (As published in the National Post on January 14, 2012)

While tax season is just a couple of months away, the fact is there is very little you can do to reduce the bill on your 2011 return, which will be due April 30. But January is the ideal time to start thinking about savings for 2012. Here are three tax resolutions to ponder:

1. GET YOURSELF ORGANIZED

If you're one of those people who is always scrambling to hunt down receipts, T-slips and other important tax info, now is a great time to set up a tax filing system. It need not be complicated and it can be in physical or electronic format.

For example, I often get e-receipts for charitable donations I make online throughout the year to various friends' fundraising events or charity runs. I set up a separate folder in my email program to store all these e-receipts so that come tax time, I can print them all at once.

Many T-slips are also available electronically. My employer, for example, posts employees' T4 slips on a secure internal website. The slip can then be printed anytime or saved electronically in a tax folder on your computer.

If you use part of your home for business, be sure to also keep records, either paper or electronic, of bills for electricity, heating, maintenance, property taxes and

home insurance, all of which will come in handy in tax season.

Finally, if you're a nonregistered investor who is buying and selling securities throughout the year, ensure you have a good place to store all your buy/sell trade confirmation slips so you can properly calculate both the adjusted cost base of your investments when you come to sell them and accurately report your proceeds of disposition.

2. PLAN CHARITABLE GIVING IN ADVANCE

Consider setting up a charitable-donation budget for 2012 so you can give in the most tax-effective way possible by donating appreciated stock or mutual funds directly to charities. Not only will you get a tax receipt for the fair market value of the stock or funds donated, but you also will eliminate any capital gains tax bill on the accrued gains.

An easy way to do this is to establish a donor-advised fund (DAF) through a public foundation and transfer the appreciated stock or mutual funds to the foundation at the beginning of the year. Then, as requests for donations come in during 2012, you can direct your DAF to write the cheques. You'll get the tax break up-front and make the donation in the most tax-effective way possible by donating "in-kind" and eliminating a future capital gains tax liability.

Three Tax Resolutions For 2012 (continued)

3. MAXIMIZE TAX-FREE/DEFERRED SAVINGS

With four types of registered accounts to choose from, ensure that you are prioritizing the order of your tax-free or tax-deferred savings. While each person's situation is different, my general prioritization order for registered savings goes as follows: RDSP, RESP, TFSA and/or RRSP.

If you are saving for someone in the family who qualifies for the disability tax credit and is under 60 years of age, then the registered disability savings plan (RDSP) is clearly the first priority. Not only can up to \$200,000 of contributions grow tax-deferred, but the RDSP may be entitled to receive up to \$3,500 annually in Canada Disability Savings Grants

(with a \$70,000 lifetime maximum) and an additional \$1,000 annually in Canada Disability Savings Bonds (with a lifetime maximum of \$20,000).

Next in line would be contributing to a registered education savings plan (RESP) for each minor kid to save for post-secondary education. By contributing at least \$2,500 for each child annually, you can take advantage of the 20% matching Canada Education Savings Grant (CESG). If you are catching up and trying to collect prior years' CESGs, consider contributing \$5,000 per child to the RESP so you can collect the annual maximum of \$1,000 in CESGs per child.

Finally, to save for retirement, consider contributing to an RRSP or TFSA. Can't afford to do both but having trouble deciding which one is best for long-term retirement savings? My broad, overly generalized rule of thumb says if you make \$53,000 or less, maximize your TFSA contribution first since you are in the lowest federal tax bracket (\$42,707 + \$10,822 of basic personal amount) and likely pay combined federal and provincial taxes at about 20%.

Chances are your marginal effective tax rate upon withdrawal will be higher, particularly if you have RRSP savings that, when withdrawn, could cause claw back of various income-tested government benefits and put you into a higher effective tax bracket.

The Hiring Credit for Small Business (HCSB)

The Hiring Credit for Small Business is a one-time credit of up to \$1,000. The credit is based on the increase in an employer's employment insurance (EI) premiums from 2010 to 2011.

Small businesses that paid \$10,000 or less in employer's EI in 2010 and saw an increase in premiums in 2011 may be eligible for the credit. The credit is calculated as the difference between these two amounts up to a maximum of \$1,000. The CRA will automatically calculate the credit when an eligible employer's 2011 T4 information return is filed.

To learn more visit the CRA website: <http://www.cra-arc.gc.ca/hiringcredit/>

CRA's Prescribed Interest Rates

The prescribed interest rates for the first quarter of 2012 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, 2012 to March 31, 2012.

Important Deadlines to Remember

February 29, 2012

2011 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.

February 29, 2012

RRSP contributions made on or before this date can be deducted on your 2011 personal income tax return if you have not exceeded your contribution limit.

March 15, 2012

The 2011 Employer Health Tax Annual Return must be filed and any amount owing must be paid.

March 30, 2012

2011 Inter Vivos Trust Returns are due (i.e. family trusts).

April 30, 2012

April 30, 2012 is the last day to pay your 2011 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, 2012 with the exception of self-employed individuals (and their spouse or partner) who have until June 15, 2012.

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

2011 Personal Tax Organizer

We have mailed out our personal income tax return organizer. If you would like us to prepare your 2011 personal income tax return and you have not yet received an organizer, please do not hesitate to [contact Elaine](#).

What's New at McIntyre & Associates

McIntyre & Associates would like to welcome Sylvie Lavergne. Sylvie is working in the administration group and has assumed Kayla Beaudin's responsibilities as Kayla is going on maternity leave. We wish Kayla a healthy delivery and all the best with her newborn baby!

Congratulations Jim!



Jim McIntyre recently celebrated 30 years in public practice. Jim focuses his extensive knowledge on taxation and tax planning and specializes in wealth preservation and estate planning. Jim enjoys his role as a trusted business advisor to his clients, many of whom have been with him for 30 years.

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