

February 2007

# Accord Newsletter

## ARTICLES

Ontario  
Inventory  
Transition  
Payment

Fitness Tax  
Credit

Family Farm  
Property

New  
GST/HST  
Processing  
System

*Hopefully, you  
find these  
newsletters  
helpful and  
informative.*

*If so, please  
pass them on to  
any of your  
family, friends  
and colleagues  
who might  
likewise benefit.*

Accord Business Solutions Inc. (888) 791-1589

## Ontario Inventory Transition Payment

In addition to the federally funded **CAIS Inventory Transition Initiative (CITI)**, Ontario is providing \$96 million in one-time funding to Ontario CAIS participants who qualify for a CITI payment. The Ontario Inventory Transition Payment (OITP) is based on two-thirds of the CITI payment. Again, CAIS participants do not need to apply. If you qualified for a CITI payment for any of the 2003, 2004, or 2005 program years, Agricorp will also send you an OITP payment. Payments will be distributed in three installments as applications for each program year are recalculated for CITI. To ensure that payments do not exceed the \$96 million allocated, participants will receive a percentage of their total payment as shown below:

2003 and 2004 participants starting in late fall of 2006 at 66% of the CITI payment 2005 participants starting in February 2007. The final payment percentage will be determined once 2003 and 2004 payments are completed.

In support of Canadian producers, the federal government has announced one-time funding of \$900 million to improve the inventory valuation method used under the CAIS program. Agricorp will deliver the funds in Ontario through the CAIS Inventory Transition Initiative (CITI).

### No need to apply

If you were an eligible CAIS participant in 2003, 2004, or 2005, Agricorp will recalculate your benefit for these program years using an opening and an end of year price to reflect any losses in inventory values. If your benefit for any of these program years is increased using this new method, you will receive a CITI payment. Payments will be distributed in three installments as applications for each program year are recalculated. To ensure that payments do not exceed the \$900 million spending cap, participants will receive a percentage of their total payment as shown below:

2003 and 2004 participants starting in late fall of 2006 at 50% 2005 participants starting in February 2007. The final payment percentage will be determined once 2003 and 2004 payments are completed.

CAIS Newsletter Dec 2006

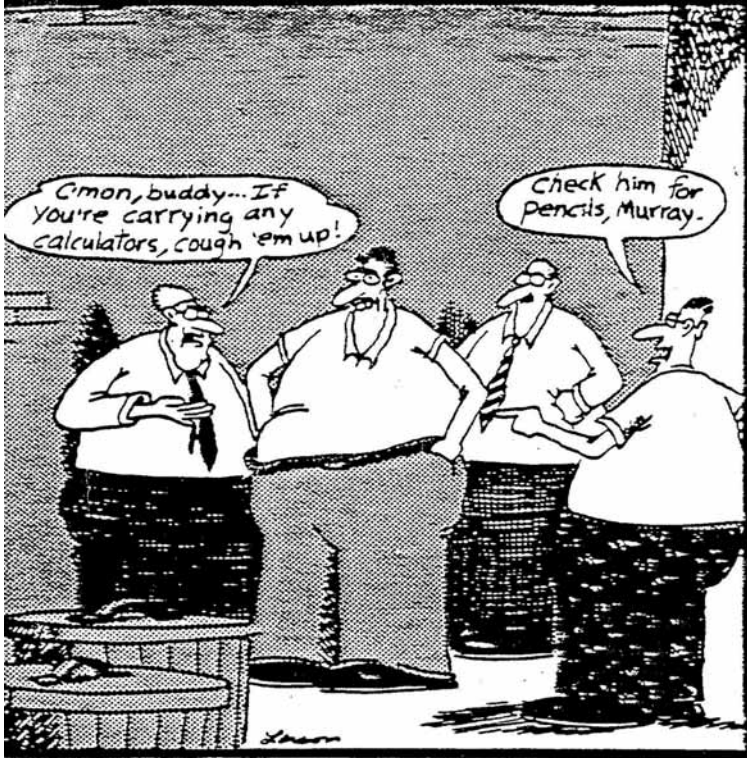
## Just For Fun

The Farmer & the Lottery

I saw an interview on TV where this one old farmer won ten million in the Lottery. Naturally he was asked what he was gonna do with all that money. He kinda scratched his head and said, "Not sure as I know right off. Guess I'll keep farmin' till it's all gone."

Basicjokes.com





Accountant street gangs

**Automobile Expenses Deduction**

December 27, 2006 - 2006-089 - There will be **no changes** to the **automobile expense deduction** limits and the **prescribed rates in 2007** from the 2006 amounts.

In summary, **passenger vehicle costs** remain at **\$30,000** (plus applicable federal and provincial sales taxes); deductible **leasing costs** remain at **\$800** per month (plus applicable federal and provincial sales taxes); allowable **interest** deduction remains at **\$300** per month; the limit on the deduction of **tax-exempt allowances** remains at **50 cents** per kilometre for the first 5,000 kilometres and **44 cents** for each additional kilometre (54 cents/48 cents in NWT, YT and Nunavut); the prescribed rate for **taxable benefits** relating to operating expenses remains at **22 cents** per kilometre (19 cents per kilometre for employees principally in selling or leasing automobiles).

**FAMILY FARM PROPERTY**

In an October 23, 2006 External Technical Interpretation (2005-0132391E5, Rafuse, Charles, 1-613-957-8967), Mr. X owned farm property that he inherited in 1976 from his father who had farmed it continuously and actively for more than five years. Due to municipal bylaws it is not possible to legally sever the farm house from the farmland.

Mr. X wishes to crystallize his capital gain for capital gain and principal residence exemption purposes and put in place an estate freeze in favour of his four adult children by transferring the farm property under a Subsection 85(1) election to NEWCO for fair market value consideration including preference shares as well as cash. Each of the four adult children will subscribe for a separate class of NEWCO common shares.

CRA agreed that Mr. X is able to claim a capital gains exemption for qualified farm property and a principal residence exemption for the principal residence. (Subsection 110.6(2) and Paragraph 40(2)(b))

VTN Jan 2007

**Tax tip**

The age amount has increased

Did you know...

That as of January 1, 2006, the age amount maximum increased from \$4,066 to \$5,066? If you were 65 or older on December 31, 2006, and your net income was less than \$64,043, you can claim the age amount. You may also be able to transfer unused portions of the age amount to your spouse or common-law partner.

For more information, visit our Web site at [www.cra.gc.ca](http://www.cra.gc.ca).

**CRA RELEASES (www.cra.gc.ca)**

1. January 5, 2007 Information on the proposed *Children's Fitness Tax Credit (CFTC)* is available at [www.cra.gc.ca/fitness](http://www.cra.gc.ca/fitness) including:

- (i) Commencing in **2007**, a **CFTC** will allow parents to claim a maximum of **\$500 per year** for **eligible fees** paid for **each child** who is **under 16** at any time during the year. For 2007, the **CFTC** is based on the lowest marginal tax rate of **15.5%** (\$78/child) and is **claimed** in the year the **fees are paid**, not when the activity takes place.
- (ii) The **fees** must relate to the cost of registration or membership in an **eligible Program**. If the organization provides **family memberships**, the **child's portion** of the fees will qualify.  
Registration and membership costs can include administration, instruction, and the rental of facilities. The portion of **fees** for accommodation, travel, food, or beverages does not qualify.
- (iii) The Program must be **ongoing** (either a minimum of eight weeks duration with a minimum of one session per week or, in the case of children's camps, five consecutive days), and **substantially all** of the activities must include a significant amount of **physical activity** that contributes to **cardio-respiratory endurance** plus **one or more of**: muscular strength, muscular endurance, flexibility, or balance.
- (iv) The Program should strive towards at least **thirty minutes** of sustained moderate to vigorous physical activity **per session** for children **under age 10** and **sixty minutes** of sustained moderate to vigorous physical activity for children **ten and over**.
- (v) A child's membership in a **club, association or other organization** for **two months or more** will also be an **eligible Program** if more than **50% of the Programs** available are in the nature of an "eligible program", or more than 50% of the available time is devoted to activities in an "eligible program".
- (vi) Membership and registration fees for Programs where the eligible portion of the Programs constitutes **50% or less** of available Programs could, in general, be **pro-rated** for the purpose of the credit.
- (vii) Fees charged for **extracurricular Programs** that take place at **school** will be **eligible**.
- (viii) Sporting, recreational and other activities in which **motorized vehicles** (e.g. automobiles, motorcycles, power boats, airplanes, snowmobiles) are used as an essential component of the activity will be **excluded**.
- (ix) The **age limit** for **children** eligible for the **Disability Tax Credit** will be increased from under 16 to under 18. A separate \$500 non-refundable amount for DTC-eligible children will also be added.
- (x) **Receipts** should contain the:
  - (i) organization's name and address;
  - (ii) name of the eligible program or activity;
  - (iii) total amount received, date received, and the amount that is eligible for the CFTC;
  - (iv) full name of the payer;
  - (v) name of the child and child's year of birth; and
  - (vi) authorized signature (not required for electronically generated receipts).
- (xi) Some **concerns** mentioned in the **Globe and Mail** on January 1, 2007 (Page 1) include that it appears that activities such as archery or horseback riding may not qualify. It is unclear whether other activities such as sailing or ballet could be eligible. The **definition** of **physical activity** leaves much room for interpretation by CRA. There is **no list** of activities which qualify.



181 Groh Ave  
Unit 4  
Cambridge, ON  
N3C 1Y8

PHONE:  
(888) 791-1589

FAX:  
(519) 220-1125

E-MAIL:  
office@accordbusinesssolutions.  
ca

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See us at:  
[www.accordbusinesssolutions.ca](http://www.accordbusinesssolutions.ca)

### **About Our Organization...**

We are a full service financial company that provides flexible service plans to meet the unique needs of each of our clients. Our accountants provide our clients the expertise to optimize their tax position, maximize their available credits, utilize appropriate government programs, and assist in monthly record keeping. Our Investment and Insurance division provides estate planning, wealth preservation and retirement planning that is designed around our clients present needs and future goals.

## **New GST/HST Processing System**

The Canada Revenue Agency (CRA) is replacing its current GST/HST processing system on April 10, 2007.

The CRA is sending information to registrants by mail and with their returns about:

- the implementation of the new processing system;
- the availability of new services and more account information;
- the temporary interruption in service; and
- key legislative changes that will affect registrants.

### **New services and more account information**

The new processing system will result in new services and more account information for GST/HST registrants.

Through Online Requests for Business, GST/HST registrants will be able to electronically ask CRA to perform certain actions on their account, such as:

- searching for the status of a payment;
- reviewing interest charged or paid;
- transferring a credit to other accounts;
- providing additional remittance vouchers for your payments;
- providing account statements, such as a statement of arrears and/or a statement of interim payments;
- providing copies of previously issued notices or statements; and
- changing some of the communication instructions on your account, such as stopping us from sending certain statements or the return envelope with your remittance voucher(s).

You will be able to access these services by visiting Online Requests for Business and through My Business Account.

For more information, visit our Web site at [www.cra.gc.ca](http://www.cra.gc.ca).

## **Dates To Remember**

- The 34th Farm Safety Association Annual Conference and General Meeting will be held in Niagara Falls, Ontario, on the 26th & 27th of March, 2007. This year the Conference will be at a new location in Niagara Falls, the Hilton Niagara Falls Fallsview hotel, 6361 Fallsview Boulevard.
- The Canada Revenue Agency (CRA) is replacing its current GST/HST processing system on April 10, 2007. As we convert to our new system, there will be a temporary interruption in service from March 19 to April 9, 2007. During this time, you should expect a delay in the processing of your return, and we may not be able to answer specific questions regarding your GST/HST account or the status of your refund. However, we will continue to create GST/HST accounts and provide Business Numbers.

