

July 2009

# Accord Newsletter

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Government Website Info - <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/lf-vnts/menu-eng.html>

From the desk of the President

2008 was an interesting year, it had both highs and lows. I am very pleased with the efforts our clients have made during the downturn in the economy, the ingenuity to survive and in many cases exceed the previous year's net income. Bad times usually result in creative ways to generate income and cut expenses. There is no doubt that it takes more energy and time to keep momentum, however, several clients have told me how digging deep has given them great satisfaction and helped them to keep their focus. It is not about just producing income, it is what sticks to the bottom line that is the key to survival. These are the days that separate well managed businesses from those that lack discipline. Here are a few things to consider when running your business.

Plan Your Business	Start Your Business	Manage Your Business	Getting Out
Get Ready	Find a Mentor	Lead	Plan Your Exit
Write a Business Plan	Finance Start-up	Make Decisions	Sell Your Business
	Buy a Business	Manage Employees	Transfer Ownership
	Buy a Franchise	Market and Price	Liquidate Assets
	Name your Business	Market and Sell	File Bankruptcy
	Choose a Structure	Understand Fair Practice	Close Officially
	Protect your Ideas	Pay Taxes	
	Get Licences and Permits	Get Insurance	
	Pick a Location	Handle Legal Concerns	
	Lease Equipment	Forecast	
		Advocate and Stay Informed	
		Use Technology	
		Finance Growth	

Many times the process of adding a new product or service is no different than process of starting a business. Often a business owner has a skill or has product knowledge, but may not have the knowledge of how to bring that skill or product to the market place. At Accord we have helped many

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.

## I'm the Boss

The boss was complaining in our staff meeting the other day that he wasn't getting any respect. The next day, he brought a small sign that read:

**"I'm the Boss!"**

He then taped it to his office door. Later that day when he returned from lunch, he found that someone had taped a note to the sign that said:

**"Your wife called, she wants her sign back!"**



## Ontario Growers are Fuelling the Future: Feedstock Biomass

Did you know that a cow could help power your house? That's right, through the use of special biodigesters; farmers can now generate their own electricity from the biomass their operations produce and even sell excess green energy into the electrical grid. Whether it is manure, old feed or used hay and straw, it can all end up as a way to better the environment and make a greener Ontario.

Video Tax News, Issue No. 334, June 2009

## Proposed changes to CPP:

On May 25, 2009 Finance Canada announced some proposed changes to how the Canada Pension Plan will work. You may have noticed a small article on this in the Globe and Mail today so in case your clients have questions for you this may help.

In brief, the changes are proposed to take effect over a period of time from 2011 to 2016, so will affect anyone planning to retire after 2010.

a) early retirement (before age 65) will result in a reduction in CPP benefits by 7.2% per year, which is up from the traditional 6%. This means that if you begin to take your pension at age 60, your payments will be cut by 36%, not 30%.

b) on the flip side of this, late retirement (after age 65 but before age 71), CPP benefits will be increased, not by 7.2% but by 8.4%, which is up from the traditional 6%. This means that if you wait until age 70 to take your CPP, the benefit payments will be 42% higher, compared to the 30% higher today.

c) if you want to begin to collect CPP while you are still working (which may happen in a recession such as this because people are having to get new employment that does not pay as much as the last job did so they need to supplement their income), then instead of having to stay out of work for 2 months like you do now, you can begin to collect CPP at age 60 even if you continue to work - AND after age 65 if you are collecting CPP but want to continue to work, the proposal is that you can contribute to CPP again through your work in order to increase your benefits.

d) the calculation for CPP will change as well - currently the lowest 7 years of earnings is deleted from the calculation - under the proposals, the lowest 8 years will be omitted so that the benefits are not weighed down by low earning years.

Many different examples could argue a case for either taking early CPP benefits or late CPP benefits. Factors such as life expectancy, current income, future income, taxation and OAS benefit clawbacks must be considered. It is important to speak with a tax professional at time of making this decision as every situation is unique.

## Employee vs Self-employed Status

### **CRA's Guide RC4110 discusses employee vs. self-employed status including:**

**Step 1** - CRA asks the worker and payer what their intents were when they entered into the working arrangement. For example, intent may be found in a written agreement. Workers and payers can set up their affairs as they see fit however, they have to ensure that the status they have chosen is reflected in the actual terms and conditions of the service performed.

**Step 2** - CRA asks the worker and the payer questions related to the working relationship as to whether the intent of the parties is reflected in the facts. Questions relate to the level of control the payer has over the worker, whether or not the worker provides the tools and equipment, whether the worker can subcontract the work or hire assistants, the degree of financial risk taken by the worker, the degree of responsibility for investment and management held by the worker, the worker's opportunity for profit and loss, and any other relevant factors, such as written contracts.

Video Tax News, Issue No. 334, June 2009

## McGuinty Government Rewards 10 Recipients for their Innovations

May 15, 2009

Innovative ideas grown by Ontario farmers were celebrated today at a ceremony in Wallaceburg honouring local winners of the province's regional awards for innovation excellence. These fresh ideas are contributing to the local economy, boosting the agri-food industry and giving consumers more choice.

The Premier's Agri-Food Innovation Excellence awards are part of a \$2.5-million, five-year program (now in its third year) established to recognize innovators who contribute to the success of Ontario's agri-food sector.

Local events across the province are recognizing 55 regional award winners, who are receiving \$5,000 each for their innovations.

Learn more about this year's award winning innovations and discover the variety of previous award-winning on-farm innovations by visiting:

[http://www.omafr.gov.on.ca/english/premier\\_award/2008/winners.htm](http://www.omafr.gov.on.ca/english/premier_award/2008/winners.htm)

## Just For Fun

The farmer's son was returning from the market with the crate of chicken's his father had entrusted to him, when all of a sudden the box fell and broke open. Chickens scurried off in different directions, but the determined boy walked all over the neighborhood scooping up the wayward birds and returning them to the repaired crate. Hoping he had found them all, the boy reluctantly returned home, expecting the worst."Pa, the chickens got loose," the boy confessed sadly, "but I managed to find all twelve of them.""Well, you did real good, son," the farmer beamed. "You left with seven."

# Individual Pension Plans (IPPs)

An Individual Pension Plan (IPP) is the maximum defined benefit pension plan allowed under tax legislation. Once established, it eliminates most of the individual's RRSP deduction limit through the reporting of a Pension Adjustment on the T4. Therefore, an IPP could be considered as a replacement retirement savings vehicle for an RRSP.

## Comparison with RRSP

RRSPs work well for younger employees. Tax-free compound interest growth on RRSP contributions over their long pre-retirement asset accumulation period can provide an adequate pension. However, an RRSP does not work as well for employees close to retirement. For example, a \$21,000 RRSP contribution for a 60-year old employee does not buy much pension as the shorter pre-retirement period does not allow sufficient time for the magic of compound interest to work. At the older ages, an employee would require a defined benefit type of pension plan such as an IPP to provide contributions that are in excess of the RRSP deduction limit.



## IPP Contributions

All IPP contributions as certified by an actuary and approved by the Registered Plans Directorate of the Canada Revenue Agency are deductible by the employer against corporate income under Section 147.2 of the Income Tax Act.

For 2009, an IPP member would require approximately \$122,000 of employment income to maximize IPP contributions. Sample maximum 2009 IPP contribution amounts for the different ages include: approximately \$23,000 for age 40; \$28,000 for age 50; \$33,000 for age 60 and \$36,000 for age 65. You will notice that RRSP contributions are only based on income while IPP contributions are based on both

income and age – IPP contributions increase with age.

An IPP also allows the employer to make past service contributions on behalf of the member. Had the member been covered by an IPP in the past, there would have been Pension Adjustments reported to reduce the RRSP deduction limits. Similar Pension Adjustment calculations will be performed based on the income history to determine the Past Service Pension Adjustment amount. If the IPP member has already made full RRSP contributions for all these prior years, this calculated Past Service Pension Adjustment amount must be transferred from the member's personal RRSP to the IPP to pay for a portion of the costs of pension. The employer can then make past service contributions to cover the cost differential.

A connected person, meaning a 10% or more shareholder or a related person, can go back to 1991 for past service purposes if the employment history actually goes back that far. Assuming maximum income levels for all the years 1991 to 2008, the amount to be transferred from the RRSP to the IPP is about \$348,000. The maximum past service contribution by the employer for all these years would vary between about \$52,000 for a 40-year old member to about \$291,000 for a 65-year old member.

## Ideal IPP Candidates & Time for Implementation

The ideal IPP candidates are shareholder employees or senior executives of profitable companies as well as incorporated professionals who are close to retirement.

The best time to implement an IPP is probably when the employer is having a hugely profitable year and is looking for tax deductions. The significant IPP past service contribution amount would be a good way to reduce corporate income to under the small business limit.

Video Tax News, Issue No. 334, June 2009

# Farmers May Lose Sales Tax Exemption

Thursday, June 18, 2009

**Posted By Monte Sonnenberg, Simcoe Reformer**

Farmers may lose the point-of-sale provincial sales tax exemption next year when the McGuinty government introduces its Harmonized Sales Tax.

But even if they do, Ontario's Minister of Agriculture, Food and Rural Affairs wants farmers to know that they will come out ahead under the new regime.

"I want to stress that no decisions have been made yet," Leona Dombrowsky said in an interview Friday. "But the industry needs to understand the full package, the full impact. This is good news for the men and women of the industry."

Ontario farmers routinely flash a card that exempts them from the eight per cent provincial sales tax on farm items at the cash register. At this point, farmers are concerned they will lose the point-of-sale exemption and instead have to apply monthly or quarterly for a rebate similar to what they do now with the federal government's five per cent GST.

If Ontario and Ottawa agree to a rebate system, it will be similar to how farmers are treated in the Maritimes and Quebec where provincial and federal sales taxes were blended years ago. The Ontario Federation of Agriculture has shared its preferences with OMAFRA and the Ministry of Finance.

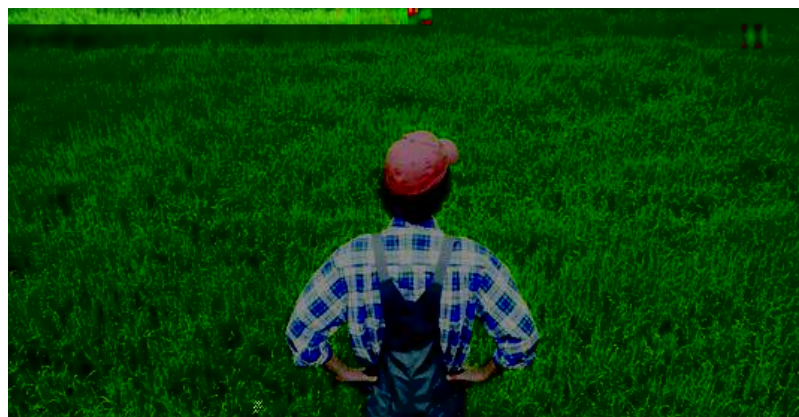
"We have been plainly told by the membership that they want to keep the point-of-sale tax exemption," says Wendy Omvlee of Nanticoke, the Brant-Haldimand-Norfolk director of OFA. "We aren't sure if we can do that. There could be more money tied up if you have to file quarterly. Instead of it being a five per cent GST, it will be a 13% HST. We're very much pushing for that point-of-sale exemption."

The new regimen is scheduled to take effect in July 2010. If farmers lose the point-of-sale exemption and have to file for

rebates, a lot more of their money will be tied up for longer periods of time. However, Dombrowsky wants farmers to keep in mind associated reforms which will put an extra \$250 million into their pockets.

These include extending rebate eligibility to a long list of farm-related items that currently charge the provincial sales tax. These include trucks, light vans, vehicle parts, furniture, lawn mowers, farm equipment, computer services, office equipment and refrigeration units.

As well, when the harmonized tax takes effect the provincial



corporate tax rate will fall from 5.5 per cent to four per cent. The provincial business tax rate will also fall from 14% to 12%. As well, Ontario will become the first province in Canada to eliminate the business deduction surtax.

For his part, local MPP Toby Barrett worries about the many hobby farms and farmers with small operations who are in danger of falling through the cracks. All are part of the agricultural economy. But Barrett fears some will not meet the province's definition of a farmer and thus miss out on the benefits.

"This is a real concern for many people, particularly for people in our area who are small farmers," he said. "They may not qualify as farmers, and they're going to get nailed. We have so many small farms and hobby farm operations in our area."

# Finance Releases

1. April 30, 2009 - The Income Tax Regulations for the Capital Cost Allowance provisions from the 2008 and 2009 Federal Budgets are introduced including new Class 52, 100% write-off for eligible computers and software acquired after January 27, 2009 and before February, 2010.
2. April 23, 2009 - The Income Tax Regulations for the Capital Cost Allowance provisions from the March 18, 2007 Federal Budget are introduced including Class 1 buildings, computers (Class 50) and elections for certain manufacturing or processing equipment.

## CRA RELEASES

1. May 12, 2009 - CRA notes that in the context of a breakdown of a marriage or a relationship, it is often difficult to obtain marital status and living arrangement information in support of the benefit recipient's claim for the Canada Child Tax Benefit (CCTB).
2. Therefore, CRA will now let the benefit recipient submit two letters from independent third parties to show that they live at a residential address different from their former spouse so that the incomes do not have to be combined for CCTB purposes.
3. There have been many Court cases where the CCTB has been disallowed on the basis that the parties were not living separate and apart.
4. May, 2009 - 9-page CRA Guide T2082 discusses the 2007 Federal Budget provision which created a new excess corporate holdings regime for registered charities and notes that effective March 19, 2007, a private foundation that holds shares (whether public or private) of a share class of a corporation may be subject to new responsibilities.
5. April 30, 2009 - 9-page CRA Guide (CPS-029) outlines the legal and administrative CRA requirements that a registered charity must fulfill to conduct or fund "research".
6. April 30, 2009 - CRA Guide (CPS-027) outlines CRA policy on sports activities carried out by registered charities and by organizations applying for registration including determining eligibility for a charitable registration, and a checklist as to whether an organization's sports activities are acceptable for registered charitable purposes or not.



# Ontario Market Investment Fund

June 21, 2008

## OMAFRA Staff

The Government of Ontario is committed to working with farmers, industry and local food networks to help Ontario families get local Ontario food onto their kitchen tables.

The \$12-million, four-year, Ontario Market Investment Fund was announced in the 2008 Ontario Budget and is targeted to promote consumer awareness of Ontario-produced foods and encourages Ontario to buy locally.

The Ontario Market Investment Fund will improve consumer access to locally produced foods by supporting industry and local food network marketing and coordination efforts.

### Guelph Culinary Taste Trail

The City of Guelph and the Guelph-Wellington Local Food Initiative are cooking up a terrific year in 2009 -10 in order to get more consumers buying local food and visiting local tourism attractions. The city is extending its 'Grow Guelph' brand to connect locally, sustainably produced food and tourism destinations under a culinary Taste Trail initiative. The province is contributing \$79,500 to this project.

### Organic Milk Marketing

Organic milk will be served in more Ontario homes as a result of a new awareness campaign comprising newspaper inserts, radio ads, brochures, website and trade show participation. Harmony Organic Dairy Products Inc. of Listowel is leading a marketing blitz to help increase the consumption of local, Ontario organic milk. The province is contributing \$57,950 to the project.

### Centre Wellington Agri-Culinary Project 2009

The Township of Centre Wellington proposes to develop and execute a comprehensive marketing strategy which would



position the Elora and Fergus area as a major agri-culinary tourist destination reflecting local agricultural suppliers, producers and retailers. Under the direction of a working committee made up of stakeholder representatives of local festivals, restaurants, retailers and producers, a project co-ordinator will be directed to complete the work plan and achieve the operational, marketing and educational objectives of the project. Activities include:

- researching and developing inventories of local businesses;
- developing and implementing a marketing strategy and plan, including a new website; and
- arranging for and managing trade show participation at local festivals.

### The province will provide \$98,500 to the project.

For more information and application documents, interested applicants can visit:

Ontario Market Investment Fund  
Ontario Ministry of Agriculture, Food and Rural Affairs  
1 Stone Road West, 4 NW  
Guelph, ON N1G 4Y2  
Tel: 1-888-588-4111  
Fax: (519) 826-4336  
Email: omif.omafra@ontario.ca

181 Groh Ave  
Unit 4  
Cambridge, ON  
N3C 1Y8

Phone:  
888.791.1589

Fax:  
519.220.1125

Email:  
[office@accordbusinesssolutions.ca](mailto:office@accordbusinesssolutions.ca)

Web:  
[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.

### **Sale of Real Property**

Under Section 165 of the Excise Tax Act, supplies of real property in Canada are generally subject to GST/HST unless the supply is eligible for a specific exemption such as where the sale is made by an individual or personal trust, unless it was used primarily in a business carried on by the individual with a reasonable expectation of profit. (Excise Tax Act Schedule V, Part I, Subparagraph 9(2)(a)(i))

In a February 6, 2009 Tax Court of Canada case, the issue was whether the taxpayer was required to collect and remit GST of \$11,585 on a sale of land in 2003. CRA argued that Subparagraph 9(2)(a)(i) applied on the basis that the land was used in a farming business. The taxpayer argued that he did not use the land in the business of farming prior to its sale and, therefore, the sale was exempt under Subsection 9(2) of Part I of Schedule V.

#### **Taxpayer Wins!**

The Court concluded that the Appellant was not carrying on the business of farming on the lot before its sale and, therefore, was not required to collect GST

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### **TAX FREE SAVINGS ACCOUNT (TFSA'S)**

Can you remember whether you designated a beneficiary or successor account holder when you set up your TFSA? If not, check with your Financial Advisor. You can always make changes to an existing account.



#### **AMISH BUMPER STICKER**

While driving in Pennsylvania, a family caught up to an Amish carriage. The owner of the carriage obviously had a sense of humor, because attached to the back of the carriage was a hand printed sign..."Energy efficient vehicle: Runs on oats and grass. Caution: Do not step in exhaust."