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the newsletter of Prentice Yates & Clark

Know the Tax Rules

Keeping up to date with amendments to the Canadian *Income Tax Act* and its accompanying regulations can be a daunting task even for tax lawyers and accountants.

NEVERTHELESS, IT IS ALWAYS WORTHWHILE

to make the effort to understand as much as possible of our ever-evolving tax laws. Here are a few items you should be aware of.

INCREASED TAX INSTALMENTS

If the amount of taxes owed in 2008 based on the 2007 taxation year exceeded \$2,000, the taxpayer was required to pay in quarterly federal instalments. For 2009, the threshold has been increased to \$3,000. If the taxes owed this year based on 2008 taxable income exceed \$3,000, the taxpayer will be required to make quarterly instalments. Failure to make adequate instalment payments will result in interest charges when filing tax returns for 2009.

LOG THOSE KILOMETRES

The CRA in conjunction with the Office of the Secretary of State (Small Business and Tourism) is trying to simplify the record-keeping now required for motor vehicle expense claims and a revised administrative policy is expected for tax year 2009. At present, self-employed as well as salaried and commission employees who use a vehicle for business purposes must keep a log for each vehicle used. The log must record the total kilometres driven plus a record of each individual business trip, its date, destination, purpose and number of kilometres driven. Part of the record must be the odometer readings at the beginning and end of the fiscal year.

Under the new proposals, it is expected the CRA will require a logbook for a sample period only. A record showing the details of a period considered by the employer as representative of how the vehicle was used during the year will be considered sufficient to support a motor vehicle expense claim. This will certainly be helpful for those who make scheduled rounds of clients. Naturally, prudence would suggest the taxpayer choose a truly representative period rather than one that, because of the business cycle or other factors, demands excess travel distances. It would also be wise, as a minimum, to maintain a record of the monthly opening and closing odometer readings as support for the representative detail in the event of an audit by CRA. Check with your accountant about this matter before filing your 2009 taxes.



SOME BUT NOT ALL

The deterioration of retirement investment income has changed retirement plans for most of the over-65 group. Many will determine they wish to continue in their existing occupations or find renewed employment. Those who are over 65 are entitled to receive Old Age Security to a maximum approximating \$6,100. Taxpayers should be aware that once total income (line 150 on personal tax returns) exceeds \$64,718, CRA will reduce the amount of OAS entitlement. This "clawback" is designed to provide assistance on a "needs" basis and reduces the amount of OAS entitlement to zero when total income reaches \$105,266. For tax planning purposes, a review of the items aggregating total income should determine whether specific income sources may be reduced to maintain an amount under \$64,618.

If as a result of employment conditions you are (or will be) entitled to Employment Insurance benefits and earn in excess of \$51,375, some employment benefits will have to be repaid. EI amounts may have to be totally repaid depending upon the amount received. Naturally, this will have an impact on the anticipated refund or taxes payable.

RETIREMENT

Although there have been no changes to the tax consequences provided for "retiring allowances" (a term that includes severance pay), individuals who are receiving such allowances should determine whether the allowances are eligible to be transferred to an RRSP or RPP.

It is extremely important from a tax viewpoint to ensure that existing retirement vehicles within your company are transferred directly to another RRSP. Should you as an individual redeem the funds, the amount received will be added to your income. Just

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What Did You Say?

Noise is everywhere, from that booming of the stereo in the vehicle next to you at the stoplight to the banging from the tube bender on the shop room floor. We accept it as the consequence of living in a modern urban society but studies now suggest workplace noise should be monitored and reduced because it may be affecting employee performance.

WHAT IS SOUND? WHAT IS NOISE?

Simply stated, sound is everything we hear; noise is unwanted sound. Both sound and noise are created by some vibration that generates variations in air pressure that move through the air and finally reach our ears. The person who hears the sound interprets it as wanted or unwanted. For instance, the sound of a jet engine may be music to the ears of a pilot, but a disruptive noise to owners of residential property on the flight path.

Whether we call these variations in air pressure sound or noise, we will undoubtedly pay a high cost if we do not reduce the sources of noise and protect ourselves from its slow degenerative effect on our hearing.

TYPES OF NOISE

A continuous noise is constant and stable, such as the endless hum of fluorescent lights or a diesel generator. Variable noise is any noise that changes pitch and volume such as a siren. Intermittent noise is a burst of sound, such as an electric saw being used for a minute or two every 10 minutes or so at a construction site. Impulsive noise comes in short bursts of less than one second such as a hammer hitting a nail or the sound of a starter's pistol at a track meet.

THE IMPACT OF NOISE

The main impact of continuous exposure to noise is either total or partial hearing loss. Noise also interferes with speech communication and leads to misunderstanding of instructions, distracts the mind from work requiring concentration, and causes stress that, in turn, causes employee inefficiency. Research indicates that continuous exposure to noise may lead to hypertension, changes in blood pressure, heart beat, breathing and sleeping problems, and in some instances a deterioration of mental health. When a person is startled by a loud noise, the breathing pattern changes and muscles tense.

LACK OF UNDERSTANDING

To be heard, your voice must be louder than the background noise. In most social situations individuals address each other at a distance of 2 to 4 meters at a 55-60 decibel (db) level. Thus, to hear a person speaking the background noise level reaching the listener's ear should not exceed 50 db.

Communication is possible for a short time if the noise exceeds 78 db; prolonged communication, however, becomes stressful if the background noise exceeds 78 db.

Measurement of workplace noise compared to quiet life situations shows the day-to-day dangers of hearing loss for employees:

1. A hand-held circular saw at a 1 meter distance generates 115 decibels.
2. A diesel truck, 85 kilometers per hour at 20 meters generates 85 decibels.
3. A gasoline lawnmower at 1 meter generates 95 decibels.
4. An air compressor at 3 meters generates 120 decibels.
5. A normal conversation at 2 to 4 meters generates 55 decibels.
6. A typical office environment without canned music generates approximately 40 decibels.
7. Determining what is "too loud" may seem at first blush somewhat subjective, but a few tell-tale signs that your workplace may have noise issues include:

- Do staff members constantly have to raise their voices to be heard?
- Have any employees complained about a "ringing in their ears" after a long day?
- Do employees raise their voices excessively when on the phone?

If the noise level seems to be a problem, find the source and duration of the noise, measure its level in decibels, identify the individual(s) exposed, and, of course, find the steps needed to be taken to reduce noise.

HIRE A CONSULTANT

Many new techniques, materials and devices are available to reduce noise at the source and protect the ears. A noise abatement consultant can give your workplace a noise abatement analysis. The consultant may suggest making changes to wall configurations and other internal structures, setting up sound barriers, or purchasing new equipment with a lower decibel rating. Unfortunately, carrying out such suggestions may require a major capital injection into the business. Over the long haul, however, it is in management's best interest to reduce overall noise at its source and protect not only the workers but also ensure that neighbours are not disturbed by high or rising noise levels.

Regardless of when and what structural changes are made, most job sites will still expose workers to noise. Workers should be educated about the long-term hearing loss that will inevitably come if they don't protect their hearing at all times. As an absolute minimum workers exposed to continuous or sharp intermittent noise should be provided with hearing protection.

HEARING PROTECTION

There are three types of hearing protectors on the market today.

Ear plugs that can be inserted to block the ear canal. They may be pre-formed or foam ear plugs and are sold as disposable or reusable. Custom molded plugs are also available.

Semi-insert ear plugs are held over the ends of the ear canal by a thin rigid headband.

Ear plugs provide less protection than some ear muffs, and should not be used in areas having noise levels over 105 db. Since they are not as visible as muffs it may be more difficult for supervisors to ensure they are being worn. However, after wearing them on a few jobs, astute workers will soon understand the benefits of a worksite policy requiring hearing protection as they will feel less fatigued and irritable after a day of noise exposure. Naturally plugs must be inserted properly to provide protection.

To fit the ear plug the ear should be pulled outward and upward with the opposite hand to enlarge and straighten the ear canal. Clean your hands before inserting ear plugs and wash or replace them on a daily basis to avoid ear infections.

Ear muffs are made of sound-attenuating material formed into soft ear-cushions in a hard outer cup. A thick slightly flexible head band holds each cup in a tight seal over the ear. Quality ear muffs will provide greater protection than earplugs.

When purchasing ear muffs look for a dome deep enough to cover your ears. The deeper and heavier the dome, the greater the low-frequency attenuation. Although awkward to wear in some situations, they are generally easier to fit and last longer than plugs. They are, however more expensive and, in hot work areas can be less comfortable than simple plugs.

10 Technologies for Your Business

Recent advances in computer technology have not only made several devices quite inexpensive and accessible but also have made running your own business a lot easier.

JUST AS CELL PHONES ARE NOW UBIQUITOUS and essential business tools, the following devices can also change the fundamentals of how you work.

1. Flash Drives are quickly replacing writable CDs and DVDs as a portable storage format for many common applications. You can now access data on a flash device about as fast as on a CD or DVD; however, flash drives are far more convenient for copying and pasting files. Unlike a CD or DVD, flash drives can be written and rewritten many times and their small size makes them extremely portable. With 4-gigabyte capacity approaching \$6 per unit, these devices are also extremely affordable and are a "must-have" for all mobile employees.
2. Portable Hard Drives are about the size of a small book but have significantly greater storage capacity than a flash drive. Portable drives are useful for backing up or transporting larger amounts of data and can be easily stored offsite. Everyone in your office who uses a laptop and/or a standalone should be provided with a USB hard drive backup. With prices for a 160-gigabyte drive under \$100, securing data from loss or theft on a daily basis has never been easier or cheaper.
3. Smart Phones, sometimes called PDAs (Personal Digital Assistants), are "do-it-all" devices that are rapidly replacing the voice-only cell phone. Today's business climate requires instant access to information on the go - email, applications and the Internet. A Smartphone enables you to review data such as Excel spreadsheets, Word documents and pictures. Combine these features with the ability to sync with Microsoft Office or equivalent to allow updating of contacts, scheduling appointments, updating files or listing tasks and you will never miss an appointment or forget to pick up the milk.
4. An Uninterruptable Power Supply (UPS) provides clean and stable power for electronics such as servers, network equipment and desktop computers. Blackouts, brownouts and power surges can erase any unsaved information and could fry delicate computer circuits in a



PYC Briefs

Congratulations to **Chris Reid** who this month earned his designation as a chartered accountant (CA).

We would like to welcome **John Lawrie** to our team of professional staff members. You may have met John already or you will in the near future as he becomes an integral part of our audit team.

fraction of a second. Battery backups can provide an hour or more of run time, depending on the system(s) being protected.

5. GPS Devices based on the Global Positioning System can provide location information and directions. Devices are available with large seven-to-nine-centimetre screens that accept voice prompts and provide turn-by-turn spoken instructions. An entry-level device is available for approximately \$150; higher-end devices can approach \$600. For the budget conscious, some Smartphones include a GPS feature so a standalone GPS device may not be required.
6. Multimedia Projectors are now a must-have in the business world; a projector can be used for in-house meetings and educational purposes, boardroom presentations and sales presentations to clients. Entry-level units start at just under \$600 while mid-range models can approach \$2,500. Most units are small, lightweight and portable.
7. Computer Accessories that should accompany every laptop purchase include:
 - A wireless full-sized numpad for entering data into spreadsheets and accounting programmes saves time, promotes accuracy, and lessens the frustration of those who have to peck at the top row of the laptop. When purchasing a wireless numpad, why not also purchase a wireless mouse? Some manufacturers provide package deals that include a wireless receiver that plugs into the USB port and allows use of both simultaneously.
 - Quick cams for your notebook or standalone office computer if your notebook or office PC does not have built-in cameras.
8. A Digital Camera is a useful tool for nearly everyone in a small business. Whether the job involves purchasing, sales, inventory control or personnel, the ability to record digital images for future reference is worth its weight in gold. A digital camera under \$100 typically provides a minimum of 8.0 megapixels, sufficient for day-to-day needs.
9. Laptops are no longer the heavy, expensive, slow computers they once were. For most applications, a modern laptop is just as capable as a desktop. The laptop has the added advantage of portability that lets traditional office work be done in non-traditional settings, including client and vendor sites, home or even the local coffee shop.
10. Scanners are essential for today's green environment. Scanners allow permanent recording of documents, reduce the need for physical storage, and can substitute as a makeshift photocopier. Entry-level scanners are available in the \$100-\$150 range and will serve most day-to-day purposes.

Outfitting your business with these conveniences is not as expensive as you might think; each can provide a boost to employee satisfaction and productivity, reduce storage space, enhance client service and ensure the security of data. II

as a point of interest, retiring allowances cannot be transferred to a spousal RRSP.

Long-term employees may receive severance payments if they worked prior to 1995. For the period from 1989 to 1995, those employees are able to make additional contributions to RRSPs following the same procedures allowed for retiring allowances. The amount per year or part year is capped at \$2,000 per annum; for those employed prior to 1989 the cap is increased by \$1,500, unless the employer vested the contributions.

TAX-FREE SAVINGS ACCOUNTS

As an alternative to the RRSP, wherein a tax advantage is received at the time of contribution, the TFSA allows the individual to accumulate \$5,000 each year a tax return is filed. The contribution to a TFSA is not tax deductible, but all increases to the fund, whether capital or income, accrue without tax consequences. Furthermore, funds removed from the plan are not taxed. TFSAs can be used as collateral on loans advanced by financial institutions whereas RRSPs can not.

When a taxpayer dies, the TFSA is considered ended. The amount accumulated to the date of death, including unrealized capital appreciation, is tax-free. Any amount earned in the TFSA after death is taxable, unless the account is transferred to a surviving spouse or common-law partner. Such transfers do not reduce the contribution limit of the transferee.

It should be noted that, commencing in 2009, fees for services under the TFSA are not deductible and losses incurred on the transfer of securities to the plan are not recognized for tax purposes.

Other provisions within the legislation should be reviewed with your advisor to ensure a complete understanding of the financial impact of investing, divesting, or dying while holding a TFSA.

ON THE ROAD AGAIN

Long-haul road warriors will see the deductibility of meals rise by 5% of the total expenditure to 65% for 2008.

GIVE ME A HOME

If neither you nor your spouse or common-law partner has resided in a home owned by you or your spouse or common-law partner during the four calendar years prior to the year of withdrawal and up to 30 days prior to withdrawal, you are eligible to borrow funds from your RRSP without being taxed on withdrawal. The borrowing limit has been raised from \$20,000 to \$25,000 after January 27, 2009. Each spouse or common-law partner can borrow \$25,000 from their own RRSP.

For those who own a home and have contracted for renovations, the new Home Renovation Tax (HRT) credit will apply for work performed after January 27, 2009. A 15% federal tax credit is available if the contracted work falls between \$1,000 and \$10,000. The goods must be purchased and the work completed between January 27, 2009 and February 1, 2010 for the federal tax credit of \$1,350 (15% of \$9,000) to be accepted. There are a number of areas, however, in which the tax credit will not apply. It is advisable to review the CRA website to determine the conditions that may affect you.

Understanding tax issues requires a specific interpretation of the tax laws. Often the layperson's understanding of tax issues, based on their own interpretation of the wording, may be subjective. It is always beneficial to seek the guidance of your chartered accountant to maximize the benefits available from interpreting income tax laws and regulations to avoid the costly process of a reassessment. II

In areas where the noise level is high, ear plugs and earmuffs may be worn together.

WEAR THEM ON THE JOB...ALWAYS

Hearing protection, whether plugs or muffs must be worn at all times to avoid hearing deterioration over the long term. Studies have shown that during an eight-hour shift if an individual removes hearing protection for 40 minutes, rather than receiving the equivalent of protection equal to 30 decibels, the protection equivalent drops to 10 decibels.

Senior management, Human Resources and line managers should work together to reduce the long-term impact of noise on employees' hearing. Management should contact the agency responsible for occupation health and safety within their province to ensure workplace standards are up to date and get educational literature to provide to employees. II

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