DMC Newsletter

Nov/Dec 2012

DMC 2012 Yearend Top Five Tax Considerations

1. Charitable Donations

   Charitable donations must be made by December 31 in order to receive a tax deduction in the 2012 calendar year.

   Tax Tip: Consider donating publically traded shares or mutual funds to a charity – if completed, the taxpayer will not report any taxable capital gain on the disposition of the security and the donation is valued at the current fair market value, which may result in a higher tax deduction.

2. RRSP Contributions

   The RRSP deadline for a deduction against taxable income in the 2012 taxation year is no later than March 1, 2013.

   If a taxpayer is not yet 71 years of age the taxpayer has the ability to contribute into their RRSP plans for a deduction in the 2012 taxation year.

3. Owner-Manager Remuneration

   Incorporated small business owners with a December 31, 2012 year end should consider tax planning opportunities with respect to the business income levels, these options include:

   a) Management bonus to reduce corporate taxable income; and/or
   b) With the reduction of corporate tax rates and an increase in the dividend tax credit available on "eligible dividends" it may be more tax efficient to issue dividends rather than annual bonuses to owner-managers.

4. Trigger Capital Losses

   If a taxpayer is expecting to have capital gains in the 2012 taxation year; a consideration should be taken to sell securities that have decreased in value. These sales of "loss" securities will trigger capital losses that will be offset against any expected capital gains, resulting in a reduction in overall taxes paid.

5. Pay Instalments

   Taxpayers must pay their 2012 taxes no later than April 30, 2013. To avoid interest from applying, instalments should be paid on March 15, June 15, September 15 and December 15.

   If a taxpayer has not yet paid instalments, you should estimate as best as you can the tax that may be owing for the 2012 year. The Canada Revenue Agency will allow a "catch-up" instalment payment to be made.

Farewell to the Penny

In Economic Action Plan 2012, the Government announced it would phase out the penny from Canada's coinage system. The decision to phase out the penny was due to its excessive and rising cost of production relative to face value, the increased accumulation of pennies by Canadians in their households, environmental considerations, and the significant handling costs the penny imposes on retailers, financial institutions and the economy in general.

The estimated savings for taxpayers from phasing out the penny is $11 million a year.

The cent will remain Canada's smallest unit for pricing goods and services. This will have no impact on payments made by cheque or electronic transactions—only cash transactions will be affected. Moreover, pennies can still be used in cash transactions indefinitely with businesses that choose to accept them.

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Happy Holidays!
From our family
to yours!

DMC
DEAN MASON & COMPANY INC
CHARTERED ACCOUNTANTS

“It’s Back!” – the Transition to PST

On August 26, 2011, Elections BC announced that British Columbians had voted in favour of eliminating the HST and returning to the provincial sales tax (PST) plus federal goods and services tax (GST).

PST will be re-implemented on April 1, 2013 at a general tax rate of 7%.

How will the PST Apply?
The re-implemented PST, like the previous PST, will be a retail sales tax that is payable when a taxable good or services is acquired for personal use or business use, unless a specific exemption applies. PST generally applies to:

- The purchase or lease of new or used goods;
- Goods brought into BC for use in BC;
- The purchase of most services to goods;
- The purchase of telecommunication services including internet access, non-cable, non-residential telephone services, cell phone use, satellite services and facsimile services; and
- The purchase of legal services.

What goods and services are exempt from PST?
Similar to the Social Service Tax Act, the Provincial Sales Tax Act does not impose tax on things such as:

- Real property (residential housing or commercial real estate);
- Admissions and memberships;
- Professional services (other than legal services);
- Transportation fares (e.g., bus, train, ferry, airline)

In addition, all permanent exemptions from the PST will be re-implemented with the new PST, including:

- food for human consumption (e.g., basic groceries and prepared food such as restaurant meals);
- books, newspapers and magazines;
- children’s clothing;
- all permanent exemptions for business.

PST Planning Considerations
In December 2012, letters will be sent out to businesses with information on how to register. Online registration for businesses will commence on January 2, 2013. When you register for the new PST you will be assigned a new PST number, and will not be able to use your previous PST number.

Any small businesses that are planning to make significant upgrades to capital such as purchasing large pieces of equipment should consider making these purchases before April 1, 2013. This would allow those purchases to be subject to the current HST legislation.

Please contact DMC Chartered Accountants to assist you with the transition back to PST.

Farewell to the Penny

Important Dates

To help consumers, businesses, charities and financial institutions to plan, a transition date of February 4, 2013 has been set after which the Royal Canadian Mint will no longer distribute pennies.

On this date, businesses will be encouraged to begin rounding cash transactions.

Rounding Guidelines

As pennies exit circulation, cash payments or transactions only will need to be rounded, either up or down, to the nearest five-cent increment. The Government of Canada will be adopting a rounding guideline that has been used successfully by other countries for its cash transactions with the public.

Under this guideline, when pennies are not available, cash transactions will be rounded in a fair and transparent manner, as illustrated below:

When to round

Again, only cash transactions require rounding. Cheques and transactions using electronic payments—debit, credit and payments cards—do not need to be rounded, because they can be settled electronically to the exact amount.

For any cash payment, only the final amount (or equivalently, the change owed) should be subject to rounding. Individual items, as well as any duties, fees or taxes, should be tabulated in their exact amount prior to rounding, as illustrated:

For more information visit: http://www.budget.gc.ca/2012/themes/theme2-

References: Cantax Publications Inc., Ministry of Finance – Government of BC website, and Government of Canada website