



Michael's Tax Tips & Updates

taxation news and information bulletin

July 2010

2010 changes affecting individuals

- The basic personal amount, the spousal and common-law partner amount, and the eligible dependant amount have increased to \$10,320.
- The upper limit of the first personal income tax bracket has increased to \$40,726, and the upper limit of the second personal tax bracket has increased to \$81,452.
- The Home Buyers Plan withdrawal limit has been increased to \$25,000.
- Self-employed Canadians can now opt into the Employment Insurance Program. Premium payments would begin in the year they applied into the program and they would be required to be in the program for at least one year prior to claiming benefits. Benefits are limited and specific. For more information, please contact my office.
- The “equivalent to spouse credit” availability can become a complex issue. An individual who is neither married, nor in a common law relationship, or is separated and resides with a dependant under the age of 18, can make the claim. However in the case of joint custody, only one person can make the claim. Where the

parents both qualify for the claim, and cannot agree on who will make the claim, it would typically be disallowed to both of them.

- In a CRA technical bulletin January 5, 2010 they note that it does not consider internet access fees or the cost of a second telephone line deductible as home office expenses. Commissioned employees are exempt from this provision providing they meet the Section 8(13) requirements.
- The 2010 Federal Budget has disallowed the deduction of medical procedures for purely cosmetic purposes. This includes both surgical and non-surgical procedures. Those procedures required for medical or reconstructive purposes will still apply.

Additional tax considerations

- Clients should note that Subsection 163(1) provides a penalty equal to 10% of an unreported income amount if a person fails to report an amount in the current year's return and has failed to report an amount in any of the three preceding years. There is also an additional provincial penalty of 10%. These apply even if there are source deductions. Make sure you collect all your T slips when

bringing in your documents for tax preparation.

- Proposed changes to the Canada Pension Plan include the removal of the work cessation test. The proposed 2012 change will allow individuals to take their CPP benefit as early as age 60 without any work interruption or reduction in hours worked or earnings.
- Individuals whose business income is derived primarily from construction activities are required to file a 5018 information return, reporting all payments made in the course of the year. Failure to do so within six months of the end of the fiscal period can result in fines up to \$2,500.

Corporations

- Computers and software acquired after January 27, 2009 and before February 2011 still qualify for the 100% CCA rate. This 100% CCA rate is not subject to the half-year rule. (Also available to proprietors and partnerships)
- A taxpayer who realizes a taxable capital gain on the disposition of a share that is a qualified small business corporation may be entitled to a capital gains deduction of up to \$750,000. The share must be a qualified small business corporation share at the time of disposition and all or substantially all (90%) of the fair market value of the corporation's assets are used principally (>50%) in an active business.
- CRA notes that once a corporation is dissolved, it

ceases to exist in law. Where tax debts are incurred post-dissolution, the liability attaches against the individuals directing and controlling the business, including directors, shareholders, officers and managers.

Harmonized Sales Tax

- Effective July 1, 2010 the Province of Ontario eliminated the provincial sales tax and harmonized it with the GST. The new HST extends to a wider range of goods and services than the old PST, but there are some exceptions. Generally a business will charge HST at 13% but items such as children's clothing will be charged HST at 5%. Also, when shipping inter-provincial sales, a business will charge the HST rate in effect in the destination province.
- Businesses will flow through the HST they pay and offset against the HST they bill, in the same fashion that the GST was administered.
- For more information contact my office or go to www.ontario.ca/taxchange

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