

Winter 2014

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Facts & Figures

Basic personal credit:

Federal – \$11,038

Provincial – \$9,574

Pension contribution limit – \$23,820

Prescribed interest rates:

Federal overdue taxes – 4%

Provincial overdue taxes – 6%

Federal refund – 1%

Provincial refund – 0%

Canada Pension Plan contribution rate:

Employees – 4.95%

Employers – 9.9%

Employment Insurance Premiums:

Employee max – \$891.12

Employer max – \$1,247.57

See the chart on Page 4 for marginal tax rates.

Personal Service Commitment

Recently, a research company conducted a review of farmers and small businesses across Canada to determine where they obtained key information and advice. The survey confirmed that despite the advancement of printed publications, the internet, social media, radio and television; farmers and small business people still want to receive their information through a personal meeting with a specialized professional.

Allied recognizes this desire through its unique in-home service provided by an advisor who is an active member of the local community, familiar with the challenges of your particular business. We complete the work on-site at your desk or kitchen table, explaining, discussing and reviewing the implications with you and your family. This is backed up by specialized support teams in our London and Peterborough Offices.

Family farm owners and small businesses want to be in control of their situations. Allied's involved approach promotes the development of your knowledge and skills, and facilitates communication between all members of the family involved in the business. ◀

Farm Program Changes

"Growing Forward 2"

Growing Forward 2 provides funding assistance for producers under two main categories:

1. **Capacity Building** – focuses on:
 - a. Education, skills and development, and training.
 - b. Business assessment.
 - c. Planning
2. **Implementation** – focuses on:
 - a. Environmental and climate changes.
 - b. Assurance systems (food safety, traceability and animal welfare).
 - c. Market development.
 - d. Animal and plant health.
 - e. Labour productivity enhancement.
 - f. Business and leadership development.

Funds are generally provided on a 50/50 cost sharing basis with the producer.

Allied partners with producers to assist in the completion of the projects that are available under capacity building. Some typical projects include the preparation of financial assessments of the farm; a comparison of historical financial results to benchmarked figures for other farms; farm financial ratio analysis; written succession, estate, and business expansion plans; training in respect to farm accounting systems and record keeping.

In order to enroll, producers must sign up for Growing Forward 2. Forms are available online at www.ontariosoilcrop.org or contact Allied for assistance. This provides the producer access to all Growing Forward 2 program offerings. An application can then be prepared to apply for funding under the particular program that the producer is interested in.

“Agricorp”

Agricorp is now providing online access to producer information for all of its accounts including AgriStability, Production Insurance, SDRM-Edible Horticulture, and Risk Management Program (RMP)-Greens and Oilseeds as well as Livestock.

Producers will receive an invitation email to register that will provide a new Agricorp ID and a temporary User ID. This information must be keyed in when registering to create a permanent User ID and password.

Following these steps will allow producers to view their Agricorp information and program status online.

Agricorp is also updating authorization information as to who producers want authorized to view and/or update information on their behalf. If you have not already authorized Allied, please call Agricorp at 1-888-247-4999. ◀

Tax Change Highlights

“Lifetime Capital Gains Exemption”

The lifetime capital gains exemption will be increased to \$800,000 from \$750,000 on dispositions of qualified farm property and qualified small business corporation shares effective for 2014 and indexed to inflation thereafter.

“Restricted Farm Losses”

Part time farmers can now claim a restricted farm loss deduction against other income in 2013 of \$17,500 as opposed to \$8,750 in the past.

“Employment Insurance Hiring Credit”

This credit has been extended for 2013 For those employers with EI premiums of \$15,000 or less in 2012, relief of \$1,000 against a company’s increase in its employment insurance over 2012 will be granted.

“First Time Donor Super Credit”

This new donation tax credit for first time donors give an extra 25% credit for cash donations. This means you get a 40% federal credit for up to \$200 in donations and a 54% credit for the part of donations that is over \$200 but not more than \$1,000. This credit is in addition to the Provincial credit.



“Family Caregiver Amount”

If you have a dependent with impairment in physical or mental functions, the additional amount you may be able to claim has increased to \$2,040 when calculating certain non-refundable tax credits.

“Tax Free Savings Account”

The annual TFSA dollar limit increased to \$5,500 on January 1, 2013 for the 2013 contribution year and remains the same for 2014.

“Ontario Trillium Benefit”

Taxpayers will now have the option of receiving one lump sum payment as opposed to receiving smaller amounts monthly. Single payments would begin in June 2015. For those whose entitlement is less than \$360, there will be no monthly option and they will receive a single payment in July 2014.

“Employer Health Tax”

Starting in 2014, employers will be exempt from Employer Health Tax on the first \$450,000 of payroll. This will be adjusted for inflation every five years. ◀

Profile – Blake Connelly

Blake joined Allied in 2010 as a Staff Accountant. He is a graduate of Western University with a Bachelors’ Degree in Economics and is currently pursuing a CPA designation. He was recently appointed as Area Manager for Kent-Essex Counties in 2013. Blake specializes in areas of personal and corporate income tax, as well as Accounting Standards for Private Enterprises. He also assists with assurance services including preparation of review engagement reports. He is an active member of the Canadian Association of Farm Advisors (CAFA). ◀



FAQ’s

We Just Bought a New Vehicle, How Do We Claim Back the HST?

If business use of the automobile is greater than 90% then the entire amount of the HST can be claimed as an input tax credit on the current year’s HST return.

If business use of an auto is less than 90% for business but greater than 50%, the HST on the business portion of the capital cost allowance can be claimed as an input tax credit on the current year’s HST return. The input tax credit claimed on the capital cost allowance is deducted as an adjustment to the opening undepreciated capital cost allowance in the following year. If the business use of the automobile is less than 50%, no HST claim is allowed.

When are Life Insurance Premiums Deductible?

The taxpayer may be able to deduct all or a portion of the life insurance premiums where the policy is assigned to a financial institution as a collateral requirement for a particular loan. Regardless, life insurance proceeds received at death are non-taxable.



What are the Tax Implications of Legal vs. Beneficial Ownership

Legal ownership refers to who is listed on title to a particular asset or property. Beneficial ownership describes who has the specific right to use and benefit from the property or asset and this may differ from legal ownership. It may come as a surprise to many that it is often the beneficial owner who must report the tax implications of a transaction rather than a legal owner. Various trust structures can be an example of situations where the legal and beneficial owner may be different.

Are Inheritances Taxable?

When you receive funds as a beneficiary of a Will, they are not taxable to you as by the time you receive them, any tax that may have been payable would have already been taxed in the estate. There may be some cases where people have set up a trust as part of their estate and subsequent distributions from that trust may be taxable.

What is SR&ED

Generous tax treatment is available for expenditures made by businesses, including farms, for scientific research and experimental development (SR&ED). Refundable tax credits at a rate of 20% for individuals and 35% for incorporated small businesses are available. To qualify, expenses related to the development of new products or processes. As submitting claims can be complex and time consuming, we advise discussing your particular situation with a specialist at Allied to distinguish what may qualify before preparing a claim.

How Do I Qualify for the Additional Canada Education Savings Grant?

The additional Canadian Education Savings Grant is in addition to any money that you might be getting through the basic Canadian Education Savings Grant. The basic Canadian Education Savings Grant provides 20 cents on every dollar you contribute up to a maximum of \$500 on an annual contribution of \$2,500. If you cannot make a contribution in any given year, you may be able to catch up in future years. This grant is available up until the end of the calendar year in which the child turns 17.

Depending on the child’s primary caregiver’s net family income, he or she may also be eligible to receive an additional 10% or 20% on the first \$500 put into the RESP. To apply for the Canadian Education Savings Grant, you must contact your RESP provider and complete an application form.

This application is different from the Ontario Student Assistance Program 30% off Ontario tuition which can only be received by registering for the Ontario Student Assistance Program.

What Do I Do When Canada Revenue Agency (CRA) Contacts Me to Conduct an Audit?

Under the Income Tax Act, CRA may at all reasonable times, for any purpose related to the administration and enforcement of this act, inspect, audit or examine the books, records and documents, or examine property of the taxpayer or of any other person for the purposes of ascertaining the amount payable by the taxpayer under the Act. It is advisable to contact anyone you have authorized as your representative with CRA and they can provide advice, perform correspondence, and attend meetings with CRA on your behalf. The CRA also typically has a 3 year time frame in which to reassess, commencing with the date of the original Notice of Assessment, after this, the returns are referred to as statute-barred. This means that the time limit for reviewing these returns has expired. ◀

Profile – Vern Doupe

Vern joined Allied in 1986 as Area Manager for Huron County. Vern is an approved advisor for the Growing Forward Program sponsored by the Federal and Provincial governments and he is a member of the Canadian Association of Farm Advisors (CAFA). ◀



Profile – Les MacAlpine *What is My Personal Marginal Tax Rate?*

Les is Assistant Manager of our Peterborough Office. He has over 25 years experience providing business advice to farmers, small businesses and individuals. In his spare time, Les plays hockey and is looking forward to attending his grandchildren’s games in the near future. ◀



Taxable Income	Salary, Interest, Business	Dividends	Capital Gains
0 – 9,754	0%	0%	0%
9,574 – 11,038	5.05%	0.64%	2.52%
11,039 – 39,723	20.05	2.77	10.02
39,723 – 43,561	24.15	7.89	12.07
43,562 – 69,963	31.15	16.64	15.57
69,964 – 79,448	32.98	17.81	16.49
79,449 – 82,422	35.39	20.82	17.70
82,423 – 87,123	39.41	23.82	19.70
87,124 – 135,054	43.41	28.82	21.70



What is My Corporate Marginal Tax Rate?

Small businesses and farms: Income below \$500,000 = 15.5%
 Small businesses and farms: Income above \$500,000 = 26.5%
 Interest and Dividends = 46.17%
 Capital Gains = 23.09%

Allied Can Help

We recommend you discuss any tax planning strategies before undertaking any action on the basis of this or any other general advice. Your Allied advisor can help you assess the effect of any tax changes on your personal finances or business affairs and point out ways to ease any adverse changes.

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Our experienced Office Tax Staff provides knowledgeable support to our area managers. If you require clarification of any of the foregoing or wish to discuss your tax or financial affairs with one of our senior staff, please feel free to contact our office.

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| Wayne Ryan, CPA, CA Chief Executive Officer | Cheryl Oliver Senior Accountant |
| Brad Ostrom..... Senior Manager, Special Services | Lynn Breckenreid Senior Accountant |
| Martin Benson..... Senior Manager, Special Services | Connie Iro Senior Accountant |
| Lisa Benson Manager | Heather Roelands..... Staff Accountant |
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| Ruth Ann Harvey, CGA..... Manager | Sarah Radnor (Peterborough) Staff Accountant |
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| John Wilkin..... Director of Business Development | Scott Christie Staff Accountant |
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