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NOTICE TO READER

The following commentary has been prepared by Parker Garber & Chesney, LLP based on information available to the public on the date of publishing.

Readers are cautioned that this commentary is informational only and that any issues specific to the reader's needs be addressed with the appropriate tax professional.

The reader is cautioned that this document is not meant to provide advice specific to the reader's particular situation and that advice cannot be given in such a manner.

CORPORATE TAX

ONTARIO CORPORATE TAX INSTALMENTS

It should be noted that, with the integration of the Ontario Corporations Tax Branch with the Canada Revenue Agency (CRA) effective for 2009, all corporate instalments for Ontario for fiscal years ending after December 31, 2008 should be remitted to CRA and not the Ministry of Finance.

EMPLOYMENT STANDARDS

The Ontario Ministry of Labour has begun an aggressive program of employment standards audits that impacts all employers in Ontario, regardless of size. The areas of review include minimum wages, vacation pay, holidays and holiday pay, work hours, overtime pay and sick leave.

RECORD-KEEPING

The law requires that all employers maintain adequate records for employees including: Name, address, work commencement date, work hours, wages/salary paid and vacation time and pay. The law requires that a minimum of 3 years of records is retained and for 3 years after employment ceases. However, CRA requires seven years retention.

EMPLOYMENT STANDARDS ENFORCEMENT POWERS

The Ministry has the power to inspect any work premises in Ontario without a warrant or prior notice. They can undertake investigations related to either a reported breach of standards or to ensure the employer is compliant. The review can include observation, audit of records and discussions with employees.

The officer can order production of any employer records and can require a reply to all questions.

EMPLOYERS' LIABILITIES

The Ministry has the power to order a payment to an employee that has been determined to be underpaid and can also order reinstatement of a previous employee. Offences that can attract penalties include those related to record keeping or failing to comply. Penalties for an individual can be up to \$50,000 and/or imprisonment, for a corporation up to \$100,000 and for repeat offenders can be up to \$500,000.



RECESSIONARY TAX PLANNING

While no one enjoys the current financial climate there are a number of planning matters that may be of assistance in reducing the pain of our shrinking investments.

CAPITAL LOSSES

Over the past few years many taxpayers have experienced unprecedented growth in their investment portfolios and may have realized some of those gains. Now that the markets have sunk so low, it may be an opportune time to recover some of those taxes paid. Losses incurred before the end of 2008 can be applied against taxable capital gains reported in 2005, 2006 and 2007. As with the capital gains, one half of the losses can be applied, but only against capital gains. Any additional losses can be carried forward for an indefinite period.

In some cases you may wish to continue to hold the investment. In that case, the asset can be sold, the loss recognized and the asset repurchased after 30 days in order for the loss to be available. The assets cannot be sold to a related party such as a spouse or holding company. All transactions must have a settlement date prior to January 1, 2009 in order to be eligible for a loss to be claimed in 2008. You should check with your broker or financial advisor to ensure you do not miss the settlement date.

INTEREST EXPENSES

Generally, interest expenses for individual taxpayers are deductible on a cash basis (when paid). Therefore you could maximize your deduction for 2008 by ensuring that deductible interest payments are made by December 31.

SELF-EMPLOYMENT EXPENSES

As with interest expenses, most self-employed taxpayers report their income on a cash basis so any business expenses should be paid, including credit card bills, by December 31. If you are considering capital expenditures it may be good planning to make the purchase before the end of the tax year to take the capital cost allowance in the current year.

CHARITABLE AND POLITICAL DONATIONS

In order for a donation to be eligible for the tax credit in 2008 the gift must be received by the organization by December 31. In some cases charities will issue a receipt in the following year but they should indicate the date the gift was received. Make sure your donations are sent so that they are received before the end of the year.



MEDICAL EXPENSES

Medical expenses are claimable for any expenses paid 12 month period ending in the tax year. Some medical expense, such as orthodontics and other dental fees or cosmetic surgery are financed over a period of time. It may be a consideration to accelerate the payments to benefit from the medical tax credit.

