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2009 PERSONAL INCOME TAX RETURN CHECKLIST

88(1)

Appendix A provides a checklist of information that will be needed to complete your 2009 Personal Income Tax Return.



YEAR-END TAX PLANNING

88(2)

Some 2009 year-end tax planning tips include:



1. Certain expenditures made by individuals by December 31, 2009 will be eligible for 2009 tax deductions or credits including: moving expenses, child care expenses, safety deposit box fees, charitable donations, political contributions, medical expenses, alimony, eligible employment expenses, union, professional, or like dues, carrying charges and interest expenses,

certain public transit amounts, and children's fitness amounts.

2. The 2009 Federal Budget proposes to introduce a temporary **Home Renovation Tax Credit** for expenditures made after January 27, 2009 and before February 1, 2010 in excess of \$1,000, to a maximum of \$10,000, resulting in a maximum Federal credit of \$1,350 (\$9,000 x 15%).

Please provide details of renovation costs (example - carpets, landscaping, additions, fences, painting, etcetera, etcetera).

For details, see www.cra.gc.ca and click on **Home Renovation Tax Credit**.

3. You have until **March 1, 2010** to make tax deductible Registered Retirement Savings Plan (RRSP) contributions for the 2009 year.

Consider contributing to a **spousal RRSP** to achieve income splitting in the future.

With Issue
2009 PERSONAL INCOME TAX RETURN CHECKLIST
YEAR-END TAX PLANNING
2009 REMUNERATION
PERSONAL TAX RETURNS
EMPLOYMENT INCOME
ESTATE PLANNING
FARMING
GST

4. If you own a business, consider paying a **reasonable salary** to family members for services rendered to the business.

5. An individual whose **2009 net income** exceeds **\$66,335** will lose all, or part, of their **old age security**.

Senior citizens will begin to lose their income tax **age credit** if net income exceeds **\$32,312**.

Contact your professional advi-

Tax Tips & Traps

sors for assistance in **managing** 2009 personal income.

6. Consider purchasing assets eligible for **capital cost allowance** before the year-end.
7. Consider selling capital properties with an **underlying capital loss** prior to the year-end if you had **taxable capital gains** in the year, or any of the **preceding three years**. This capital loss may be offset against the capital gains.
8. **Registered Education Savings Plan (RESP)**

A **Canada Education Savings Grant (CESG)** for RESP contributions will be permitted equal to 20% of annual contributions for children (maximum \$500 per child per year).

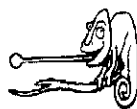
9. **Health and dental premiums for the self-employed**
Individuals will be allowed to **deduct** amounts payable for **Private Health Service Plan** coverage in computing **business income** provided they meet certain criteria.
10. A **refund of Employment Insurance** paid for non-arm's length employees may be available upon application to CRA.
11. Taxpayers that receive "**eligible**" dividends from private and public corporations will have a significantly lower tax rate on the dividends. **Notification** from the corporation to the shareholder is required.

12. Eligible **public transit passes** will be entitled to a tax credit.
13. A **fitness tax credit** for children under 16 enrolled in certain organized sports is available.
14. A **Registered Disability Savings Plan** may be established for a person who is eligible for the **Disability Tax Credit**. Non-deductible contributions to a **lifetime maximum of \$200,000** are permitted which are eligible for grants and bonds. Please contact your professional advisors for details.

2009 REMUNERATION

88(3)

Some **general guidelines** to follow in **remunerating the owner** of a **Canadian-controlled private corporation** earning "**active business income**" include:



1. **Bonusing down** active business earnings in excess of the **annual business limit** may reduce the **overall tax**. However, leaving corporate **active business income** over this amount presents a **tax deferral**.
Professional advice is needed in this area.
2. **Notification** must be made to the shareholders when an "**eligible**" dividend is paid - usually in the form of a **letter dated** on the date of the **dividend declaration**. If all **shareholders** are **directors**, the **notification**

may be made in the **Directors' Minutes**.

Please contact your **professional advisor** for advice before paying an **eligible** or **ineligible** dividend.

3. Elect to pay out tax-free "**capital dividend account**" dividends.
4. Consider paying dividends to obtain a refund of "**refundable dividend tax on hand**".
5. Corporate earnings in excess of personal requirements could be left in the company to obtain a **tax deferral**. The effect on the "**Qualified Small Business Corporation**" status should be reviewed before selling the shares.
6. **Dividend income**, as opposed to salaries, will reduce an individual's **cumulative net investment loss** balance thereby providing greater access to the **capital gain exemption**.
7. Excessive **personal income** affects receipts subject to **clawbacks**, such as **old age security**, the **age credit**, **child tax benefits**, **GST credits** and certain **provincial incentives**.
8. Salary payments require **source deductions** to be remitted to the Canada Revenue Agency on a timely basis.
9. Individuals that wish to contribute to the Canada Pension Plan or a Registered Retirement Sav-

Tax Tips & Traps

ings Plan may require a salary to create "earned income".

10. Salaries paid to family members must be reasonable.

PERSONAL TAX RETURNS

88(4)

MEDICAL EXPENSE – AIR CONDITIONER



In an April 27, 2009 External Technical Interpretation, CRA notes that a taxpayer may claim the cost of installing a central air conditioner as a medical expense providing that certain tests are met.

In particular, the taxpayer needs a prescription from his/her doctor which indicates that he/she needs an air conditioner to help cope with an ailment which is both severe and chronic. Also, the medical expense claim for an air conditioner is limited to the lesser of \$1,000 and 50% of its cost.

EMPLOYMENT INCOME

88(5)

CRA ADMINISTRATIVE CHANGES



On June 11, 2009, CRA introduced policy changes for employment benefits. For example,

Overtime Meals and Allowances Provided to Employees

For 2009, CRA will consider no taxable benefit to arise if:

- the value of the meal or meal al-

lowances is reasonable; a value of up to \$17 will generally be considered reasonable,

- the employee works two or more hours of overtime right before or right after his/her scheduled hours of work, and
- the overtime is infrequent and occasional in nature. Less than three times a week will generally be considered infrequent or occasional. However, this condition may also be met where the meal or allowance is provided three or more times per week on an occasional basis to meet workload demands such as major repairs or periodic financial reporting.

Loyalty Programs

For 2009, CRA will no longer require loyalty points (e.g., frequent flyer points) that are controlled by the employee to be added as employment income by the employee as long as:

- the points are not converted to cash,
- the plan or arrangement is not indicative of an alternate form of remuneration, or
- the plan or arrangement is not for tax avoidance purposes.

Non-Cash Gifts and Non-Cash Awards

For 2010, the following changes are being made to CRA's gift and award policy. The current rules are that up to two gifts and two awards costing \$500 or less are non-taxable to the employee but deductible to the employer.

- Non-cash gifts and non-cash awards to an arm's length employee, regardless of the number, will not be taxable to the extent that the total aggregate value of all non-cash gifts and awards to that employee is less than or equal to \$500 annually. The total value in excess of \$500 annually will be taxable.
- In addition to the above, every 5 years a separate non-cash long-service award may also qualify for non-taxable status to the extent its total value is \$500 or less.

Editor's Comment

See your professional advisor for information on these and other CRA administrative changes.

ESTATE PLANNING

88(6)

EXCESS CONTRIBUTION TO RRSP - TAX AND INTEREST



In a June 18, 2009 Tax Court of Canada case, the taxpayer made excessive contributions to an RRSP and was assessed a 1% per month tax plus interest.

The taxpayer's waiver request was refused.

DIRECTOR LIABILITY - UNPAID GST/HST

In a May 4, 2009 Tax Court of Canada case, the taxpayer/director was assessed for personal liability for unpaid GST/HST of \$236,344 plus interest of \$7,372 plus penalties of \$9,651 for a total of \$253,367.

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Taxpayer Wins!

The Court noted that where the director has **little understanding** of **financial documents**, he may rely on others to handle the financial aspects without incurring personal liability for unpaid GST/HST.

Also, in a May 12, 2009 **Technical Interpretation**, CRA notes that **directors cannot** be assessed **more than two years** after they cease to hold office.

Editor's Comment

Legal advice is needed in this area.

SUPERFICIAL LOSSES

In a January 22, 2008 **Technical Interpretation**, CRA notes that a **taxpayer's loss** from the disposition of **property** is deemed **nil** to the extent

that it is a **"superficial loss"**.

For example, this applies if the taxpayer sells a security which is then purchased, or repurchased, by a **Trust** governed by the taxpayer's **RRSP, RRIF or TFSA** within the period of **thirty days** before, or **thirty days** after, the disposition.

FARMING

88(7)

EASEMENT OR RIGHT OF WAY

In a June 4, 2009 **External Technical Interpretation**, CRA notes that if the property to which the **easement or right of way** pertains meets the definition of **"qualified farm property"** the landowner may be entitled to the **capital gains exemption**.



GST

88(8)

INPUT TAX CREDITS (ITCs) – CAUTION

In **corporate structures**, it is **important** to ensure that it is the **recipient** of the **supply** that pays the expense and **claims the ITC**. CRA has made **reassessments** where the **wrong person** in a **corporate group** has claimed the ITCs.



Editor's Comment

See your **professional advisor** for more information.

The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions in a commentary such as this, a further review should be done. Every effort has been made to ensure the accuracy of the information contained in this commentary. However, because of the nature of the subject, no person or firm involved in the distribution or preparation of this commentary accepts any liability for its contents or use.

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APPENDIX A

2009 PERSONAL INCOME TAX RETURN CHECKLIST

INFORMATION REQUIRED INCLUDES:

1. All *information slips* such as T3, T4, T4A, T4A(OAS), T4A(P), T4E, T4PS, T4RIF, T4RSP, T5, T10, T2200, T2202, T101, T1163, T1164, TL11A, B, C and D; T5003, T5007, T5008, T5013, T5018 (Subcontractors), RC62 and corresponding provincial slips.
2. The 2009 Federal Budget proposes to introduce a temporary **Home Renovation Tax Credit** for expenditures made after January 27, 2009 and before February 1, 2010 in excess of \$1,000, to a maximum of \$10,000, resulting in a maximum Federal credit of \$1,350 ($\$9,000 \times 15\%$).

Please **provide details** of **renovation costs** (example - carpets, landscaping, additions, fences, painting, etcetera, etcetera).

For details, see www.cra.gc.ca and click on **Home Renovation Tax Credit**.

3. Details of *other income* for which no T slips have been received such as:
 - other employment income (including stock option plans and Election Form T1212),
 - business income,
 - partnership income,
 - rental income,
 - alimony, separation allowances, child maintenance,
 - pensions (certain pension income may now be *split* between spouses - see #36)
 - interest income earned but not yet received - example Canada Savings Bonds, Deferred Annuities, Term Deposits, Treasury Bills, Mutual Funds, Strip Bonds, Compound Interest Bonds
 - professional fees,
 - director fees,
 - scholarships, fellowships, bursaries,
 - replacement properties acquired.
4. Details of *other expenses* such as:
 - employment related expenses - Provide Form T2200 - Declaration of Conditions of Employment,
 - tools acquired by apprentice vehicle mechanics,
 - business and employment purchases like vehicles, supplies, etc.,
 - interest on money borrowed to purchase investments,
 - investment counsel fees,

Tax Tips & Traps

- moving expenses - including costs of maintaining a vacant former residence,
 - child care expenses,
 - alimony, separation allowances, child maintenance,
 - safety deposit box fees,
 - accounting fees,
 - pension plan contributions,
 - film and video production eligible for tax credit,
 - mining tax credit expenses,
 - business research and development,
 - adoption related expenses,
 - clergy residence deduction information, including Form T1223,
 - disability supports expenses (speech, sight, hearing, learning aids for impaired individuals and attendant care expenses),
 - tradeperson's tools acquired by an employee,
 - public transit passes acquired,
 - amounts paid for *programs of physical activity* for children *under age 16* at any time during the year (*under 18* for children with *disabilities*).
5. Details of *other investments* such as:
- real estate or oil and gas investments - including financial statements,
 - labour-sponsored funds.
6. Details and *receipts* for:
- Registered Retirement Savings Plan (RRSP) contributions,
 - professional dues,
 - tuition fees - including mandatory ancillary fees, and Forms T2202, TL11A, B, C and D,
 - charitable donations (including publicly traded securities),
 - medical expenses (including certain medical related modifications to new or existing home and travel expenses),
 - political contributions.
7. Details of *capital gains and losses* realized in 2009.
Also, new rules now permit *rollovers* for *foreign share spin-offs* and various *foreign share reorganizations*.
8. Details of previous *capital gain exemptions* claimed, *business investment losses* and *cumulative net investment loss accounts*.
9. Name, address, date of birth, S.I.N., and province of *residence* on December 31, 2009.
10. *Marital/common-law status* and spouse/partner's income, S.I.N. and birth date.

Tax Tips & Traps

11. List of *dependants/children* - including their incomes and birth dates.
12. If you or one of your dependants was in full time attendance at a *college or university*, details concerning name of institution, number of months in attendance, tuition fees, income of dependant, Form T2202.
13. Are you *disabled or are any of your dependants* disabled? Provide Form T2201 - disability tax credit certificate. This also includes extensive therapy such as kidney dialysis and certain cystic fibrosis therapy. Also, the *transfer rules* include relatives such as parents, grandparents, child, grandchild, brothers, sisters, aunts, uncles, nephews or nieces.
Persons with *disabilities* also may receive tax relief for the cost of *disability supports* (eg. sign language services, talking textbooks, etc.) incurred for the purpose of *employment* or *education*.
Also, see #34 for **Registered Disability Savings Plan** information.
14. Details regarding residence in a prescribed area which qualifies for the *Isolated Area Deduction*.
15. Information regarding *child tax benefit* receipts.
16. Details regarding contributions and withdrawals from *Registered Education Savings Plans*.
17. Details regarding *RRSP - Home Buyers' Plan* withdrawals and repayments; *RRSP - Lifelong Learning Plan* repayment.
18. Receipts for 2009 income tax *installments* or, payments of tax.
19. Copy of 2008 personal tax *returns*, 2008 Assessment *Notices* and any correspondence from Canada Revenue Agency (CRA).
20. 2009 *Personalized Tax information* which CRA may have sent you.
21. Do you want your *tax refund or credit* deposited directly to your account in a financial institution? Yes/No.
To start direct deposit, or to change banking information, attach a void personalized cheque or your branch, institution and account number.
22. Details of *carry forwards* from previous years including losses, donations, forward averaging amounts, registered retirement savings plans.
23. Details of *foreign property* owned at any time in 2009 including cash, stocks, trusts, partnerships, real estate, tangible and intangible property, contingent interests, convertible property, etc..
24. Details of *income* from, or *distributions* to, *foreign entities* such as foreign affiliates and trusts.
25. Details of your *Pension Adjustment Reversal* if you ceased employment and were in a Registered Pension Plan or a Deferred Profit Sharing Plan. (T10 Slip)

Tax Tips & Traps

26. If you provided *in-home care* for a *parent or grandparent* (including in-laws) 65 years of age or over, or an infirm *dependent relative*, a federal tax credit may be available.
Also, the caregiver may claim related *training costs* as a medical expense credit.
27. Interest paid on qualifying *student loans* is eligible for a tax credit.
28. ***Retroactive lump-sum payments***
Individuals receiving qualifying retroactive *lump-sum payments* over \$3,000 may be allowed to use a special mechanism to compute the tax.
29. Changes in *family circumstance* that could affect the *Goods and Services Tax Credit*, such as births, deaths, marriages, reaching the age of 19 years, and becoming or ceasing to be a resident in Canada.
30. *Children* of low or middle income parents may be entitled to a *Canada Learning Bond* of **\$500** in the initial year and **\$100** per year until age 15. Please ask us for details.
31. Do you have any *personal interest expense* - such as on a house mortgage or vehicle?
If so, it may be possible to take steps to convert this into deductible interest. Please ask us for details.
32. An *investment tax credit* is available in respect of each *eligible apprentice* employed in one of the 45 Red Seal Trades. Also, grants are available for apprentices.
33. Have you received the *Universal Child Care Benefit* of **\$100 per month** for each child under **6 years** of age?
34. Commencing in 2008, any person eligible for the *disability tax credit*, or their parent or legal representative, may establish a **Registered Disability Savings Plan** which also receives *government grants*. Please ask us for details.
See #13 for information on **disabilities**.
35. The age limit for *maturing* Registered Pension Plans, Registered Retirement Savings Plans, and Deferred Profit Sharing Plans is **71 years** of age.
36. Spouses may *jointly elect* to have up to 50% of *certain pension income* reported by the *other spouse*. Please ask us for details.
37. Individuals 18 years of age and older may deposit **up to \$5000** into a **Tax-Free Savings Account**. Please ask us for details.
38. Are you a first-time **home buyer** in 2009?
A tax credit based on \$5,000 (@15% = \$750) is proposed for qualifying homes acquired after January 27, 2009.

Tax Tips & Traps

TAX TIPS AND TRAPS ADVISOR'S PAGE

2009 FOURTH QUARTER - ISSUE NO. 88

2009 Personal Income Tax Return Checklist 88(1)	1.	General Information
Year-End Tax Planning 88(2)	1.	General Information
2009 Remuneration 88(3)	1.	General Information
Personal Tax Returns 88(4)	1.	Medical Expense - Air Conditioner - April 27, 2009 External Technical Interpretation (2009-0314751E5, Gibbons, Jim); Paragraph 118.2(2)(m); Regulation 5700(c.3)
	2.	Video Tax News (VTN) 335(2), July, 2009
Employment Income 88(5)	1.	Employer-Provided Free Tuition Program - June 11, 2009 Tax Court of Canada case (Kaushik vs. H.M.Q., 2007-1585(IT)1); H.M.Q. vs. Dimaria case (2008 FCA 390)
	2.	VTN 336(3), August, 2009
	3.	CRA Administrative Changes - Income Tax Technical News (ITTN), No. 40
	4.	VTN 335(3), July, 2009
Estate Planning 88(6)	1.	Excess Contribution to RRSP - Tax and Interest - Pereira-Jennings vs. H.M.Q., 2008-3314(IT)1; Subsection 204.1(2.1); Subsection 201.1(4)
	2.	VTN 336(10), August, 2009
	3.	Director Liability - Unpaid GST/HST - May 4, 2009 Tax Court of Canada case (Stafford vs. H.M.Q., 2003-25(GST)G); Soper vs. H.M.Q., (1998) 1 F.C. 124; Subsection 323(3); May 12, 2009 Internal Technical Interpretation (2009-032099117, Aronoff, Richard, 1-613-941-7239); Subsection 227.1(4); Subsection 241(5) of the Ontario Business Corporation Act
	4.	VTN 335(6), July, 2009
	5.	Superficial Losses - January 22, 2008 External Technical Interpretation (2008-0299661E5, Harding, Wayne, 1-613-957-8953); Subparagraph 40(2)(g)(i)
	6.	VTN 335(10), July, 2009
Farming 88(7)	1.	Easement or Right of Way - June 4, 2009 External Technical Interpretation (2009-0312701E5, Lanzer, Tom, 1-613-946-5357); Subsection 110.6(2); Interpretation Bulletin IT200; Interpretation Bulletin IT264R, Paragraph 2
	2.	VTN 336(11), August, 2009
GST 88(8)	1.	Input Tax Credits (ITCs) - Caution - 2009 Federal Court of Appeal case (Telus Communications (Edmonton) Inc. vs. H.M.Q., 2009 FCA 49); Section 167 of the Excise Tax Act
	2.	VTN 336(14), August, 2009