

FOCUS

Winter
2014/2015

Bringing Your Financial Affairs Into Focus



SPERGEL



SPERGEL FORSTER
SILVERBERG & GLUCKMAN LLP

TAX PLANNING

Family Planning

Parents with children under 18 can transfer sufficient income to the lower earning spouse to save \$2,000 of Federal tax in 2014.

For 2015 child care deductions have been increased for children under 6 to \$8,000 and children 6-16 to \$5,000.

The universal child tax credit has been increased to \$160 per month for children under 6 and a new credit of \$60 per month has been introduced for children under the age of 18 commencing in 2015.

Children's fitness credit has been increased from 15% of \$500 to \$1,000 in 2015.

Old Age Security (OAS)

Commencing July 1, 2013 there is an option to defer OAS benefits to a later time and receive a higher OAS pension by as much as 36% by the age of 70.

Individuals who would be subject to the maximum clawback of OAS benefits should defer the pension until they retire or turn 70.

If you are 64 years old you will be receiving a notice of OAS. You must respond to this letter or your OAS will commence in the month after you turn 65.

If your income for the current year is in excess of \$71,595 your OAS will be clawed back by 15% of the earned income over this amount.

Canada Pension Plan Changes

If you are 65 and under and work in Canada, you and your employer must make contributions to CPP.

If you are between the age of 65 and 70, CPP contributions are required unless you file Form CPT30 with CRA and your employee. This applies only if you are receiving CPP benefits.

Should you continue to contribute to CPP, benefits received

will increase. Self-employed persons need not file CPT30, but must complete Schedule 8 on their personal income tax return. If you elect to stop contributing to CPP, the election takes effect the first day of the month following the date you give the Form CPT30 to your employer.

If you are employed, the CPT 30 should be filed in the month prior to your 65th birthday.

RRSP CONTRIBUTIONS

Contributions to RRSPs continue to be one of the most effective and tax-efficient investments available.

The RRSP deduction limit for 2015 tax year will be the lesser of \$24,930 and 18% of your earned income in 2014. In order to establish a maximum contribution, you must have \$138,500 of earned income in 2014.

You may also be able to contribute more to your RRSP if you did not contribute the maximum in prior years. Your 2013 Notice of Assessment will report your RRSP contribution for 2014.

You must contribute before March 1, 2015 to get the deduction for 2014. However, in order to maximize the growth in your RRSP, contributions should be made as early as possible. For 2015, you should consider making your contribution early in the year after March 1.

RRSP STRATEGIES

Spousal RRSPs

You can contribute to a spousal RRSP until he or she reaches 71. The funds can accumulate on a tax-deferred basis until then.

Furthermore, the withdrawal of the funds from the RRSP will be included in your spouse's income. This will be beneficial if your spouse is in a lower tax bracket when the funds are withdrawn.

Note, however, that withdrawals will be included in your income (and not your spouse's income) if the contribution of any funds to your spouse's RRSP was made within the prior two years.

Home Buyers

The first time Home Buyers Plan (HBP) deduction limit is \$25,000. This allows withdrawals from your RRSPs to finance

the purchase of a home. Your spouse (or common-law partner) is also allowed to withdraw \$25,000 from his or her RRSP for this purpose. The HBP withdrawals must be repaid to the RRSP within a 15-year period, without interest commencing in the second year after the withdrawal. If the repayment is not made 1/15 of the amount withdrawn will be added to income in the year.

RRSP contributions during the year should include this amount along with your normal contribution limit.

In addition, a credit of \$750, being 15% of \$5,000 is available for first time buyers.

TAX FREE SAVINGS ACCOUNT

The Tax Free Savings Account (TFSA) came into law in 2009 and the available limit has grown to a maximum of \$36,500 in 2015.

The TFSA is a registered plan with an annual contribution limit. There is no tax deduction for the contributions (unlike an RRSP) and no grant from the Government (unlike an RESP). The advantage of a TFSA is that the income (and capital gains) earned in the plan is tax-free and withdrawals can be made at any time. The TFSA is available to Canadian resident individuals over the age of 18. Unused contribution room will be carried forward indefinitely and withdrawals will be added to the contribution room for the following year but cannot be reinvested in the same year if the maximum contribution amount has been utilized. Excess contributions will be subject to penalty of 1% per month. However, financial institutions have a vehicle to internally transfer TFSA amounts without penalty.

Transfers to a spouse on death or marriage breakdown are allowed and do not affect the contribution room. Like RRSPs, a beneficiary should be designated when the TFSA is set up. This can be transferred without affecting the recipient's TFSA limit and will not be subject to probate.

US CITIZENS

If you are a US citizen (born in the US or born to parents of a US citizen and have a US passport), you are required to file a

US tax return on your worldwide income. There may be no tax owing as taxes paid in Canada would be credited against any US taxes. The 2555 exclusion of income has increased in 2014 to \$99,200 U.S. Any income in excess of this amount will require a foreign tax calculation of the U.S. tax return which has historically eliminated all U. S. tax.

U.S. citizens living in Canada earning in excess of \$200,000 will be subject to a .36% tax on investment income included in the \$200,000 under the new Affordable Care Act which may not be eliminated with a foreign tax credit from Canadian taxes paid.

If you have investments over \$10,000 outside the US, then you are required to file a form "TD90-22-1-Report of Foreign Bank and Financial Accounts."

What to File:

- Last 3 years of delinquent tax returns, with related information returns (5471, 3520, etc.)
- Last 6 years of delinquent Report of Foreign Bank and Financial Accounts ("FBAR").
- Pay all tax and interest
- Questionnaire designed by IRS – assesses level of compliance risk

Testimentary Trusts

Commencing in 2016, only one trust of an estate can be designated as a "Graduated Rate Estate" and will be eligible for the reduced marginal rates. All other trusts created in the will shall pay tax at the highest tax rate.

All existing testamentary trusts with non-calendar year ends will be converted to December year ends and will convert to high tax rate trusts on January 1, 2016.

Donations

Commencing in 2016, donations may be made by the trust of a deceased estate and claimed on the final tax return of the deceased. Donations no longer need to be in the will for this allowance; however, one should always provide instructions to the Trustee with respect to donations and death.



CAIRP honours Carl Ritchie



Carl Ritchie's outstanding professional reputation was recently recognized at the CAIRP Annual Conference in Ottawa this year. Carl was awarded the Keith G. Collins Memorial Award.

The Award is presented to a Trustee who displays the following characteristics:

- Integrity
- Courtesy
- Professionalism
- Respected by their peers
- Respectful of others
- Unpretentious
- Committed to the profession
- Willingness to share knowledge
- Community service

The firm congratulates Carl on this proud moment.

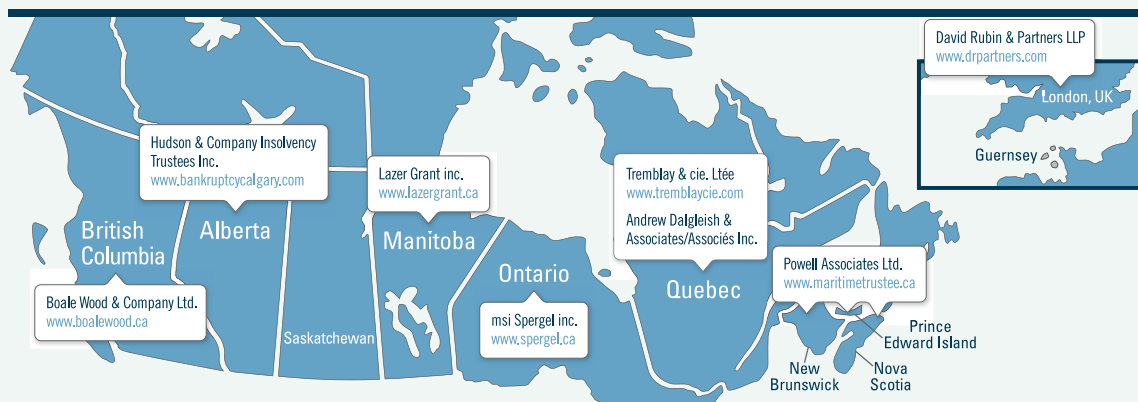
FIRM NEWS

Congratulations to Jai Ling Zheng for achieving her CGA designation in May 2014.

Kudos to Robert Kilner, who earned his Trustee license in May 2014. Robert heads our Barrie, Newmarket and Richmond Hill offices.

ICIN Spreads its Wings

msi Spergel Inc. has joined the Independent Canadian Insolvency Network (ICIN) with 8 individual members covering all provinces across Canada, with 3 more firms recently gaining membership. Since its inception in July 2012, a firm from the UK has joined the Network and is in the process of setting up a similar affiliation for Europe.



The Independent Canadian Insolvency Network and its affiliate in U.K.



Profile

Daniel (Dan) E. Short, CA, CPA, LPA – Accounting Partner



Area of Practice

Dan Short practices in the areas of accounting, taxation, and advisory services to closely-held businesses, including manufacturing, real estate and construction, wholesale, retail, healthcare and professional services, investment companies, and not-for-profit organizations.

Biography

Dan was admitted as a member of the Institute of Chartered Accountants of Ontario in 1974.

Previously, he was a partner in a local CA firm, Vice -President of one of the largest call centres in Canada, and controller for major real estate corporations.

Dan is a Licensed Public Accountant in the province of Ontario.

Dan is married to Maureen who is an office manager in the tool and dye industry and has three adult children all in the high tech industry and three grandsons all whom have iPads even though they are under 4.

Did You Know?

- In Ontario, individuals can receive up to \$35,317 of non-eligible dividends or \$49,284 of eligible dividends without any other income with no resulting income tax liability:
- Interest paid to corporations on refunds of income tax and GST / HST is 3% and to non-corporations, 1%. Interest on unpaid income taxes will be 5% compounded daily.
- The tax rates on income in excess of \$220,000 has increased in 2014 to 49.53% due to a 2% increase in the Ontario marginal tax rate which results in a 3.12% increase in taxes after application of the surtax.
- You may be eligible for a 15% refundable credit (maximum \$1,500) for renovations up to \$10,000 to make a home more accessible for seniors through 2014. Disability status is not necessary to claim this credit.

Automobile Limits

The following limits apply to 2014 and 2015.

Automobile Limits

Maximum capital cost for new cars	\$30,000
Maximum lease deduction for new cars	\$800/month
Maximum interest expense on new car	\$3,600/per year

Car Mileage Allowance

First 5,000 km	54 cents/km
Over 5,000 km	47 cents/km

Thank you for your referrals

We invite your comments and suggestions and ask that you please send them in writing to:

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or Dan Short, Spergel Forster Silverberg & Gluckman LLP,
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