

February 11, 2014

tax & business Alert

NEW BUDGET

HIGHLIGHTS:

- No new taxes.
- No tax reductions.
- Tolls coming to the Champlain Bridge
- Administrative improvements at the Canada Revenue Agency.

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FEDERAL BUDGET 2014



The Minister of Finance, James M. Flaherty, presented his budget in the House of Commons this afternoon. The budget expects a deficit of \$16.6 billion for the current year, and forecasts a deficit of \$2.9 billion for 2015. The budget projects a surplus of \$6.4 billion for fiscal 2016.

The following is a summary of the measures contained in the budget.

Businesses

Individuals

NO NEW TAXES

CANADA APPRENTICE LOAN

Budget 2014 is not introducing any new business taxes.

Budget 2014 proposes to create the Canada Apprentice Loan by expanding the Canada Student Loans Program to provide apprentices registered in Red Seal trades with access to over \$100 million in interest-free loans each year.

THE CANADA JOB GRANT

The Canada Job Grant Will Be Launched in 2014.

Apprentices registered in their first Red Seal trade apprenticeship will be able to apply for interest-free loans of up to \$4,000 per period of technical training. Interest charges and repayment of Canada Apprentice Loans will not begin until after loan recipients complete or terminate their apprenticeship training program.

WHO IS ELIGIBLE?

Businesses with a plan to train unemployed and underemployed Canadians for a new or a better job will be eligible to apply for a Canada Job Grant.

All Canadians seeking training can, in partnership with an employer, benefit from the Canada Job Grant.

ELIMINATING VEHICLES FROM CANADA STUDENT LOANS ASSESSMENTS

HOW MUCH FUNDING IS AVAILABLE?

The Canada Job Grant could provide up to \$15,000 per person for training costs, including tuition and training materials, which includes up to \$10,000 in federal

Budget 2014 proposes to eliminate the value of student-owned vehicles from the Canada Student Loans Program assessment process to better reflect the needs of students who commute or work while studying.

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contributions. Employers would be required to contribute on average one-third of the total costs of training. Small businesses will benefit from flexible arrangements under the Canada Job Grant, such as the potential to count wages as part of the employer contribution.

WHERE CAN THE CANADA JOB GRANT BE USED?

The Grant will be for short-duration training provided by an eligible third-party trainer, such as community colleges, career colleges, trade union centres and private trainers. Training can be provided in a classroom, on site at a workplace or online.

EMPLOYER SOURCE DEDUCTION REMITTANCES

Employers are required to remit source deductions for employees' income tax, Canada Pension Plan contributions and Employment Insurance premiums.

The frequency of remittance of source deductions depends on the employer's total average monthly withholding amount in preceding calendar years in respect of these source deductions.

The budget proposes to reduce the frequency of remittance of source deductions for certain employers. The budget proposes to:

- Increase the threshold level of average monthly withholdings at which employers are required to remit up to two times per month to \$25,000 (from \$15,000)

BUILDING A NEW BRIDGE FOR THE ST. LAWRENCE

Budget 2014 proposes to provide \$165 million over two years on a cash basis to advance the construction of a new bridge for the St. Lawrence.

This project will be delivered by 2018, through a public-private partnership.

Tolls will be instituted on the new bridge when it opens to traffic in order to recover the cost of construction and pay for operating and maintenance costs going forward.

REHABILITATING AND IMPROVING MONTREAL BRIDGES

The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) manages federal bridges and other transportation infrastructure in the Greater Montreal Area, including the Jacques Cartier and Champlain Bridges, the Bonaventure Expressway, the federally owned portion of the Honoré Mercier Bridge, the Melocheville Tunnel and the Champlain Bridge Ice Control Structure.

Budget 2014 proposes to provide \$378 million over two years on a cash basis to JCCBI to fund repairs and to operate federal bridges and related structures in Montreal to support their ongoing safety.

- Increase the threshold level of average monthly withholdings at which employers are required to remit up to four times per month to \$100,000 (from \$50,000).

This measure will apply to amounts to be withheld after 2014.

tax & business ALERT has been prepared by LEVI & SINCLAIR, LLP for the general information of our clients, staff and other interested parties. The enclosed comments are of a general nature and are not intended to cover all aspects of the subject matter. Prior to implementing any planning based upon information in this publication, the specific facts pertaining to any particular situation should be carefully considered. We will be pleased to assist in this regard and to provide further details pertaining to the matters discussed herein.

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GRADUATED RATE TAXATION OF TRUSTS AND ESTATES

Budget 2014 proposes to apply flat top-rate taxation to grandfathered inter vivos trusts, trusts created by will and certain estates (including a number of consequential changes).

Two exceptions to this treatment are proposed.

First, graduated rates will apply for the first 36 months of an estate that arises on and as a consequence of an individual's death and that is a testamentary trust. This recognizes that estates require a period of administration and that estates are generally administered within their first 36 months. If the estate remains in existence more than 36 months after the death, it will become subject to flat top-rate taxation at the end of that 36-month period.

Second, existing graduated rate taxation of testamentary trusts for the benefit of disabled individuals will continue to be provided in respect of such trusts having as their beneficiaries individuals who are eligible for the federal Disability Tax Credit.

Also under this proposal, testamentary trusts (other than estates for their first 36 months) and grandfathered inter vivos trusts will not benefit from special treatment under a number of related tax rules, in particular:

- an exemption from the income tax instalment rules;
- an exemption from the requirement that trusts have a calendar year taxation year and fiscal periods that end in the calendar year in which the period began;
- the basic exemption in computing alternative minimum tax;
- preferential treatment under Part XII.2 of the Income Tax Act;
- classification as a personal trust without regard to the circumstances in which beneficial interests in the trust have been acquired;
- the ability to make investment tax credits available to a

RRSP DEADLINE—2013

March 3, 2014 is the deadline for contributing to an RRSP for the 2013 tax year.

December 31 of the year you turn 71 years of age is the last day you can make a contribution to your RRSP.

You can contribute to an RRSP under which your spouse or common-law partner is the annuitant until the end of the year your spouse or common-law partner turns 71.

trust's beneficiaries; and

- a number of tax administration rules that otherwise apply only to ordinary individuals.

Testamentary trusts that do not already have a calendar year taxation year will have a deemed taxation year-end on December 31, 2015 (or in the case of an estate for which that 36-month period ends after 2015, the day on which that period ends).

This measure will apply to the 2016 and subsequent taxation years.

ESTATE DONATIONS

Budget 2014 proposes to provide more flexibility in the tax treatment of charitable donations made in the context of a death that occurs after 2015. Donations made by will and designation donations will no longer be deemed to be made by an individual immediately before the individual's death. Instead, these donations will be deemed to have been made by the estate, at the time at which the property that is the subject of the donation is transferred to a qualified donee.

In addition, the trustee of the individual's estate will have the flexibility to allocate the available donation among any of

- the taxation year of the estate in which the donation is made
- an earlier taxation year of the estate
- or the last two taxation years of the individual.

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Readers are reminded that while budget proposals are customarily given the effect of law immediately, the amending legislation, when ultimately adopted by Parliament, may be altered to some degree.

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The current limits that apply in determining the total donations that are creditable in a year will continue to apply. A qualifying donation will be a donation effected by a transfer, within the first 36 months after the individual's death, of property to a qualified donee. In the case of a transfer from an RRSP, RRIF, TFSA or insurer, the existing rules for determining eligible property for designation donations will apply. In any other case, the donated property will be re-

quired to have been acquired by the estate on and as a consequence of the death (or to have been substituted for such property).

An estate will continue to be able to claim a CDTC in respect of other donations in the year in which the donation is made or in any of the five following years.

This measure will apply to the 2016 and subsequent taxation years.

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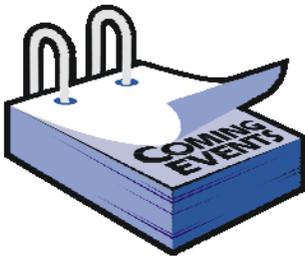
CRA Progress on Service Improvements

The CRA is moving forward with administrative and service improvements. The new services and improvements include:

- **Submitting Documents Electronically**—In April 2014 the electronic filing service will be expanded to allow the filing of amended T2 corporate returns, and in October 2014 businesses will be able to update their banking and direct deposit information online.
- **Authorized Representatives**—In April 2014 the ease and timeliness of authorizations will be further improved, as representatives will be able to transmit an electronic authorization request to the CRA, instead of having to submit paper forms.
- **Electronic Pre-Authorized Debit Service for Business**—In October 2014 business owners registered with My Business Account will be provided with a free online option for paying their taxes. In addition, the CRA will be providing businesses with a detailed payment history for all of their accounts, in one secure and convenient place.
- **Business Number**—The CRA continues to build partnerships with provincial and municipal governments as the CRA's Business Number rapidly becomes the common identifier for interactions between all levels of government and businesses. The CRA will be working to improve its online business registration service by removing some restrictions, enhancing authentication and improving the registration process.

Other Measures in the Budget

- Moving forward with the planning for and construction of a new Windsor-Detroit International Crossing to improve the flow of people and goods between Canada and the United States.
- To reduce the administrative burden on charities, the Government will modernize the CRA's information technology systems to permit electronic filing.
- Introduce anti-money laundering and anti-terrorist financing regulations for virtual currencies, such as Bitcoin.
- Make online casinos subject to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.
- The Government will require enhanced disclosure by banks on the costs and benefits of using powers of attorney or joint accounts and more robust bank processes and staff training.
- Economic Action Plan 2014 proposes to adjust the rate of excise duty on cigarettes, effective after Budget Day, to account for inflation since 2002. This measure will increase the rate of excise duty on cigarettes from \$0.425 per 5 cigarettes or fraction thereof to \$0.52575 per 5 cigarettes or fraction thereof (e.g. from \$17.00 to \$21.03 per carton of 200 cigarettes). This measure also includes corresponding increases in the rates of excise duty on other tobacco products (e.g. fine-cut tobacco for use in roll-your-own cigarettes, chewing tobacco and cigars), reflecting the inflationary adjustment in the rate for cigarettes.



ALERT DATES

| | |
|--------------------|---|
| March 31, 2014 | Deadline for filing income tax returns by an inter-vivos trust and other personal trusts with a December 31, 2013 taxation year-end. Filing date for T-5013 of partnerships. |
| April 30, 2014 | Deadline for filing personal income tax returns other than those permitted to file by June 15. |
| June 15, 2014 | Second installment due for individuals required to make income tax installments. Filing date for individuals reporting business income including professional income and their spouses |
| September 15, 2014 | Third installment due for individuals required to make income tax installments. |

ABOUT LEVI & SINCLAIR

LEVI & SINCLAIR is a firm of chartered professional accountants that traces its origin in Montreal to 1970. We pride ourselves on being more than just an accounting firm. We offer an effective blend of personalized service, experience and technological leadership, coupled with a steadfast commitment to consistently deliver excellence. Our Chartered Professional Accountants and Business Consultants provide advisory services on a broad range of issues to both our individual and corporate clients. The members of our firm possess unique talents, expertise and experience, giving our clients access to a knowledge base of considerable breadth and depth. Together with our support personnel, we share a commitment to developing practical solutions for the business challenges of today, and to devising strategies for tomorrow.

OUR SERVICES

LEVI & SINCLAIR takes pride in adding value to every client that we serve through our extensive expertise and proactive approach to your financial needs. We match our dedication to adding value with experience and expertise: we have experience in servicing virtually every type of industry and professional practice.

TAXATION

LEVI & SINCLAIR has a strong basis in federal and provincial tax issues. Our tax group is highly qualified and experienced. Our accountants work hard to minimize your taxes, yet make sure that you fulfill your tax requirements ethically while working to add value. We can fill a variety of tax needs, both domestic and international as well as corporate and personal. Our specialties lie in tax reporting and representation, tax planning (business, personal, divorce and litigation), tax structuring of entities and transactions and tax research.

FINANCIAL

LEVI & SINCLAIR can meet all of your basic financial needs with our exemplary Accounting Services Group that can truly add value whether it's your business or your personal finances that we are reviewing. We work with business entities as well as non-profits and foundations. Our accounting services include; auditing and compilation review of financial statements, budgets and forecasts, and government reporting. We won't simply process your financial statements, our mission is to add value. We will go the extra mile to help you forecast or locate opportunities that you may be missing.

BUSINESS CONSULTING

LEVI & SINCLAIR's Business Consulting unit has proven itself as a valuable resource to businesses of all kinds. We can help you plan your future, whether you see it coming or not. We can help you bring seminal business events to life; like mergers and acquisitions, business valuation, leases and contracts, or business development plans, all of which take a huge amount of planning and attention to detail. If there are no big events on your horizon, we can still be of service by helping you to anticipate the unexpected through our forecasting, real estate projections, risk management assessments, or our feasibility studies. We look at your business and all of its many facets, to find both issues and opportunities and bring that valuable insight to you.

LITIGATION SUPPORT AND DISPUTE RESOLUTION SERVICE AREAS

- **Civil and criminal Fraud Investigation**
- **Management and employee fraud and theft**
- **Identification of secret commissions and kickbacks**
- **Sarbanes-Oxley compliance audits**
- **Sarbanes-Oxley 404 audits**
- **Intellectual Property Litigation Support**
- **Training on fraud awareness and prevention**
- **Due Diligence Audits**
- **Business valuation**
- **Fairness opinions**
- **Insurance claim assistance**
- **Retail sales audits**
- **Contract dispute resolution**
- **Professional negligence litigation support**
- **Fraud prevention program design, implementation and evaluation**
- **Bank due diligence audits**
- **Employee background audits**
- **Financial discrepancy analysis**
- **Divorce litigation support**
- **Insurance claim quantification**
- **Breach of contract quantification**
- **Electronic Discovery and Data Recovery**
- **Computer forensics**

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