WMKL

Newsletter

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Wormald Masse Keen Lopinski LLP
Chartered Professional Accountants
& Business Advisors

In our ever-changing business environment, our goal is to be the one constant that our clients can trust and rely upon to provide the business, financial and advisory services they need at an outstanding value to them.

Congratulations

The Partners and Staff at WMKL would like to take this opportunity to congratulate team member Brandon Pollock and his new wife Kassandra on their recent wedding. Brandon and Kassandra said "I do" on April 30th. We wish you all the best in your new life as husband and wife!

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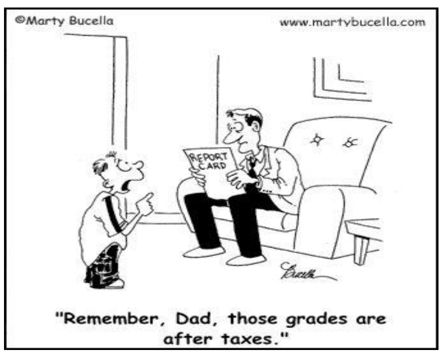
Welcome

WMKL would like to welcome three new summer co-ops from Brock University! Welcome to the team Dorothy Szymkow, Arin Leffler, and Larissa Hahamian!



The following article is reprinted from the newsletter Business Matters with the permission of the Chartered Professional Accountants of Canada:

Let's Incorporate

The incorporation process is relatively simple whether you incorporate provincially or federally.

As a sole proprietor, you may be looking back at last year's results and ahead to the time you have to pay your taxes, and wondering whether you might not be better off incorporating to control the income tax expense on earned income. In Canada, a company may be incorporated provincially or federally. Federal incorporation has some advantages:

- You can carry on business in any provincial jurisdiction using the federally approved name.
- The head office can be in any province.
- Books and records can be maintained in any province.
- Annual meetings can be held in any province or territory.
- If you are incorporated provincially and wish, for example, to move your business from Alberta to Manitoba, it would be necessary to dissolve the Alberta Corporation and reregister in Manitoba or apply for a discontinuance in Alberta and apply for a continuance in Manitoba. If your business is incorporated federally, you need only file Articles of Amendment indicating the head office is moving and register an extra-provincial corporation in its new home province.

Whether you are thinking of incorporating provincially or federally, the following are a few areas to consider:

Naming the Company

The corporation can have a name company or a number. If you incorporate using a number, you may also use a name (i.e., 1234567 Ontario Ltd. could also register itself as “Able’s Horse Stable”.) This name becomes “attached” to the registered number.

When conducting business using the trade name, you must still identify the company by its registered name. For instance, sales invoices could show “Able’s Horse Stable” but should indicate that the actual incorporation name is 1234567 Ontario Ltd.

The name chosen cannot be either identical or deceptively similar to existing registrants in the province. The name or number must be identified as a corporation by using the French or English forms of “limited” or “incorporated”.

Location

The head office of a provincially incorporated company must be located in the province of incorporation. The head office is usually at the same location as the operations but, if there is more than one operating location, a choice can be made.

Ownership and control are determined by the number of shares held.

Ownership

Shares must be issued in order for the company to be owned. The owners must decide among themselves the minimum number of shares that will be owned by each shareholder. The shares provide the owners with voting rights. Whether the corporation issues 10,000 or only 50 common shares with voting rights, the degree of ownership and control are determined by the proportion held by each individual. The value of each share is decided at the time of issue. If share value was set at $10 per share, then the holder of, say, 5,000 shares would have to remit $50,000 to the corporation to purchase ownership.

Private corporations may not have more than 50 shareholders. The residential addresses of all shareholder(s) must be provided for notification purposes.

Directors

All corporations must appoint at least one Canadian resident as a director. If four or more directors are appointed, 25% must be Canadian residents. The residential address of the directors must be provided along with the residency status.

Officers

In owner-managed businesses, it is not unusual for the shareholder(s), director(s) and officer(s) to be one and the same. It is not a requirement for officers to own shares or be directors of the corporation. However, in that officers manage the operations of the company, they are held to a high standard of stewardship and thus the appointments should not be taken lightly. The residential addresses of the officers must be provided.

Year-End Date

You will have to determine a fiscal year-end date for the corporation. Depending upon the date of incorporation and the business cycle, you may choose a year end other than the calendar year end. It is advisable to speak to your CPA about the best month end for your type of business and to maximize tax-deferral possibilities.

Auditor or Accountant?

Provincial acts of incorporation may require audits of financial statements. This requirement can be waived for non-publicly traded companies as long as all of the shareholders agree to waive the audit provision. Consent to waive an audit is required each year. Most business owners, their banks and creditors do not require audited financial statements; waiving audit provisions in favour of reports provided by a CPA is an acceptable alternative.

Even though the appointment of an auditor may not be required, it is wise to consider appointing a CPA as part of the incorporation process to assist in setting up the required books and records, tax accounts, business number, WSIB, employee payroll remittance accounts, HST or PST accounts and all the other regulatory registrations that may be specific to your business.

Seek Professional Advice

Incorporation requirements vary from province to province. The guidelines above are provided as general consideration as to what is normally required. Entrepreneurs considering incorporation should seek professional assistance in their jurisdiction to ensure the appropriate steps and documentation meet the requirements under their provincial incorporation act.

The following article is reprinted with the permission of Wolters Kluwer CCH Site Builder:

New mortgage financing rules took effect February 15

As the time for the traditionally strong spring housing market approaches, the current state of Canadian real estate is on the minds of a lot of Canadians these days. It's also a concern for Finance Canada, which has made a change to Canadian mortgage financing rules which took effect on February 15, 2016, in time for that spring housing market.

For a number of reasons, Canada's mortgage financing market never experienced the excesses which occurred in the United States, and which culminated in the mortgage and financial market meltdown in 2008-09. Nonetheless, the Canadian government was sufficiently concerned that it made a series of changes to the rules governing Canadian mortgage financing between 2008 and 2012. Those rules, all of which were aimed at ensuring that Canadians could actually afford the homes they wanted to buy, included the following:

- increasing the minimum down payment to 5%;
- decreasing the maximum amortization period to 25 years;
- limiting the maximum insurable house price to below $1 million;
- applying maximum debt service-to-income ratios; and
- applying a mortgage rate stress test for mortgages with terms of less than 5 years or variable rates.

The latest change in mortgage financing rules, announced in December 2015, is more targeted in nature. Specifically, the change affects only homes sold for more than $500,000. Since the average price of a home sold in Canada in October 2015 through the Multiple Listing Service was $453,000, this latest change will likely have the greatest impact in major metropolitan markets, particularly Toronto and Vancouver.

While the minimum down payment for purchasing a home in Canada is 5%, mortgage insurance is required where that down payment is less than 20% (The exception is homes purchased for $1 million or more, where the minimum down payment is 20%.) Such mortgage insurance is provided through a federal government agency, the Canada Mortgage and Housing Corporation, and backed by the federal government.

That new rule provides that the minimum down payment for new insured mortgages will increase from 5% to 10%, but only for the portion of the house price above $500,000. In other words, the minimum down payment on the first $500,000 paid for a home remains 5%, or $25,000. Once the home price is over that threshold, the required down payment effectively rises with increases in the price of the home.

The Department of Finance press release announcing the change can be found on the Finance website at www.fin.gc.ca/n15/15-088-eng.asp, and that press release includes a link to a Backgrounder providing additional details of mortgage financing rules in Canada.

The following article is reprinted with the permission of Wolters Kluwer CCH Site Builder:

Recent changes to federal retirement income programs

In recent years, there has been a great deal of public discussion about the availability (and the viability) of federal income support programs for retirees. It's not news that Canada's population is aging, and the demands placed on government-sponsored retirement income programs will of course increase as greater numbers of Canadians reach the age at which they will be entitled to receive monthly benefit payments from those programs.

There are, essentially, three federal retirement income programs which are generally available to Canadians. The first, the Canada Pension Plan (CPP), is a contributory program, meaning that individuals make contributions to their own CPP "accounts" throughout their working lives. Those contributions are matched by employers and the total of contributions made after the age of 18 is used to determine an individual's CPP entitlement later in life. An individual who is eligible to receive the CPP retirement benefit can choose to begin receiving it anytime between age 60 and age 70, with the amount of monthly benefit increasing for each year that receipt of that benefit is deferred.

The second major retirement income program – the Old Age Security (OAS) Program – is funded from general government revenues, and no contributions from individual Canadians are required. Eligibility for the OAS benefit is determined by how long one has lived in Canada after the age of 18. Generally speaking, an individual who has been a Canadian resident for 40 years after turning 18 will receive the full OAS benefit, while a pro-rated benefit can be received by those whose period of Canadian residency is shorter.

Finally, for lower-income seniors who are eligible for OAS benefits, the federal government provides the Guaranteed Income Supplement (GIS) and Allowance. The amount of the GIS and Allowance varies, depending on whether the recipient is or is not married, and how much income the individual or couple is receiving from other sources.

The three components of the federal government retirement income programs have been subject to a number of changes over the past several years. Generally, those changes have increased the age at which individuals can begin to receive benefits (as with the OAS program) or have created an incentive for individuals to defer receipt of benefits in order to increase the amount of monthly benefit to be received (as with the CPP.). In this year's federal Budget, more changes to federal retirement income programs were announced; however, this round of changes will generally be welcomed by retirees and soon-to-be-retirees.

Likely the most significant change announced in the recent federal Budget is the restoration of eligibility for Old Age Security benefits at age 65. For many years, Canadians who were eligible to receive benefits under the Old Age Security Program were able to start receiving those benefits when they turned 65. A measure implemented by the previous government, however, increased the age of eligibility for OAS benefits to 67, with the change to be phased in between 2023 and 2029. This year's Budget cancels that measure. All Canadians who are eligible to receive OAS benefits will be able to begin receiving such benefits the month after they turn 65.

Changes have also been announced to the Guaranteed Income Supplement and Allowance program. The GIS and Allowance is a needs-based benefit, in which an individual's income, or the combined income of a couple, is used to determine eligibility for and the amount of any benefit entitlement. There are many instances in which a senior couple must, for reasons beyond their control, live apart, such as when one member of a couple requires nursing home care. Inevitably, that means higher living costs for such couples. Changes will be made to current rules to ensure that couples in such circumstances will receive Guaranteed Income Supplement and Allowance benefits based on their individual incomes, which will mean higher benefits, better reflecting their increased cost of living.

Finally, the federal government announced in the Budget that a public consultation process will be held beginning later in 2016 with respect to the Canada Pension Plan. Fewer and fewer Canadians are covered by workplace pension plans, meaning a greater degree of financial insecurity after retirement. The federal government began discussions with the provinces in December 2015 on the question of whether enhancements to the Canada Pension Plan were needed in light of current workplace realities and the fact that Canadians are living longer in retirement. The federal government's intention is that inter-governmental consultation, together with the upcoming public consultation process, will lead to a decision on such enhancements before the end of this year.

These changes to Canada's retirement income system were all announced in the 2016 federal Budget, and are outlined in more detail in the Budget Papers, which can be found on the Finance Canada website at www.budget.gc.ca/2016/docs/plan/ch5-en.html#_Toc446106782.

Did you know?

1. A number of celebrities started out studying accounting, including novelist John Grisham, comedian Bob Newhart, jazz artist Kenny G., singer Janet Jackson, and Atlanta Falcons owner Arthur Blank.

2. Bubble gum was invented in 1928 by accountant Walter Dime.

3. Chicago crime boss Al Capone was brought down in 1931 by FBI accountants. Although allegedly responsible for everything from bootlegging to murder, he was convicted of income tax evasion.

Reminder

Don't forget to check out the WMKL website under our Taxation News Quick Links. Each month we post articles involving tax updates and tips as well as a Quarterly Newsletter for Personal and Corporate Tax.

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We encourage your feedback! Please send your comments or suggestions for future issues to:
Brittney Ransom at ransomb@wmklca.com

Disclaimer:

"I found the problem. We earn money 5 days a week, but we spend money 7 days a week."