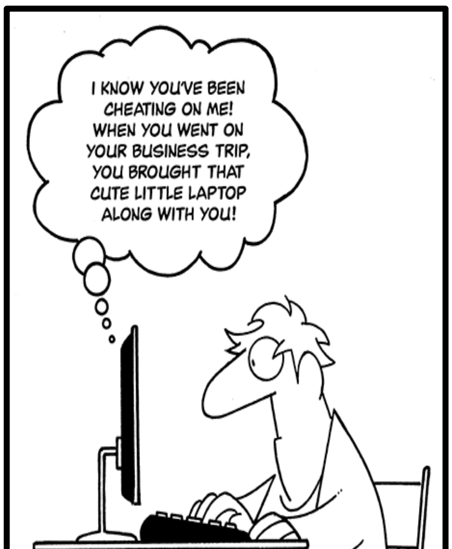
WMKL

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.

Inside this Issue



Newsletter

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Office Hours

As many of you may be aware, our office will be closed Friday afternoons beginning on June 5th and ending August 28th.

Our office hours will be as follows:

Monday 8:30 a.m. – 5:00 p.m.
Tuesday 8:30 a.m. – 5:00 p.m.
Wednesday 8:30 a.m.–5:00 p.m.
Thursday 8:30 a.m. – 5:00 p.m.
Friday 8:30 a.m. – 12:00 p.m.

Our office will also be closed Wednesday, July 1st for Canada Day & Monday, August 3rd for the Civic Holiday.

Regular Monday to Friday hours will commence in September.

Office Announcements

Nicole Keen, Brenna Murphy, Joseph Ross & Hiep Vo

WMKL's New Student Hires

WMKL is pleased to announce our new student hires. They will be trained on month end preparation and review.

Welcome Nicole, Brenna, Joe & Hiep!

Golf Tournament

On Wednesday, June 3rd, Wormald Masse Keen Lopinski LLP was the title sponsor for the ninth year in a row for the 2014 Peter Saracino Alzheimer Golf Classic. The tournament is an annual fundraiser for the Alzheimer Society Niagara Foundation.

Quite a few staff members participated in/volunteered for the tournament. The firm is committed to helping the Association reach its goals as several members of the firm have family members who have been affected by the disease. The tournament was another huge success for the Foundation, raising over **$35,000**.

The weather was beautiful and everyone enjoyed the day at Peninsula Lakes Golf Course. Thanks to all who participated and donated to the cause.

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

Getting a tax break for summer child care costs

As the end of the school year draws closer, and with it the start of two months of summer holidays, families who don't have a stay-at-home parent (and likely some who do) must start thinking about how to keep the kids supervised and busy throughout the summer months. There is no shortage of options—at this time of year, advertisements for summer activities and summer camps abound—but nearly all the available options have one thing in common, and that's a price tag. Some choices, like day camps provided by the local recreation authority can be relatively inexpensive, while the cost of others, like summer-long residential camps or elite-level sports or arts camps, can run into the thousands of dollars.

There is however, some help available from the tax system to help offset the cost of all those activities. While in all cases the available credits or deductions can be claimed for the cost of qualifying activities throughout the year, it's during the summer months that the bulk of those costs are incurred.

There are, essentially, three tax measures or programs which allow parents to claim a deduction or credit (depending on the program) for the cost of obtaining summer child care but the criteria imposed and the amounts which may be claimed are different for each one.

The deduction with the fewest restrictions is the child care expense deduction. That deduction also offers the greatest potential for tax savings (especially for parents in higher tax brackets) as the amount of eligible child care expenses is claimed as a deduction from income rather than as a credit. Consequently, the taxable income of the parent claiming the deduction is reduced by the entire amount of expenses claimable. There are limits imposed on the maximum weekly cost of a residential camp (ranging from $100 to $250), as well as restrictions on the total amount of child care expenses which may be deducted in a year. However, those overall annual limits, which range from $4,000 to $10,000, depending on the age and health of the child, with an overall cap of two-thirds of the parent's income for the year, are higher than those available under any other credit program available to help offset the cost of children's activity programs. There are two other such programs.

Parents can also claim the Children's Fitness Tax Credit for activities or camps which involve a minimum degree of physical activity. Parents are entitled to claim a non-refundable credit (meaning that the credit reduces tax otherwise payable, but cannot create or increase a tax refund) equal to 15% of the first $1,000 in qualifying costs per child per year. So, in other words, a camp which would have cost parents $600 per child will instead have a net cost of $510 ($600 minus 15%, or $90), after the credit is claimed on the parent's tax return for the year.

Parents whose children's interests run to less athletic pursuits, like art, music, theatre, or writing can claim the Children's Arts Tax Credit. This credit is very similar in structure to the Children's Fitness Tax Credit, but less generous. It provides a non-refundable 15% tax credit on up to $500 in eligible expenses per child per year. Claiming either the Arts or Fitness credit requires a minimum expenditure of $100 per child per year on qualifying activities.

Given the enormous range of activities available for children, it's not surprising that the federal government has found it necessary to provide detailed rules on what types of activities will and won't qualify for the two credits. And, while the possibility of a tax benefit should never drive the decision on which program or activity a child should be enrolled in, the availability of the credit might tip the balance between similar programs, or might make a program, camp, or activity which seemed financially out of reach more affordable.

In assessing whether a particular camp or program might qualify for either of the two credits, the first thing to note is that both credits are available only in respect of fees paid for children who are under the age of 16 at the beginning of the year. In other words, the last year for

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which the credit can be claimed is the year in which the child turns 16, assuming that all other criteria are met. Those criteria are as follows:

- the program must last for a minimum of 8 weeks, with at least one session per week or, in the case of children's camps, must run for 5 consecutive days
- the program or activity must be supervised; and
- the program or activity must be suitable for children.

Where the credit claimed is for the Children's Fitness amount, more than 50% of activities offered must include a significant amount of qualifying physical activities or, in the case of a program, camp, or membership in which participants can choose from a variety of activities, more than 50% of those activities must include a significant amount of eligible activities or more than 50% of the available program time must be devoted to eligible activities.

Where the credit claimed is for the Children's Arts amount the program requirements are, of course, different. To be eligible for the Arts credit, a program must:

- contribute to the development of creative skills or expertise in an artistic or cultural activity;
- provide a substantial focus on wilderness and the natural environment;
- help children develop and use particular intellectual skills;
- include structured interaction between children where supervisors teach or help children develop interpersonal skills; or
- provide enrichment or tutoring in academic subjects.

It's clear from the forgoing that the concept of "eligible activities" looms large in the determination of whether a particular cost may be claimed under either of the credits. For both credits, the rules provide a specific definition of eligible activities, and those definitions are outlined on the Canada Revenue Agency (CRA) website at www.cra-arc.gc.ca/tx/ndvdls/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns360-390/365/prgrm-eng.html and at www.cra-arc.gc.ca/tx/ndvdls/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns360-390/370/prgrm-eng.html.

Often, particularly in the case of residential camps or sports or arts camps, charges are levied for such costs as accommodation, travel, or food, or parents must incur costs to outfit the child with required equipment to use at camps. Costs paid by parents for non-activity related charges, like food, travel, and accommodation do not qualify for either of the credits and must be subtracted from the total fee paid. As well, the cost of equipment purchased by parents from third-party suppliers is not a qualifying cost for purpose of the credits.

It's easy to see that expenditures made for summer activities could qualify for both the child care expense deduction and for one or the other of the Children's Fitness or Arts Tax Credit. It's not, however, possible to double or triple dip when it comes to expenses related to children's activities. Expenses which are claimed under any of the three possible categories (child care expenses, Children's Fitness Tax Credit, and Children's Arts Tax Credit) can be claimed only once, even if they might, by definition, qualify under more than one provision.

Where the same expenditure will qualify for both the child care expense deduction and the Children's Fitness or Arts Tax Credit, the CRA requires that the parent first claim that amount as a child care expense. Any part of the expenditure which is not claimed as a child care expense (perhaps because the maximum limit for such expense claim has been reached) can be claimed for the Children's Fitness or Arts Tax Credit, as long as the usual requirements for the particular credit are met.

While both the Children's Fitness Tax Credit and the Children's Art Tax Credit are relatively simple in concept, the criteria imposed for an activity to qualify and the number and variety of possible qualifying programs and activities can be confusing. To alleviate some of that confusion, for both parents and sponsoring organizations, the CRA has provided detailed information about the requirements of the Fitness Tax Credit on its website. That information can be found at www.cra-arc.gc.ca/tx/ndvdls/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns360-390/365/menu-eng.html, and the corresponding information for the Arts Tax Credit is available at www.cra-arc.gc.ca/tx/ndvdls/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns360-390/370/menu-eng.html

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

Improve the Bottom Line

Increasing revenue is not the only way to improve the bottom line.

Businesses are constantly trying to improve the bottom line. Better profits usually reflect good cash-flow management, cost control, incentivized employees and loyal, hard-working management. Profit growth also enables the business to build cash reserves for future expansion, investment, or the proverbial rainy-day fund.

Little Things Mean a Lot

When trying to pare costs, management usually looks first at the big-ticket items such as labor and machinery because they create more visible and measurable dollar amounts. There are, however, a number of other areas where small savings can add up to large savings and an improved bottom line over time.

Insurance Coverage

Automatic renewal for office, equipment or fleet ensures you will always pay more than you need. Brokers have little incentive to find the lowest rates if they know you will accept the yearly invoice.

Travel

Frequent travelers should consider booking well in advance of the trip, or booking flights later in the day if reduced rates are available.

Zero-Based Budgeting

Budgets are often prepared by simply adding a percentage to last year's items. Many things can change in a year and you may be budgeting more than you need. Try to start from scratch and have preparers justify each cost. For instance, last year's fuel costs may be budgeted when fuel prices were higher or more work was being done.

Credit Cards

Ensure credit cards are cleared monthly. Arrange a line of credit that can be used to pay off the high-interest credit cards in times of poor cash flow.

Withholding Taxes

Pay withholding taxes on time. Penalties and interest add up if a business is a repeat offender.

Tax Installment Payments

Canada Revenue Agency charges interest if corporations do not pay their taxes according to the installment schedule. Review the requirements for the current year using last year's numbers. If budget forecasts expect taxable income will be down, consider reducing installment payments to moderate the cash outflow and perhaps reduce interest costs on the business line of credit.

In-House Kitchen

Consider having a small in-house kitchen for staff coffee breaks and brown-bag lunches. The cost of establishing the facility and providing beverages for staff and guests could well be offset by reducing the cost in both money and the time for employees to leave the premises for their regular run to the local restaurant.

Traffic Laws

Obeying the speed limit and all other traffic laws reduces the cost of driving. Fines incurred by an employee while driving a company vehicle may be an additional cost for the company, particularly with respect to increased insurance premiums.

Off-Hours Deliveries

If possible, arrange to make service calls or deliveries before or after peak travel time. Not only will there be savings in fuel as well as in the wear and tear on the vehicle, but staff will also be more productive: they are being paid to provide the service, not to sit in traffic.

Track equipment and vehicle costs on a per-unit basis.

Equipment Costs

Tracking the purchase price and depreciation of equipment and vehicles on a per-unit basis along with insurance, fuel, repairs and maintenance provides insight into the true cost of the unit. These costs can be compared to the charge-out rate to determine whether the unit is paying its way.

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Communication Costs

At least once a year inventory all communication devices and review their carrying costs and the cost of the separate fax lines, long distance plans and Internet. It is worth investigating whether SKYPE could cut the cost of meetings and training.

Invoicing

Use email to send invoices and encourage payment with debit cards or email transfers. The increased speed of payment available with modern technology improves cash flow and reduces interest costs.

Project Management

If you manage each job as a project, resources such as material, equipment and labour, can be allocated to that specific job. Budgets are thus better controlled and benchmarks are established to measure costs and avoid overruns on future jobs. Cost-to-job monitoring of individual employees allows evaluation of skills and efficiencies for training and remuneration.

Reduce the Number of Accidents

Accidents are costly for companies. Losses to employee productivity and increased business insurance costs, in addition to costly Workplace Safety and Insurance Board (WSIB) claims and legal fees, can be reduced by ongoing safety training and education. It's well worth the effort.

Energy Audit

An energy audit will show you where savings can be achieved by installing insulation, replacing older equipment or something as simple as using timers, motion detectors and LED lighting for the factory and office.

End of the Day

Encourage staff that need personal time during the week to do so at the end of the work day rather than in the morning or during lunch break. If their appointment is later, the additional time spent waiting in the doctor's office is not company time. Such an approach reduces lost time and increases productivity.

8:45

Suggest that staff arrive 15 minutes before their shift starts. This allows time to get a coffee, use the facilities and exchange the usual niceties that cut into productivity. Fifteen minutes a day for 10 employees working 250 days is 625 hours. At $20 per hour the cost is $12,500.

Greater Productivity

Improving the bottom line does not mean that employees and management have to make costly changes or sacrifice existing working arrangements. As illustrated, instituting small measures will not only strengthen the bottom line but will also undoubtedly improve productivity.

"I don't want to bring all of my emotional baggage on vacation. How much can I fit into a carry-on?"

Money fibs well- meaning

Only half of Canadians say they always tell the truth when discussing their finances with a partner/spouse, friends, family or co-workers, finds a poll for BDO Canada. Of those who don't, the top reason cited for bending the truth is to protect loved ones from stress or worry (36%). In other words, they're lying for your own good. Feel better?

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:
Ashley McCormick at mccormick@wmklca.com
