

Business Matters

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TAXATION

Tax Planning for 2016

The new Liberal government has proposed a few minor changes to personal income taxes for 2016 and beyond.

The election of a new government in Ottawa is often accompanied by changes to the way income is taxed. The last federal election was no exception. The changes announced in the March 2016 budget that will impact many taxpayers are as follows:

Family Tax Cut

Spousal income splitting was eliminated. In the past, one spouse or common-law partner could transfer as much as \$50,000 of taxable income to the other to save up to \$2,000 in income taxes. This option will no longer be available.



Child Tax Benefit

Taxpayers with children are familiar with the Canada Child Benefit (CCB) tax-free monthly payment and the taxable Universal Child Care Benefit (UCCB) that were designed to assist parents with the cost of raising children under the age of 18.

The new budget proposes that the CCB will provide as much as \$6,400 per child under the age of six and \$5,400 for children from six to 17. As can be expected, the benefits will not apply equally to all income categories. Levels of payout will be adjusted for those whose family income is between \$30,000 and \$65,000 and those who earn in excess of \$65,000. If family income exceeds \$200,000, there will be no benefits.

Indications are that the CCB will not be taxable and will not be included in certain federal income-test programs such as the Registered Disability Savings Program (RDSP). The new structure will be based upon the adjusted net family income for the 2015 tax year. Because the amount of the benefit will be tied to family income, benefits will be reduced as income rises.

Labour-Sponsored Venture Capital

Up to now, the federal government has permitted the creation of labour-sponsored venture capital corporations (LSVCCs) at both the federal and provincial levels. Prior to 2015, individuals purchasing \$5,000 worth of shares in such corporations each year received a 15% federal tax credit. The credit was reduced to 10% in 2015. The federal government proposes to restore the credit to 15% for provincially registered LSVCCs for 2016 and thereafter but will reduce the credit to 5% for federally sponsored LSVCCs in 2016, then eliminate it. This is part of the federal government's plan to close the federal part of the program altogether.

Education

Post-secondary

Individuals attending post-secondary educational institutions could previously claim tuition fees plus an education and textbook amount based upon the number of part-time or full-time months of attendance at a qualified institution. For 2016, the federal education and textbook amounts will be eliminated. The tuition fee amount will remain intact.

Teacher tax benefit

There are teachers and early childhood educators who may spend their own money on classroom supplies. To offset these out-of-pocket expenses, a new Teacher and

Early Childhood Educator School Supply Tax Benefit will be introduced. A licensed and certified teacher can now purchase up to \$1,000 worth of school supplies each year and receive a tax credit of 15% that should provide a tax savings of up to \$150 each year.

Tax Free Savings Account

The tax free savings account will be reduced from \$10,000 per annum to \$5,500 for the 2016 tax year. In that the 2015 tax budget increased the former limit of \$5,500 to \$10,000, it is assumed the taxpayer will not be penalized for taking advantage of the \$10,000 limit when tax planning in the start-up months before the March 2015 budget.

Home Buyers' Plan

The Home Buyers' Plan (HBP) allows first-time home buyers to withdraw up to \$25,000 from their RRSP to purchase or build a home without having to pay tax on the withdrawal. The current plan required the amount to be repaid over a 15 year period. The government will now allow taxpayers faced with significant life changes (e.g., job relocation, death of a spouse, marital breakup or the requirement to house an elderly family member) to borrow from the RRSP without tax penalty.

Employer EI premiums are waived for young hires.

EI Break

The budget proposes to waive the Employment Insurance (EI) premium for 12 months for companies that hire individuals between the ages of 18 to 24 if they are hired into a permanent position in the years 2015 to 2018 inclusive. A minor reduction of the EI rate after the first year of hiring is contemplated as well.

Small Business

The previous government planned to reduce the small business tax rate from 11% in 2015 to 9% by 2019. The 2016 reduction to 10.5% is frozen with no further reductions planned.

67 to 65

The former Conservative government raised the age of eligibility to collect Old Age Security (OAS) from 65 to 67 starting in 2023. The new rules of the Liberal government will return the age of eligibility to 65. This age drop applies equally to the Guaranteed Income Supplement. Both programs will be adjusted to a new Seniors Price Index to reflect the actual rising cost of goods and services.

Personal Tax

Tax cuts are always welcome. If all goes as planned, middle income individuals (i.e., those earning between \$45,283 and \$90,563 per annum) will have their tax bracket lowered. This table provides the tax bracket as well as a comparison of 2015 and anticipated 2016 federal tax rates.

| Income | 2015 | 2016 |
|------------------------|------|-------|
| \$45,282 or less | 15% | 15% |
| \$45,283 to \$90,563 | 22% | 20.5% |
| \$90,564 to \$140,388 | 26% | 26% |
| \$140,389 to \$200,000 | 29% | 29% |
| Over \$200,000 | 29% | 33% |

Automobiles

The automobile allowance rate for the 2016 taxation year is 54 cents per kilometre for the first 5,000 kilometres driven, and 48 cents per kilometre after that. Add four cents per kilometre in the Northwest Territories, Yukon, and Nunavut. This is a reduction of one cent per kilometre.

The following amounts are unchanged:

- capital cost for vehicles: \$30,000 plus applicable taxes
- leasing rate for vehicles: \$800 per month plus applicable taxes
- monthly interest deduction: \$300 per month
- taxable benefits associated with employer-owned or employer-leased vehicle available to employees.

The personal portion of automobile operating expenses paid by employers for 2016 is reduced from 27 to 26 cents/kilometre. If the taxpayer is selling or leasing vehicles as a mainstay of employment, the rate will be reduced to 23 cents/kilometre. These personal portions are taxable.

Little Changed in 2016

Changes to the tax system for individuals will not have a significant impact on the take-home pay for the average taxpayer and will not, for most, change the information required for preparation of the 2016 personal income tax returns.

TECHNOLOGY

Business Apps You Must Have

These apps may help you optimize your work when you are mobile.

TeamViewer

Two similar and occasionally underrated tools for business are remote control of other devices and screen sharing. Screen sharing is a critical tool, not just for one-way meetings and presentations, but also for interactive collaboration among colleagues in different locations. Remote control is useful not only for



troubleshooting and technical support, but also as a convenient way of using multiple separate computers or devices from a single workstation, regardless of where the computers are physically located.

In the screen-sharing camp, tools such as GotoMeeting, join.me and Skype for Business are also popular. For remote control, in addition to built-in or bundled options such as Windows Remote Desktop, Chrome Remote Desktop, and Mac OS X Screen Sharing, more feature-rich or cross-platform tools are also available, such as various VNC-based tools like RealVNC.

TeamViewer includes both functions, and supports a wide range of platforms, including Windows, Mac OS X, Linux and Chrome OS on the desktop, and Android, iOS, Windows and BlackBerry on mobile. This app is free for non-commercial use such as family and friends; one-time commercial licences start at CDN\$759.

Scanner by JotNot Pro

Ever want to make a copy of a client quote or a sales document while at a remote location but had no photocopier or scanner with you? For simple tasks, the built-in camera app and email might be sufficient to snap a picture and send it by email. A dedicated scanning app, such as Scanner by JotNot Pro, may offer features like cropping and image processing to tidy up the picture and then save it as a PDF or JPEG.

Once the scan is complete you can send it off by email or into iCloud, Dropbox or a number of other storage facilities. The software allows you to password-protect files, sort data by name or date or rename or delete files on your smartphone.

By importing a Word or PDF document into your smartphone and entering the fax number, a fax can be sent to any U.S. or Canadian fax number by simply tapping the **Send** icon.

Consider a video conferencing app for your business.

Video Conferencing

Video and voice conferencing are useful business tools to connect colleagues, vendors and clients. Skype allows for video and audio communication and is widely available on nearly any platform including desktop operating systems, mobile devices, and even Xbox consoles.

Skype for Business (formerly Lync), however, is an internal business communications tool, generally for medium or large-sized companies, that now comes bundled with Microsoft Office 365.

Many other video conferencing apps can be considered for your business. Apple's Facetime, included for free on Apple's devices, may be suitable if most of the people you work with primarily use iOS or a Mac. Unfortunately, Facetime is not cross-platform compatible. Google Hangouts is a free Google platform alternative which, in addition to Android, is also available for iOS and most computers via a web browser.

Margin Calculator

Although fully functioning spreadsheet apps such as Microsoft Excel, Apple Numbers or Google Sheets can handle more than just margins and taxes. For quick answers to relatively simple problems, an app such as iMargin (iOS), or Margin Markup Calculator (Android) might suit your purpose.

The software instantly calculates the markup or margin to keep a reasonable profit when negotiating the sale. If you want to determine a markup based on a selling price, enter the cost and the selling price, and the markup amount and percentage are displayed. Selling to a foreign entity? Some apps offer an upgrade for an additional fee to include a currency converter, although there is always the free option to convert currency via a separate app.

AirDroid

Big fingers, little keyboard, make typing, dragging or accessing items on your smartphone a productivity nightmare. Enter AirDroid 3, an app that allows access to everything on your Android phone through your Windows or Mac computer or web browser.

The free app can be enhanced with other features such as unlimited file transfer by remote transfer with one GB for Windows or Mac and 100 MB with Web. You also have the ability to connect six devices to the software using one AirDroid account. The app also allows you to see through the lens of your camera remotely and will take pictures of individuals attempting to unlock your smartphone. And it also permits dialing phone numbers remotely from the Web and talking on the phone. The premium app costs US\$1.99 per month or US\$19.99 annually.

If you use an iOS device and a Mac, there is no need for an app like AirDroid since many of those capabilities are already included for free, such as Handoff, AirDrop, AirPlay and iCloud.

Android Device Manager/Find my iPhone

Anyone who has lost their wallet or handbag knows the gut-wrenching panic that sets in knowing the problems that arise with lost identification. Magnify that 100 times when your smartphone, with all client contacts, emails, and calendar data is lost. Both Android Device Manager (for Android devices) and Find my iPhone (for iOS devices) are a free-platform solution. For peace of mind, you should install this app on your smartphone as soon as you get it. Both apps allow you to locate the devices tied to your Google or Apple account, respectively. For a selected device, you can lock the screen (requiring a password), display a message and, if necessary, erase all data on the phone. Both services allow tracking via the app, which is useful if you have another device on the same platform, such as from a tablet; both can also be accessed on a PC via a website.

MANAGEMENT

Workplace Literacy

Improved employee literacy is essential to meet the challenges of changing markets.

Literacy

Literacy: “The ability to understand and employ printed information in daily activities, at home, at work and in the community — to achieve one’s goals and to develop one’s knowledge and potential” (Definition provided by the International Adult Literacy and Skills Survey)

We live in a country where we take literacy for granted. After all, we spend millions on our education system and pride ourselves in having some of the best universities in the world.



And yet, 42% of Canadian adults between the ages of 16 and 65 have low literacy skills. What is considered literacy? Studies focus on three categories:

1. **Prose literacy:** the ability to understand and use information from texts such as editorials, news stories, poems, and fiction.
2. **Document literacy:** the ability to locate and use information from documents such as job applications, payroll forms, transportation schedules, maps, tables, and graphs.
3. **Quantitative literacy:** the ability to perform arithmetic functions such as balancing a chequebook, calculating a tip, or completing an order form.

Employers may not realize the negative impact that low literacy skills have on their bottom line. Issues that accompany low literacy include:

- inability to understand safety rules
- inability to interpret and explain work-related issues to fellow employees or those they are training, thereby lowering the standards of excellence throughout the business
- inability to problem solve with reference to manuals, government documents, schematics, graphs, etc.
- increased in-house training costs to produce goods and services and carry out corporate policy
- lost opportunities to promote individuals with skills but who cannot meet established deadlines, work within budget, or understand quality assurance guidelines
- risk of accidents or errors when individuals cannot calculate simple maximum weight or height capacities of equipment
- lost productivity when employees cannot adapt to new instructions
- lost revenue when employees make errors in cost calculations

Essential Skills

When the Conference Board of Canada asked the question “Is Canada’s workforce sufficiently skilled?” in a June 2014 document, the answer was:

No. Given that Canada is a leader in post-secondary educational attainment, one might reasonably expect that the country would also be a leader in adult skills. Yet Canada and most provinces do relatively poorly on adult literacy, numeracy and problem-solving skills, earning mainly “C” and “D” grades.

To improve on these standings, Human Resources and Social Development Canada has identified nine essential skills needed to improve workplace literacy:

1. reading
2. document use (understand electronic and paper formats)
3. writing
4. numeracy
5. oral communication
6. thinking
7. digital technology
8. working with others
9. continuous learning (ability to increase knowledge and adapt to change)

The Canadian workplace is experiencing a shortage of skilled labour as older, experienced persons retire. To fill the gap, employers are required to hire younger, less experienced individuals and immigrants.

Technically skilled workers may not be promoted because they lack literacy skills.

Younger employees may have advanced entry skills in some of the aforementioned attributes (e.g., continuous learning and computer use) but lose opportunities for promotion because they lack skills in communication, numeracy or writing.

Immigrants certainly have job skills, but the inability to use either official languages creates a learning problem in the workplace.

Future Success

If Canadian businesses want to succeed, management must examine current operations and imagine what skills will be needed five to 10 years down the road.

Because changing markets will require highly literate employees, more time and money will have to be spent within the organization to increase employee competence.

To make this happen, employers will need to identify the literacy levels of current employees and then be prepared to invest more time and money on organizational training. Such training should not only reinforce such basic skills as reading, writing and arithmetic, but also encourage development of the other essential skills that promising employees may lack.

MANAGEMENT

Protecting Your Future

Simple precautions will protect your personal and corporate information if natural disaster strikes.

The fires in Alberta show how quickly natural catastrophes can totally disrupt personal and business life. Technology is now available to protect you from losing important information when disaster strikes.

On a Personal Level

Financial institutions need tangible evidence of your existence. Even if the originals of documents are destroyed, you can reassert your identity with photographs. Take pictures of the front and back of all credit cards, debit cards, health cards, social insurance cards, driver's licences, vehicle insurance cards, etc. Keep all original birth certificates, passports, change-of-name documents, adoption papers, copies of power of attorney, living wills or other caregiver instructions as well as appraisals of jewellery, artwork, collectible or other valuable insured items in a fireproof safe or safety deposit box.

Scan and add to the safe all documents that record RRSPs, RRIIFs, investment and your Notices of Reassessment for the last six years to establish your income tax history.

Such a program will mean that businesses should seek outside help to assess the literacy needs of all employees, seek assistance with sourcing appropriate programs, hire knowledgeable experts, and work up a budget and schedule training as a necessary part of the workplace model.

Long-Term Benefits

The end result of improving literacy skills will be less time lost because of accidents, fewer insurance and workplace safety claims, improved product quality and greater productivity. Both employees and employers should reap the rewards and benefits.



Take pictures of all household furnishings. Not only will these be beneficial for insurance purposes, but they will also provide you with images to use when rebuilding your new home.

Use the highest resolution on your camera or smartphone so all names and numbers can be read when enlarged.

Take pictures of assets and serial numbers.

On a Business Level

Take pictures of all movable assets along with their serial numbers. Re-establishing ownership is easier if you can prove the asset belonged to your business. Scan or take pictures of both sides of all credit and debit cards.

Scan at least one Goods and Services report or Corporate Notice of Assessment to provide the business number.

Scan all important business documents:

- loan agreements
- insurance policies
- lease agreements
- articles of incorporation and resolutions that establish shareholders, directors and officers of the corporation
- bank account numbers, credit card numbers, etc., together with passwords
- invoices for capital asset purchases

Corporate History

If your business is destroyed *the history of your success may disappear*. Your accountant and lawyer may have copies of financial statements, tax returns and contracts, but what if their business suffers the same calamity as yours? *Ensure your future is supported by the success of your past*. Scan all financial statements and tax returns and back them up to USB drives, external hard drives or your cloud storage. If you cannot find your past data your accountant or lawyer should be able to PDF it to your computer for transfer to your remote storage facility.

Maximize Loss Recovery

Purchase an encrypted USB drive and an encrypted external hard drive and copy all data onto them. Store the USB in your safe and keep the hard drive at some other secure location such as a fireproof safety deposit box at your bank.

Perhaps the safest storage site of all is on the cloud. There are hundreds of cloud storage services available and thus the only question is how much storage do you need and how much will it cost. Companies such as Google, I Drive, and Microsoft offer a range from five GB to 15 GB for free and expanded storage services for a fee. Dropbox Pro offers a Terabyte of storage for about \$10 per month.

Use one of the many web-offered password managers to store your passwords. For about \$20 a year, they are a good long-term strategy. Make sure you store the password to log on to the password manager itself in a safe place.

Physical Security of Data

Important articles stored in the basement are more likely to survive because the basement does not usually get as hot as the burning structure above. If you are going to use a fireproof safe, ensure the ratings are at least in the 1750 F (955C) ranges. The best place to store the safe is in a corner. However, any extreme heat over an extended time will eventually erode even the most fireproof safe.

Precautions Reduce Anxiety

Recording personal and business data will not eliminate the heartbreak and stress that accompany such unfathomable tragedies. The use of multiple means to back up important personal and business data, however, will go a long way to reducing the anxiety and frustration that will accompany the long process of rebuilding your personal and business lives.

Disclaimer:

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