

2011 Personal Income Tax

Once again we are gearing up for personal tax season. Many of you have already started receiving tax slips and other tax information.

To help keep it all together we are enclosing our Personal Tax Envelope and Checklist. For those of you receiving our newsletter electronically, you'll still receive your Tax Organizer envelope in the mail. Please review the checklist to help ensure you have everything we will need to prepare your return. You can download a more detailed checklist from our website (www.schwabco.ca > Info Centre > Client Tax Organizer). Tracy or Crystal will be contacting you to setup an appointment.



We are excited to announce that as of May 3 our office will be located at #105 – 1234 Southview Drive SE (behind Servus Credit Union). To facilitate the move, the office will be closed May 1 and 2. We anticipate a smooth transition from our old office; however we apologize in advance if you experience any difficulties locating or contacting us. Stay tuned for details on our open house.

Sound Advice Newsletter

For a year now, we've had a bi-monthly newsletter called Sound Advice available via email. If you have not received it, but would like to, send an email with the subject "Subscribe to Sound Advice" to soundadvice@schwabco.ca.

"Specified Foreign Property" Reporting Requirement

Canadians, including individuals, corporations, trusts and partnerships, must report Specified Foreign Property (SFP) with an aggregate cost of \$100,000 or more on their tax returns. SFP includes amounts in foreign bank accounts, shares in foreign companies, interests in non-resident trusts, bonds or debentures issued by foreign governments or foreign companies, interests or units in offshore mutual funds, real estate situated outside Canada and other income-earning foreign property. SFP **does not** include property used **mainly** for personal use and enjoyment, such as vehicles, vacation properties, artwork, etc. However, if you purchased a vacation property and the funds used to purchase the property were deposited with a foreign person, those funds would be considered SFP and may have to be disclosed in the year of purchase.

The penalty for failing to report your SFP can range between \$100 and \$2,500. Generally, after 24 months, the penalty is 5% of the cost of the foreign property less any penalties already levied. If you have SFP let us know to we can complete Form 1135. If you have SFP which has never been reported, we can file the required forms under the Voluntary Disclosure Program and avoid the application of penalties.

Brooks & Bow Island Hours

For the upcoming personal income tax season our hours are as follows:

Brooks office

- ★ Every Thursday from 11:00 am to 2:30 pm commencing March 8th to April 26th.
- ★ Located in Thompson Schindle Green's office @ 440 – 2nd Street W.

To set up an appointment phone 403-362-7202. All calls are forwarded directly to the Medicine Hat office.

Bow Island office

- ★ Every Tuesday from 12:30 pm to 3:00 pm commencing March 6th to April 24th.
- ★ Located in Bolton Bishop's office @ 137 – 5th Avenue E.

To set up an appointment phone 403-527-9760.

QuickBooks Tip

Sending QuickBooks

Forms Via Email

You can email forms and reports directly from QuickBooks using Outlook, Outlook Express or another web mail service such as Yahoo, Gmail or Hotmail. You can email invoices, estimates, credit memos, overdue invoices, almost overdue invoices, paystubs, purchase orders, reports, sales orders, sales receipts and statements. When you email a document, the recipient receives it as a PDF attachment along with a cover note. Reports can be sent in either PDF or Excel format. To setup the information required:

- ★ In your Company Preferences for Send Forms (Edit/Preferences) you can edit the default cover notes.
- ★ Your Company's email address is specified in your Company Information.
- ★ Email addresses for customers, vendors and employees are specified in the Address Info tab of their information window.

If you are using QB 2009 or an earlier version we recommend updating to the latest which is 2012. If you would like assistance or more information, please contact our office.

Jon S. Schwab, C.A.
JonS@schwabco.ca

Teresa D. Schwab, C.A.
TeresaS@schwabco.ca

Scott J. Milroy, C.A.
ScottM@schwabco.ca

Amy J. Lemon, C.A. - Associate
Cindi Schulz – Articling Student
Matt Wilson – Bookkeeper & Technician
Annie Chow – Bookkeeper & Technician
Tracy Klein – Admin Assistant
Crystal Jesse – Admin Assistant

CPP Changes

The changes that have come into effect on January 1, 2012, impact individuals aged 60 to 70 who have started collecting their CPP Benefits.

- ★ Individuals under age 65 will be subject to CPP premiums on employment or self-employment income, even if they are already collecting CPP.
- ★ Individuals age 65 to 70 will be subject to CPP premiums by default, but may elect out of CPP premiums. To elect out, an election (form CPT30, Election to Stop Contributing to the Canada Pension Plan, or Revocation of a Prior Election) must be completed, the original filed with the CRA and copies provided to each employer. The election is effective the month following the month of filing with the CRA.
- ★ Individuals contributing to CPP while already collecting will receive a "post-retirement benefit", which will be effective the calendar year following the premium payment.
- ★ Also, an individual aged 60 or older will no longer be required to cease work to qualify for early CPP benefits.

Kiddie Tax

The "kiddie tax" applies to split income situations when minors acquire shares (normally in a company controlled by a parent). Any dividends received by the child are subject to this additional tax. Effective, March 22, 2011, this tax will also apply to any capital gains realized by the child on the eventual sale of the shares.

Late T-Slips – Beware of the Penalties

If you fail to report an amount on your return for 2011 **and** you also failed to report an amount on your return for 2008, 2009 and 2010, you may have to pay a federal and provincial repeated failure to report income penalty totaling 20% of the unreported income.

Therefore, if you receive a T-slip after your return has been filed a T1-Adjustment should be prepared before the CRA reassesses. This will avoid the assessment of penalties on the additional income.

Tax Advantages of Children

The following is a summary of some of the benefits and credits available to families with children:

- ★ Tuition & Education Expense credit – Children in post secondary education may be able to transfer up to \$5,000 in tuition credits to you, as long as they lower their own tax payable to zero first. That's a maximum tax savings of \$1,250. Starting in 2011, fees paid to take exams that are required for a professional designation, license or to become a certified trades person qualify for tuition credits. Also, fees paid to study at a foreign institution qualify if the period of study lasts for a minimum of 3 consecutive weeks (previously 13 weeks).
- ★ Child Care Expenses – If your kids went to daycare or summer day camp, you may be able to claim the money you spent as a deduction.
- ★ Children's Fitness Tax Credit – You can claim up to \$500 per child for fitness programs, teams and lessons for children under 16 years of age. That's a \$75 tax savings per child.
- ★ Children's Art Credit (NEW) – You can now claim money spent on programs for fine arts, music, performing arts, outdoor wilderness training, learning a language, studying a culture, tutoring and more. It's similar to the fitness tax credit in that you can claim up to \$500 per child.
- ★ Amount for Children Under 18 – You can claim \$2,131 per child for children under 18 years of age at the end of the year. That's a \$320 tax savings per child.

Hiring Credit for Small Businesses

This is a new one time credit of up to \$1,000 based on the increase in a small business' employment insurance premiums paid for 2011 over those paid for 2010. The credit is available to employers whose total EI premiums were at or below \$10,000 in 2010.

The CRA will automatically calculate the amount of your HCSB credit using your T4 information returns and will credit the amount to your payroll account. Once they have done this, you can reduce your next remittance by the amount credited.



2012 Mileage Rates

Employers can reimburse employees for business use of their personal automobiles at the following rates and the allowance will not be taxable to the recipient:

- ★ \$0.53 per km for the first 5,000 km
- ★ \$0.47 per km after the first 5,000 km



- ★ Annie Chow also joined us last April to help out during tax season. Annie has her Business Admin diploma from the College. She has stuck with us while pursuing her Bachelor of Commerce through the University of Athabasca.



- ★ Tracy Klein joined us last year around this time as the full-time administrative assistant.
- ★ Cindi Schulz has enrolled in the CGA program and is working towards her CGA designation.

Office Update