TAX STRATEGIES FROM

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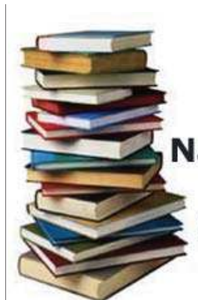
YEAR-END TAX PLANNING

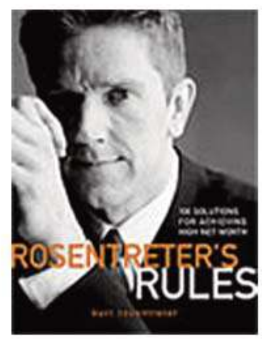
1. Certain expenditures made by individuals by December 31, 2008 will be eligible for 2008 tax deductions or credits including: moving expenses, child care expenses, safety deposit box fees, charitable donations, political contributions, medical expenses, alimony, eligible employment expenses, union, professional, or like dues, carrying charges and interest expenses, certain public transit amounts, and children's fitness amounts.
2. You have until March 2, 2009 to make tax deductible Registered Retirement Savings Plan (RRSP) contributions for the 2008 year.

   Consider contributing to a spousal RRSP to achieve income splitting in the future.
3. If you own a business, consider paying a reasonable salary to family members for services rendered to the business in order to split income and save income tax.
4. An individual whose 2008 net income exceeds $64,718 will lose all, or part, of their old age security.

   Senior citizens will begin to lose their income tax age credit if net income exceeds $31,524.
5. Consider purchasing assets eligible for capital cost allowance before the year-end to claim some last minute tax deductions this year.
6. Consider selling capital properties with an underlying capital loss prior to the year-end if you had taxable capital gains in the year, or any of the preceding three years. This capital loss may be offset against the capital gains.
7. Registered Education Savings Plan (RESP)
   A Canada Education Savings Grant (CESG) for RESP contributions will be permitted equal to 20% of annual contributions for children (maximum $500 per child per year).
8. Health and dental premiums for the self-employed Individuals will be allowed to deduct amounts payable for Private Health Service Plan coverage in computing business income provided they meet certain criteria.
9. A refund of Employment Insurance paid for non-arm's length employees (family) may be available upon application to CRA.
10. Taxpayers that receive "eligible" dividends from private and public corporations will have a significantly lower tax rate on the dividends. Notification from the corporation to the shareholder is required.
11. Eligible public transit passes will be entitled to a tax credit.
12. A fitness tax credit for children under 16 enrolled in certain organized sports is available.
13. A Registered Disability Savings Plan may be established for a person who is eligible for the Disability Tax Credit. Non-deductible contributionsto a lifetime maximum of $200,000 are permitted which are eligible for tax-deferred grants and bonds. Please contact your professional advisors for details.



Kurt's National Best Selling Books



Some general guidelines to follow in remunerating the owner of a Canadian-controlled private corporation earning "active business income" include:

1. Bonusing down active business earnings in excess of the annual business limit may reduce the overall tax. However, leaving corporate active business income over this amount presents a tax deferral. Professional advice is needed in this area.
2. Notification must be made to the shareholders when an "eligible" dividend is paid - usually in the form of a letter dated on the date of the dividend declaration. If all shareholders are directors, the notification may be made in the Directors' Minutes.

   Please contact your professional advisor for advice before paying an eligible or ineligible dividend.
3. Elect to pay out tax-free "capital dividend account" dividends.
4. Consider paying dividends to obtain a refund of "refundable dividend tax on hand".
5. Corporate earnings in excess of personal requirements could be left in the company to obtain a tax deferral. The effect on the "Qualified Small Business Corporation" status should be reviewed before selling the shares.
6. Dividend income, as opposed to salaries, will reduce an individual's cumulative net investment loss balance thereby providing greater access to the capital gain exemption.
7. Excessive personal income affects receipts subject to clawbacks, such as old age security, the age credit, child tax benefits, and GST credits.
8. Salary payments require source deductions to be remitted to the Canada Revenue Agency on a timely basis.
9. Individuals that wish to contribute to the Canada Pension Plan or a Registered Retirement Savings Plan may require a salary to create "earned income".
10. Salaries paid to family members must be reasonable.

MARRIAGE BREAKDOWN

84(4) WHOLLY DEPENDENT PERSON

In an April 30, 2008 Tax Court of Canada case, the Court confirmed that a divorced person is not entitled to a tax credit for a wholly dependent person if he/she is required to pay a child support amount for the person - whether or not they in fact pay the amounts, or it is fair that they should have to pay the amounts.

SPOUSAL SUPPORT

In a June 4, 2008 Alberta Court of Appeal case, the Judge initially ordered Mr. S to pay spousal support indefinitely. However, the Alberta Court of Appeal has now limited the payments to eight years from the date of the marriage breakdown. Mr. S' lawyer successfully argued that, in some cases, ongoing spousal support payments are not warranted.

CHILD SUPPORT

An Ontario Court ordered the father to pay $1,068 a month for two teenage sons he had out of wedlock and that he barely knows.

The taxpayer had argued that this would impose "undue hardship" on him since he was already supporting children that he had with his wife.

The Court noted that there is no reason to prefer the children born within the marriage to those born outside it. Children in both families should be treated equally.

ARREARS

Sometimes, the payer does not pay alimony on time. Alimony, like most forms of personal income, is taxable on the cash basis. Alimony which is due, but not paid, is neither taxable nor deductible.

When alimony arrears are paid, any amount that would have been taxable/deductible spousal support if paid on time is taxable/deductible at the time of payment. This assumes, however, that the amounts are payable on a periodic basis and are, in fact, paid. Where an agreement is made to pay some different, normally lesser, amount in lieu of arrears, the status of the payment may be lost.

Consider: Perhaps a written agreement setting out the expected status of the arrears payment should be prepared. If the payments do not ultimately realize the expected tax status, an adjustment could be made between the parties.

PRIOR PAYMENTS

Often, spousal support is paid prior to preparation of a written separation agreement. As such, the payments are not made under a written agreement and would generally not be taxable or deductible. However, where a later agreement or order provides that an amount received and paid previously is to be considered paid and received under the agreement or order, the amounts may be taxable/deductible. The payments must have been made in the calendar year of the later order or agreement, or the immediately preceding taxation year. This sets a deadline on the completion of an agreement in this regard.

Consider: The agreement could indicate the parties' intent that the amounts will be deductible to the payer and taxable to the recipient.

CHILD SUPPORT

The Federal Child Support Guidelines are located on the federal Department of Justice website at http://www.justice.gc.ca/eng/pi/suppen/grl/fcsg-lfpae.html. Further details on the Federal Child Support Guidelines are also available at http://www.justice.gc.ca/eng/pi/suppen/index.html.

The Federal Child Support Guidelines first became effective May 1, 1997 and resulted in child support payments not being subject to tax to the recipient and not being tax deductible by the payor. The child support amount under the Guidelines varies by province to account for differences in provincial tax rates, cost of living, etc.

ESTATE PLANNING
84(5) DONATION SCHEMES

In a February 23, 2007 Tax Court of Canada case, the taxpayer received a donation receipt for five times the amount of the cash donation.

Taxpayer Loses
CRA successfully disallowed the charitable donations, even in statute-barred years, and applied gross negligence penalties.

Also, in a July 14 2008 Tax Court of Canada case, the taxpayers acquired original works of art from Canadian Art Advisory Services (CAAS) Inc. and shortly thereafter donated them at much higher values to charities identified by CAAS.

Taxpayers Lose
The Court noted that the value for donation purposes should be the amount paid by the taxpayers minus the 15% retainer fee paid to CAAS.

REDEEMER FOUNDATION

The Redeemer Foundation operates a forgivable loan program that finances the education of students at an affiliated college. CRA was concerned that some charitable donations to the Redeemer College were not valid alleging that the donors' contributions were made solely to finance the education of their own children. CRA served the Redeemer Foundation with a requirement to report the identity of each donor and the name of the related student.

On July 31, 2008, the Supreme Court of Canada concluded that CRA is entitled to the donor information. We understand that CRA did send Notices of Reassessments to some of the donors.

Editor's Comment
This appears to open up a charity's donor list to CRA, upon request.

EXECUTORS OF AN ESTATE

In a June 11, 2008 Tax Court of Canada case, the issue was whether $15,000 received for services rendered as Executors of the uncle's Estate is taxable as assessed by CRA.

Taxpayers Lose
The taxpayers' argument that the amount was a specific legacy that their uncle gave them under his Will, and not remuneration for services rendered, was not accepted by the Court. Given the way in which the Will was drafted, the Court found that the $15,000 constituted taxable income from employment.

This is not considered to be a non-taxable legacy because a legacy does not entail any obligation or responsibility of the legatee.

WEB TIPS
84(6) CALCULATORS

Have you ever wanted to determine what your monetary savings would be if you did not incur a routine expense? How about determining your current or even projected net worth?

For a list of calculators, as well as multiple other interesting facts and figures, go to the 'Calculator' page on Yahoo's Finance website at www.finance.yahoo.com/calculator/index

The calculators are divided into categories such as Budget & Banking, Career &Work, Family & Home, Insurance, Loans, Real Estate, Retirement and Taxes.

Some examples of interesting calculators include: How much will I need to retire? How Much do I Need for Emergencies? and, The Value of Reducing or Foregoing Expenses.

LEARNING AND EDUCATION

A website of note is www.canlearn.ca, a Government of Canada website dedicated to learning and education for preschool aged children up to, and including, adults. It provides information on financing education including government grants and programs, both federal and provincial, as well as tools for planning for education and multiple search engines. Links to useful references can also be found at this site.

One option is to check out this website to help with planning for yourself or your family or, simply, send it off to your tech savvy kids.

DID YOU KNOW...
84(8) WORK PERMIT PROGRAM

Changes were announced by the Federal Government on April 21, 2008 to the Post-Graduation Work Permit Program that will permit international students graduating from eligible programs at certain post-secondary institutions to have open and longer work permits. The previous duration of one or two years has been extended to an open work permit with no restrictions on the type or location of employment and, in certain cases, has been extended to three years.

Do a Google search of "Post-Graduation Work Permit Program" for details.

Contact us to answer your questions, schedule a meeting, get a second opinion, refer a friend, order a book, receive a brochure on services and fees, create a financial plan and more.
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