

Winter 2005 issue

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Biggest Hiring Mistakes Companies Make (Part 2 of 2)

In the first article we discussed 4 major mistakes that firms make when hiring key individuals.

Here are 5 more:

1. Letting budget control the position

Too often we let the budget for the position dictate the individual that you hire. When this happens, you will ultimately be disappointed in the level of expertise you get, or you will lose the individual to another position as soon as something better comes along.

While it is important to have a salary range for the position, you must be cognizant of what the position demands in the market. Top individuals often command more than market as their value to an organization is more significant than the difference in salary to the "average".

You must be able to justify salaries, but don't let your judgment get clouded by that alone.

2. Not doing multiple independent interviews

Many organizations have their Human Resources ("HR") department screen individuals and then do interviews with the Hiring Manager followed by a "rubber stamp" meeting with another Executive.

Conduct multiple interviews with different levels of Managers and also with peers. You want to get a solid organizational opinion to ensure that this person will be part of the team and will contribute in a significant manner. Co-interview with another individual or with your Recruiter.

3. Not defining the position's expectations up front

Remember that job hunters, especially key contributors, are buying as well as selling.

You need to ensure that not only are all of the current components of the position defined, but the future of the position as well, in terms of possible inter or intra company movement, opportunities to move up the ranks, future compensation incentives and new and exciting projects or opportunities that may be available in the future.

4. Letting HR do the recruiting

Even your best HR person may not be able to completely articulate the interesting or enticing things about the company or department that will attract key individuals.

Make sure that the first individual that meets with your candidate has a stake in the outcome. Have them outline clearly the direction of the company or department that they will be associated with and what the key goals and issues this individual will face moving forward if they are successful. You want to whet the appetite of the candidate and make him interested in pursuing the opportunity further.

5. Not looking for the best talent

If you run ads and search job posting sites, you will certainly get a lot of individuals coming to you. But will you get the best talent? You only get to hire those that come to you. Those individuals whose resumes are in a database somewhere may never be discovered and therefore you will never find the hidden pool of talent that is in the market and available to you.

When you hire a professional recruiter, they identify and entice the individuals that you really want to hire and bring them to you for evaluation.

6. Not using a professional

I often ask clients what they think their time is worth. Senior Executives and Vice Presidents (no matter the size of the company) will unabashedly tell you that their time is worth \$200-300 per hour.

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Richard Hemming

As many of you may be aware, our tax partner Richard Hemming, has been on extended medical leave.

Richard has recently begun to return to the office. We welcome back his tax expertise (and his boyish charm). Regrettably, in the interests of his health and to allow him to concentrate solely on providing tax planning and advice to all our clients, Richard has made the decision to retire from his role as partner of the firm. This should allow Richard to concentrate on his first love - helping clients save taxes.

If you have any questions on this matter, please contact the partner responsible for your work.

An average search for a Manager to a “C” Executive done by an experienced and qualified professional search organization will generally take 100-140 hours. This will include market research to identify key individuals from within and outside your industry; contacting, evaluating and enticing these individuals to investigate the opportunity; screening interviews, interviews conducted with the client; comprehensive reference checking; the management of the offer process, documentation and more.

You wouldn't send the Manager of your shipping department to close a deal with a key client, so why would you have unqualified individuals in your organization manage and execute your hiring process?

Arnie Teolis is a Partner with the JSG Group, a Professional Management and Executive Recruiting firm specializing in Management and Executive search. They have been successful finding key individuals for their clients for over 25 years. For more information contact Arnie at (905) 294-0043 or arnie@jsggroup.com. You can visit them at www.jsggroup.com.

What's New for 2005?

Small Business Income Threshold

Active business income earned by a Canadian Controlled Private Corporation up to the small business income threshold is eligible for a reduced income tax rate. Commencing January 1, 2005, the first \$300,000 (previously \$250,000) of active business income is subject to a combined federal and Ontario tax rate of 18.6%.

Automobile Deduction Limits and Expense Benefit Rates for Business

The ceiling on the capital cost of passenger vehicles for capital cost allowance purposes will remain at \$30,000 (plus applicable federal and provincial sales taxes);

The limit on deductible leasing costs will remain at \$800 per month (plus applicable federal and provincial sales taxes);

The limit on tax-exempt allowances paid by employers to employees has increased by \$0.03 from \$0.42 per kilometre to \$0.45 per kilometre for the first 5,000 kilometres driven and \$0.39 (previously \$0.36) for each additional kilometre;

The maximum allowable interest deduction for amounts borrowed to purchase an automobile will remain at \$300 per month for loans related to vehicles acquired after 2004; and

The general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers will increase by \$0.03 to \$0.20 per kilometre from \$0.17 per kilometre. For taxpayers employed principally in selling or leasing automobiles, the prescribed rate is now \$0.17 (previously \$0.14) per kilometre.

CPP Pensionable Earnings Ceiling

The Maximum pensionable earnings under the Canada Pension Plan (“CPP”) for 2005 will be \$41,100 – up from \$40,500 in 2004.

Contributors who earn more than \$41,100 in 2005 are not required or permitted to make additional contributions to the CPP.

The basic exemption amount for 2005 remains at \$3,500. Individuals who earn less than that amount do not need to contribute to the CPP.

The employee and employer contribution rates for 2005 will remain at 4.95% and the self-employed contribution rate will remain at 9.9%.

The maximum employer and employee contributions to the plan will be \$1,861.20 and the maximum self-employed contribution will be \$3,722.40. The maximums in 2004 were \$1,831.50 and \$3,663.00, respectively.

Employment Insurance Premium Cut

Employment insurance (EI) premiums for employees will be reduced by 3 cents to \$1.95 for every \$100 of earnings in 2005. The employer rate has been reduced to \$2.73 for every \$100 of earnings in 2005.

The maximum yearly employee premium is \$760.50 for 2005, while the maximum yearly employer premium is \$1,064.70.

The maximum insurable earnings will remain at \$39,000 for 2005.

Capital Cost Allowance on Computer Equipment and Data Network Infrastructure Equipment

The capital cost allowance (“CCA”) or tax depreciation with respect to computer equipment has been considered less than generous due to the fast obsolescence rate with respect to this equipment. In recognition of the ever increasing obsolescence rate with respect to this asset, the federal government recently announced in its budget that the CCA rate for computer equipment acquired after March 22, 2004 will be increased to 45% from the current 30%.

Generally, the addition of computer equipment can be placed in a separate class for CCA purposes. This election provides that on disposition, any remaining depreciation balance can be fully deducted as a loss (“terminal loss”) instead of remaining in a pool with other assets and depreciated over time. However, the separate class election will not be available for equipment eligible for the new CCA rate.

In addition, the federal budget proposes that broadband, internet and other data network infrastructure equipment acquired after March 22, 2004 be included in a new class with a 30% CCA rate (previously 20% rate).

To learn more about income tax planning and strategies for 2005, please contact our tax partner, Enzo Morini at (416) 969-8166, ext. 244.

Is Your Network and Corporate Data Safe?

Security and privacy needs in small businesses are the same as those in major corporations. They are critical to your success and to the confidentiality of customer information in your customer market space. Security threats can occur in many forms including: email, viruses/worms, website attacks, employee threats and industrial espionage, to name a few.

A basic approach to security can be utilized by engaging a consulting firm that specializes in security and privacy solutions to complete a security assessment. This will identify security risks with your corporate data and network and ensure that your current environment is safe from security threats. In addition, an assessment will enable you to establish a security baseline so that your firm is positioned to take advantage of any future security advances and enhancements.

The first steps are to review and assess what security is needed, prioritize these needs and determine the investment cost as part of a longer term strategy. The following key questions should be answered and included as part of the initial step in the basic security assessment conducted by a security consulting firm:

1. What information does the company need to protect and what hardware, software and network components are critical to support this protection (i.e. client information, employee records and/or intellectual capital)?
2. What is the value of the information and how will its loss impact the bottom line (i.e. customer confidence, competitors advantage)?
3. What threats exist which can compromise the information, including areas such as employees, non-secure systems, viruses, theft and unauthorized access?
4. What are the chances of these threats occurring and causing a loss of corporate information (common misconception “only big companies targeted”)? and
5. What are the implications if one of these threats occurs (i.e. system down, information stolen or lost and/or your system being used to breach another company’s security)?

Once these questions have been answered, the basic security assessment completed and any recommendations implemented, your current environment will have minimal risk from security threats. Depending on the size of your business and the requirement for secure corporate data, you will then need to focus on additional critical security and privacy components. These components can be prioritized according to need and budget considerations but are essential to ensure a robust security environment.

The following summarizes the top ten key security and privacy areas that small and medium sized businesses need to address today in a security and privacy oriented business environment:

1. System and Site Security Healthcheck: Identify the weaknesses in your IT and physical security controls.
2. System and Networking Architecture and Design: Define the necessary requirements, functions and components.
3. Security Assessment: Analyze security implications of your network and components in your network design.
4. Network Security Assessment: Examine the network configuration and management to avoid exposures in the future.
5. Privacy Assessment: Collect and process information to assess the priority of the company’s privacy requirements.
6. Anti-virus Management: Establish anti-virus management as key to minimizing risk from malicious viruses.
7. Firewall Management: Regularly test your firewall(s) via a secure internet connection for currency and security.
8. Intrusion Detection: Establish an intrusion detection service to monitor your network for malicious activity 24x7x365.
9. Attack Penetration Assessment: Regularly assess the weaknesses of your environment via intrusion test scenarios.
10. Vulnerability Scan Testing: Utilize a subscription service that provides a low cost alternative for testing environments.

Company size, business type, nature of the corporate data, budget, etc. must be taken into consideration as input to developing the security framework for your company.

This article was provided by SecureIT Investigations & Consulting Inc. They are a leading Canadian provider of Integrated Security and Privacy Solutions for large corporations and small and medium businesses. For more information, please contact Robert Hobbs, Business Development Executive at rhobbs@secureitinc.ca or 1-800-290-6259. The SecureIT website is at www.secureitinc.ca.

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CLIENT'S CORNER

Whitecourt Oil Corporation

Whitecourt Oil Corporation, established over 15 years ago, provides a variety of lubricating fluids for the metalworking, automotive, aircraft and other industries. A number of their products are on the "cutting edge" of research and technology. Whitecourt Oil is a major North American player in this field.

Their product lines consist of cutting, grinding, hydro-forming and dielectric fluids, industrial and die-casting lubricants, as well as rust preventatives. A number of these products are fully water-soluble, making them environmentally friendly, as compared to petroleum-based products.

The company also supplies bio and synthetic fluids to major auto-parts manufacturers.



Whitecourt Oil is highly customer service oriented. They provide their customers with a wide range of fluid management services, routing trend analysis, lab testing, research and development of custom compounds, as well as custom fluid formulas.

Williams & Partners has provided accounting and consulting services to Whitecourt Oil for over 15 years. We have assisted them with management and business development advisory services as well as scientific research and development tax credit claims. We are proud of our long-term relationship with this quality company.



February 1st	Provide W&P with T4 information
February 15	Provide W&P with T3 information
February 28th	Filing deadline for T4's, T4A's and T5's
March 1st	Deadline for contribution to RRSP for 2004
March 2nd	Provide W&P with WSIB information
March 15th	1st quarterly tax instalment due for 2005
March 29th	Deadline to qualify for tax return "Early Bird Draw"
March 31st	Deadline for filing T3 - Trust Return
March 31st	Deadline for filing WSIB return
April 1st	TAX SEASON in full gear!!
April 15th	Deadline to file US personal income tax return for 2004
April 29th	END OF TAX SEASON for W&P!!
May 2nd	CRA deadline for filing personal income tax return for 2004
May 3rd	Begin tax planning for 2005

W&P Newsbits

Bruce Hilliard joined the Williams & Partners Tax Group in August 2004. Bruce is a Chartered Accountant with over twenty years of experience in the income tax and estate planning areas both in the private accounting practice and industry sectors. Welcome to the team, Bruce!

Mike Capello recently left Williams & Partners to further his career in public accounting in the nation's capital. Mike had been with W&P for approximately 9 years. We wish Mike well in his new endeavours.

NOTICE

Williams & Partners distributes tax tips on a regular basis via email to our clients. If you wish to be on our email distribution list for tax tips, please contact Wendy Pettey at (416) 969-8166, ext. 229, or by email to wendy.pettey@williamsandpartners.com.

CONTACT US

You can reach us by phone at 416-969-8166 e-mail at team@williamsandpartners.com, or on-line at www.williamsandpartners.com.

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