

Williams & Partners is pleased to announce that Tyler O'Donnell passed the Core Knowledge Exam (CKE) in January 2006. For anyone not familiar with the CA exam process, the CKE is the first exam in a series of three exams that must be written in order to obtain a CA designation.

Tyler will be attending the School of Accountancy this summer and will be writing the Uniform Final Exam (UFE) in the fall. He still has a lot of hard work ahead of him in order to complete the next steps. We wish Tyler the best of luck in his quest!

Williams & Partners is pleased to announce the following new team members who have recently joined our expanding professional tax team:

• **Dane A. Cocco, CGA** •

Dane joined the firm as a Tax Specialist in February 2006. He holds a BA in Economics and a Bachelor of Business Administration from York University and is currently pursuing his Master of Taxation with the University of Waterloo in Toronto. Formerly an Income Tax Auditor with Canada Revenue Agency, he also has over five years of accounting and tax experience in industry.

• **Duncan Peake, CA, MBA** •

Duncan has recently joined the firm as a taxation specialist in March 2006. He joins us from QSP, a subsidiary of Reader's Digest, where he was their local Controller for over four years. Prior to that, he worked with KPMG as a taxation specialist and senior accountant. Duncan has over ten years of accounting and tax experience with his previous employers. He looks forward to re-focusing his energy on corporate and personal tax issues within the owner-managed business environment.

Locked Doors – Saturdays

During "T1 season", we will once again be open on Saturdays in March and April to accommodate you in the processing of your personal income tax returns. However, for security reasons, our building is locked outside of normal business hours (Monday - Friday, 7am – 6pm) and, therefore, you will need to contact us, in advance, if you wish to visit us on a Saturday. Alternatively, you may call us from your cell phone once you are in the area, and we will meet you at the lobby doors. We apologize for any inconvenience this may cause you.

New Specs for Cheques

The Canadian Payments Association (CPA) has developed new specifications for Canadian cheques in preparation for Canada's move to image-based clearing.

These new specifications, as outlined in CPA Standard 006, Part A, are necessary in order to ensure that high quality cheque images can be captured by financial institutions for clearing purposes and to enhance processing efficiency. One of the key changes is the adoption of a number date field - with three different format options approved for use.

All Canadian cheques should conform with the new specifications by December 31, 2006. Please contact your bank for further information.

Winter 2006 issue

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RST (RETAIL SALES TAX) REBATE FOR CHARITABLE ORGANIZATIONS
by Shanon Hawkshaw, CA

A "registered charity" means a registered charity as defined by subsection 248(1) of the Income Tax Act (Canada) that has a registration number issued by the Canada Revenue Agency (CRA).

Registered charities are able to purchase the following items tax-exempt:

- Films, filmstrips, videotapes and videodiscs purchased by a religious, charitable or benevolent organization, if used to promote its objectives and not for commercial exhibition or profit;
- Printed instructional materials purchased for use and not for resale by a religious, charitable or benevolent organization. (Printed materials that, in

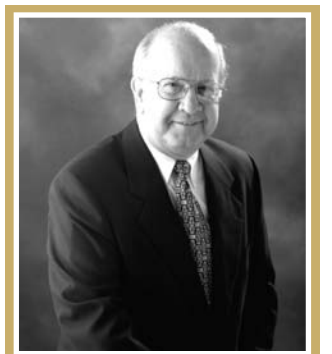
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New Life Member

Williams & Partners is pleased to announce the election of one of our founding partners, Mr. Charles W. Williams, as a Life Member of the Institute of Chartered Accountants of Ontario. Each fall, the Institute elects new Life Members in accordance with the provisions of Bylaw 304.

Bylaw 304 in the CA Members Handbook states that "Any member may be elected by the membership committee to life membership in the Institute if he or she:

- a) is a past-president of the Institute, or
- b) has rendered conspicuous service to the Institute; or
- c) has attained 70 years of age and has completed 40 years of membership in the Institute, or in a provincial institute, 25 of which were as a member of the Institute."



A heartfelt congratulations goes to Bill upon reaching this extraordinary milestone!

W&P 2006 Planner

March 15th	1st quarterly personal tax instalment due for 2006
March 31st	Deadline to qualify for tax return "Early Bird Draw"
March 31st	Deadline for filing T3 - Trust Returns; NR4 Returns
March 31st	Deadline for filing WSIB returns
April 1st	TAX SEASON in full gear!!
April 15th	Deadline to file US personal income tax returns for 2005
April 28th	END OF TAX SEASON for W&P!!
May 1st	CRA deadline for filing personal income tax returns for 2005
May 2nd	Begin tax planning for 2006
June 15th	Deadline for self-employed individuals to file personal income tax returns for 2005
June 15th	2nd quarterly personal tax instalment due for 2006

Exemptions from Employment Insurance Contributions

by Helen Lakkotrypis, CA

You may have recently heard various radio advertisements by promoters of reduced payroll withholding plans. As with all plans, a review of the relevant legislation is required and caution must be adhered to before considering these types of plans.

• Background •

The Employment Insurance Act (“EI Act”) is the legislation which governs the administration of Canada’s Employment Insurance (“EI”) programs. In general, these programs provide temporary income support to claimants that are unemployed. In order to fund this system, as most Canadian taxpayers are aware, EI is withheld from taxpayers’ wages.

• Exceptions to the Rule •

The EI Act provides two exceptions to the withholding requirement and, in turn, to the claiming of EI benefits:

1. if the employee is a person that controls more than 40% of the voting shares of the corporation; or
2. if the employee and employer are not dealing with each other at arm’s length.

The first exception is fairly straight forward. However, the second one requires some analysis. Before elaborating on the second exception, it is worthwhile to note that if the employee can be considered exempt from EI, then both the employee and employer can benefit from the savings. In 2006 for example, EI premiums for employees are \$1.87 for every \$100 of earnings to a maximum of \$729.30; while the employer contributions are \$2.62 for every \$100 of earnings to a maximum of \$1,021.80. In a situation involving a family-owned and operated business, the savings can be multiplied if either of the exceptions can be met.

According to the EI Act, the question of whether an employee and an employer are not dealing with each other at arm’s length is to be determined in accordance with the Income Tax Act. If the employer is related to the employee, they are deemed to deal with each other at arm’s length if it can be demonstrated that having regard to all the circumstances of the employment, including the remuneration paid, the terms and conditions, the duration and the nature and importance of the work performed, it is reasonable to conclude that the employer and employee would have entered into a substantially similar contract of employment if they had been dealing with each other at arm’s length. In such cases where the employee and employer are deemed to deal with each other at arm’s length, the employee would be entitled to EI benefits and would have EI deducted and remitted along with the matching employer portion.

• Income Tax Considerations •

In cases where the employer has a spouse or other family member employed, many people have taken the approach that, because of the non-arm’s length nature of the relationship, no EI need be withheld and no employer portion need be remitted. Caution should be taken in these cases as this approach may lead to fairly serious income tax consequences. Although as noted above, the EI Act considers all terms and conditions of the employment in order to meet the exemption, you need to be cautious that you are not implicitly declaring that the remuneration being paid to a family member is not comparable to the amount that would be paid to an arm’s length party under similar terms and conditions. The Income Tax Act specifically provides that unreasonable salaries are not deductible to the employer.

The Canada Revenue Agency (“CRA”) issued a technical interpretation on this topic and indicated that, where there has already been a ruling (by the Department) that the conditions of employment being enjoyed by the employee are dissimilar to the conditions which would be enjoyed by an arm’s length employee, some portion of the salary being paid to the employed family member may be in excess of a reasonable amount. The unreasonable portion of the salary will be denied deduction for income tax purposes. Worse yet, the unreasonable portion may be considered an appropriation of funds by the shareholder rather than income to the employee.

Unfortunately, without appropriate expert advice in this area, this approach may lead to undesirable and costly tax consequences. Care must be taken to ensure that salaries paid to related parties are reasonable in all circumstances to be certain that they are deductible for income tax purposes.

• Opportunities •

If you are unsure about an employee’s EI status, a ruling can be sought from CRA in order to provide clarity. Should the CRA deem that the employee and the employer are dealing at arm’s length, then the employee and employer must contribute to the EI program. Alternatively, should the CRA determine that the employee and employer relationship is not an arm’s length one, a refund may be available to both parties for up to three years prior to the year of application.

• We can help •

Your Williams & Partners adviser can help you make sense of the complex rules; apply for a ruling; or a refund if appropriate.

• Continued from cover •

RST (RETAIL SALES TAX) REBATE FOR CHARITABLE ORGANIZATIONS

any way, educate or teach a reader about a religious, charitable or benevolent organization, or the work that the organization does, or about a subject that relates to the purpose(s) of the organization may qualify for the exemption, even if those same printed materials also promote the organization and/or solicit funds).

There are several other categories of materials that may be purchased tax-exempt. If you would like more information on this, please contact us.

A charitable organization may request a refund of RST by completing a “General Application for Refund of Retail Sales Tax” form which must be signed by a responsible official of the organization. The application requires that certain other information be provided, including how the RST refund was calculated and documentation to support the calculation. This refund may be applied for up to four years after payment of the RST.

If you would like more information on this rebate, please contact us.

PROPERTY TAX REBATES by Shanon Hawkshaw, CA

There is a property tax rebate available from the Cities of Toronto, Vaughan and Mississauga for registered charities. A “registered charity” means a registered charity as defined by subsection 248(1) of the Income Tax Act (Canada) that has a registration number issued by the Canada Revenue Agency (CRA). Registered charities may apply for a rebate equal to 40% of the property taxes paid on a commercial or industrial property during the calendar year. This rebate does not apply to residential properties.

For those charities that rent office space and are not separately responsible for the property taxes outside of their rental payments, the landlord should provide a breakdown of the rental charges and a claim may be made for the part of the rent that is allocated to property taxes by the landlord. For charities that pay their own property taxes directly, they are able to apply for a rebate based on the property taxes assessed on their final notice.

If a charity is paying rent to a landlord, then there is a portion of the application form which must be filled out and certified by the landlord.

A rebate (variable rate dependant on the circumstances) is also available in other circumstances, by most municipalities, as follows:

- vacant or partially vacant commercial and industrial buildings;
- unused and excess land;
- renovated properties.

The deadline for applying for this rebate is the last day of February following the calendar year. For the 2006 calendar year, the application must be filed by February 28, 2007.

Applications can be downloaded from the various City websites or you may call the City office and request that a copy be mailed to you.

If you would like more information on this rebate, please contact us.

TIPS FOR SMALL BUSINESSES Accounting Data by Shanon Hawkshaw, CA

When Williams & Partners is performing the year end work for your company, it is often very helpful if we have a copy of your accounting data. If you use Simply Accounting, MYOB or Quickbooks, then we have the software available to open your year end file. This allows us to look at account detail and journal transactions without asking you to send us additional information. This will allow us to complete the year end work in a more efficient manner.

You may send us your accounting data on a CD or diskette or by e-mail. Be sure to provide the username and password, as well as the accounting software program and version, to ensure that we are able to access the information. Please do not send usernames and passwords in an e-mail, as there is always a risk that information sent over the internet may be intercepted.

If you would like to send us your information by e-mail, this can be done by performing the following steps.

1. Save the data as a backup file on your hard drive.
2. Go into Windows Explorer and right click on the file. Choose to send the file as an e-mail attachment.
3. This will take you to a new e-mail message and then you should be able to send us the file.
4. Be sure to delete the backup copy off your hard drive after you e-mailed it to us, so you do not confuse the backup copy with your current copy.

If you have any problems e-mailing data files or would like more information, please contact us.