W&P
WILLIAMS & PARTNERS
CHARTERED ACCOUNTANTS LLP

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Scientific Research & Experimental Development "SR & ED"

Are you claiming your share? It's easier than you may think.

Is your company incurring research and development ("R&D") costs in developing products or processes? Chances are, yes. Canadian entities have to undertake some form of R&D to remain competitive in today's global environment.

You should be aware that the federal and provincial governments provide generous tax incentives to companies that undertake qualifying R&D activities in Canada.

What are the criteria?

Under the SR & ED program, the Canada Revenue Agency ("CRA") requires a research and development "project" to entail some degree of technological advancement in a field of science or technology embodying some level of technological uncertainty. In addition, technological content must be present.

Technological advancement is taxpayer specific (i.e. as long as it is an advancement for you). The advancement need only be slight and the technological hurdle does not need to be insurmountable.

How does the program operate?

The SR & ED program provides support through enhanced deductions and tax credits. Eligible expenditures, both current and capital are fully deductible. In addition, investment tax credits ("ITC") are earned on expenditures such as wages, materials, equipment and a portion of overheads.

The federal ITC rate for private corporations is 35% of current and capital expenditures on qualifying R&D. Where there is no tax otherwise payable, the ITC may be fully refunded (cash in hand) to the corporation.

The Ontario government offers an additional tax credit of up to 10% of eligible R&D expenditures. In addition, the Ontario government also allows for the exclusion of the federal ITC from Ontario Taxable Income.

How much will I save?

The governments have designated significant amounts of funding to these programs to encourage the development of new technology in Canada. According to the CRA, the federal government provides over $1 billion annually to R&D claimants. Are you claiming your fair share?

As many companies are unaware that this money exists, you can obtain significant cost advantages over your competitors. If you are not taking advantage of these tax incentives, you may be turning down thousands of dollars of potential benefits.

The combined federal and provincial incentives can reduce your costs to less than $43 for every $100 spent on R&D activities. This funding can facilitate further product development, technological advancement and cost reduction.

We can help. The SR & ED rules are complex.

We can assist you in determining eligible projects, preparing project descriptions, determining qualifying expenditures and prepare all relevant forms for submission.

To learn more about the SR & ED program, contact Enzo Morini of our Tax Group.

Year End Tax Planning

For individuals, December is the last month you can act to reduce income taxes for the 2006 calendar year.

Medical expenses, charitable donations, political contributions, moving expenses, child care, certain child and spousal support payments, union and professional membership dues, tuition fees, interest on student loans, saving deposit box fees and investment counsel fees should be paid before December 31, 2006 in order to be of benefit to you for 2006.

If you haven't already contributed to your RRSP for 2006, don't wait until March 1, 2007. Contribute now to take advantage of tax-free growth. Your 2006 contribution is based on 18% of your 2005 earned income up to a maximum of $18,000, subject to certain adjustments if you are a member of a company pension plan.

If you turn(ed) 69 in 2006, you have to make your 2006 RRSP contribution by year end. You must also terminate your RRSP by December 31st. There are many options available: converting to a Registered Retirement Income Fund (RRIF), receiving an annuity, receiving a lump sum, or any combination of these options. If you do not act before December 31, the full market value of your RRSP will be taxable in 2006.

Taxpayers with capital gains need to keep in mind that December 31st is also the deadline for tax loss selling and the purchase of certain tax shelters, such as flow through limited partnerships. When selling capital property, it normally takes three business days to settle a trade, so don't wait until the last minute: aim for December 22nd if you want to "crystallize" capital losses on individual stocks, equity mutual funds or similar assets to offset capital gains realized in the year. Be aware of the superficial loss rules which limit the deductibility of a loss if, within 30 days before or after the sale, the same or identical properties are acquired by you or an affiliated person.

If you are self-employed or a business owner, you will want to finalize certain purchases such as computer equipment, business software, office furniture or machinery, and a new vehicle to be used 90% or more for business purposes before December 31st to gain half a year on most depreciation schedules.

If you borrowed money from your corporation in 2005, repay it before the end of 2006 to avoid having the full amount added to your 2005 income. There are certain exceptions to this rule.

December is also the deadline for making contributions to a Registered Education Savings Plan. The first $2,000 of the permitted $4,000 maximum RESP contribution per child, per year, qualifies for the 20% Canadian Education Savings Grant – a $400 freebie you won't want to miss.

Contact Williams & Partners soon for assistance with your year end tax planning!

TAX TIP: Universal Child Care Benefit

A new $100 monthly Universal Child Care Benefit ("UCCB") payment for each child under the age of six began in July 2006. If your family already receives the Canada Child Tax Benefit ("CCTB"), you will receive the UCCB payment automatically and you do not need to apply again.

However, if you currently do not receive the CCTB payment, you will need to apply for the UCCB. As there is no income threshold for the UCCB payment, all families with children under the age of six can apply and receive the $100 per month, per child.

How to apply: To apply for the UCCB, you must complete the form normally used to apply for the CCTB, located on the CRA website at www.cra-arc.gc.ca and mail it to your local Tax Services Office. You will need to send a copy of your child's birth certificate with the application as proof of the age requirement. If you do not have a copy of your child's birth certificate, there are other documents that the CRA will accept as proof of your child's age and they are listed on the application form.

Tax implications: The UCCB will be taxed in the hands of the lower-income spouse. Amounts received under this program will not reduce income-tested benefits delivered through the tax system or Employment Insurance benefits or amounts claimable under the child care expense deduction.

June 28, 2006

If you have any questions regarding the content of this or any other Tax Tips, please contact the W&P Tax Group

Charitable Donation Planning - 2006

As the calendar year comes to a close and the holiday season approaches, many taxpayers give more consideration to making donations to charity. Donors should be made aware of recent changes to the charitable donation provisions and tax effective strategies available.

Gifts made to registered charities in 2006 are eligible for a federal tax credit of 15.25% on the first $200, and 29% on amounts above $200. In addition, donations are eligible for provincial tax credits.

Several tax planning opportunities are available as a result of recent changes to the charitable donations provisions.

For example, as an alternative to giving cash, a taxpayer may gift securities to a registered charity and receive a donation receipt for an amount equal to the fair market value of the securities. This will result in a deemed disposition for tax purposes. However, the capital gains inclusion rate has been reduced to Nil from 25%. Therefore, if a taxpayer plans to sell securities with accrued gains and also plans to make a charitable donation in that same year, he/she should consider gifting the securities as opposed to making a cash donation and selling the securities and paying the normal capital gains tax.

The table below summarizes the results of a donation made with proceeds from the sale of securities vs. the direct donation of the same securities.

	Sell securities & donate proceeds	**Donate Securities**
Value of donation (A)	$10,000	$10,000
Adjusted Cost Base of Securities (B)	$5,000	$5,000
Capital gain (A - B = C)	$5,000	$5,000
Capital gain inclusion rate (D)	50%	0%
Taxable capital gain (C x D = E)	$2,500	$0
Tax payable on gain (assuming 46.41% marginal rate) (F)	$1,160	$0
Donation tax credit (G)	$4,640	$4,640
Net tax savings (G - F) = (H)	$3,480	$4,640
Net after-tax cost of donation (A) - (H)	$6,520	$5,360
By donating the securities, the donor's after-tax cost is reduced by $1,160. A similar result occurs if the donor is a corporation.		

Where the investor is confident that the particular qualifying security may further appreciate in value, the investor may purchase security, identical to the security donated on the open market. The investor will receive a donation credit, avoid paying tax on the disposition to the charity and have a cost base bump to the current fair market value thus reducing any future capital gains tax on the eventual sale of the investment.

Another strategy is to take out a life insurance policy and designate a registered charity as the beneficiary of the policy. This will allow the taxpayer to give a much higher amount to the charity than he/she would normally be capable of giving, and deduct the life insurance premiums as a charitable donation. On the death of the individual, the charity designated as the beneficiary of the policy would receive the proceeds of the life insurance policy.

Taxpayers may also consider gifting other assets not traditionally considered for donation. For example, if a taxpayer is renovating his/her home and the item being replaced (e.g. kitchen) could be appraised, donated and used by a charity, a receipt for its fair value may be issued by the charity.

Finally, a taxpayer may gift a portion of his/her estate to a registered charity by adding a clause to his/her will. In most cases, a gift by will will be considered to have been made in the year of death.

LT Custom Furnishings Inc.

CLIENT'S CORNER

In June, 2002, four coworkers left their employer of many years to join an existing start up company. Their vision was to create one of North America's premier custom store fixture manufacturing companies. With their combined knowledge and experience, Kish Punwani, Frank Polsinelli, Nghi Nguyen and Brian Moreland have successfully reached their vision in just a few years.

Today, LT Custom employs over 130 employees and operates in two facilities occupying over 140,000 square feet of space.

The company specializes in designing and custom building cabinetry and store fixtures. Most of LT's customers are from the United States and include Limited Brands which operates Victoria's Secret, Express, Bath and Body Works, and C.O. Bigelow. Other major customers include Loro Piana, Design + 2, Federated Merchandising Group, Polo Ralph Lauren, and The Birch Pond Group.

LT also performs many other medium and smaller projects for many other customers.

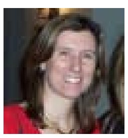
LT has recently partnered up with a manufacturer in the Orient with the intention of producing detailed design products for LT with increased cost efficiency while maintaining a high quality product.

LT has the professional skills and incomparable knowledge needed in its field. LT stands behind its policy that the customer is always first and the customers are always right. The company continues to grow strongly and confidently towards the future.

Williams & Partners has provided accounting and consulting services to LT Custom for over 5 years. We look forward to many more years of association with this high quality company.

W&P Newbits

Anniversaries



Wendy Pettey is celebrating her 15th year with Williams & Partners. Wendy was our very first employee hired. We would like to thank Wendy for her great effort, commitment and loyalty to the firm for the past 15 years!

Robyn Shadoff is celebrating her 10th year with Williams & Partners. We would like to thank Robyn for her exemplary effort and dedications to our firm!

Diploma in Investigative & Forensic Accounting

Ralph Frattaroli has completed his Diploma in Investigative & Forensic Accounting. This diploma is highly recognized in the Forensic Accounting field. Congratulations Ralph on this great achievement!

New Hires

David Pankiewich joined the firm in October 2006 as a member of our accounting team. David has over 10 years of experience in accounting, working in public practice and in industry. Welcome David!

Practice Inspection Committee

Joe Pirrello has been selected to serve as a Practice Inspector with the Institute of Chartered Accountants of Ontario. Congratulations Joe on being chosen for this highly regarded position!

W&P 2006/2007 Planner

December 15, 2006	Final Personal Income Tax Instalment due for 2006
December 22, 2006	TSX - last trading day of the year for settlement in 2006
December 31, 2006	RRSP contribution deadline for taxpayers turning 69 in 2006
December 31, 2006	Deadline to terminate RRSP for taxpayers turning 69 in 2006
January 1, 2007	Happy New Year!
January 2, 2007	Organize information for the preparation of your T4's and T5's
February 28, 2007	Deadline for filing T4's and T5's for 2006
March 1, 2007	RRSP contribution deadline

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**.

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 Jackie Pincente at (416) 969-8166, ext. 235, or by email to jackie.pincente@williamsandpartners.com.