



WILLIAMS & PARTNERS  
CHARTERED ACCOUNTANTS LLP

# The Quarterly

## Spring 2002 issue

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## A Message From Williams & Partners

In the aftermath of Enron, questions have been raised about what went wrong, why and - most importantly - how to prevent the possibility of such a failure occurring in Canada.

Responding to these questions involves a number of key players including Chartered Accountants.

Ethics, integrity, independence and objectivity are the foundation upon which our profession stands. We understand the unique responsibility we bear in assuring the integrity of the financial information that serves as the cornerstone of our capital markets.

In the weeks to come, Canada's Chartered Accountants, through their professional institutes, will bring forward a number of proposals and recommendations, in the following areas: accounting standards, auditor independence, oversight and discipline, and quality control.

The unique and privileged role we play in assuring your confidence in Canada's financial system is one that we value beyond measure. In collaboration with other Chartered Accountants, we at Williams & Partners will act to strengthen the public trust in our profession.

### Time to Start Planning for 2002!

Now that the 2001 tax season is behind us, it's time to start thinking about 2002. A little advance planning now can ensure that you avoid any 'big surprises' at tax time next year. In addition, it may also allow you to minimize your overall tax burden for 2002.

Keep in mind that if you wait until after the year-end, fewer tax planning opportunities will be available for minimizing your 2002 tax liability.

If you would like to meet with a member of our Tax Group to discuss your specific situation, please contact us to set up an appointment. We can assist you with developing an appropriate tax minimization strategy tailored to meet your specific needs.

**Don't wait too long!**

### NEED HELP?

As many of you may know, Suzi Monastero has recently left us temporarily to spend time with her new baby girl, Jessica. In Suzi's absence, Jeannie Pelley has joined the firm as our resident bookkeeper. Jeannie is experienced in all aspects of bookkeeping. She has significant knowledge of MYOB, is very experienced in Simply Accounting, Quick Books and NewViews and will be

helping out with bank reconciliations, daily inputting, problem solving and much more. She is available as a service to our clients for short-term fixes or longer-term help. She can help train your team in particular software or teach someone debits and credits. So if you need help before the "accountants arrive", call Jeannie or the partner in charge of your account.

### Good news!

A gallery of new prescription medicines is being introduced to fight deadly diseases such as Multiple Sclerosis, Cancer and Hepatitis C. More welcome news...we are just seeing the tip of the iceberg in the development of new drugs and how they will benefit society.

The problem is that employers and Canadian insurers have been caught off guard with the cost implications of these new medications. It is not uncommon for a new drug therapy to cost \$20,000 or more per year. A single drug claim of this size can seriously affect your employee benefits costs at the next renewal. We are just seeing the start of 17 to 20 percent annual inflation increases in health care costs.

With advances in surgical science, hospital stays have been dramatically reduced. This too carries a cost, as medical supplies, prescription drugs and nursing care become the patient's responsibility upon discharge from hospital. In addition, costs for many services are constantly being downloaded from government health plans to employer sponsored benefit plans.

The insurance marketplace is shrinking. Aetna, Crown, Confederation, Metropolitan, North American, Prudential and Zurich; these are some of the insurers no longer available as group benefit suppliers in Canada. Other major insurers have recently demutualized and are now focused on increased profit requirements for their shareholders.

Many corporations combine aging employees with an aggressive young workforce - unique demographics with different needs for benefits. Yet all employees demand simplicity and convenience in their lives while expecting a higher level of benefits each year. Doctors continue to ask the "Do you have a drug plan?" question and employees mistakenly believe that insurance companies pay the health and dental claims.

Insurers do not pay for these benefits. Employers pay. Insurers simply facilitate the transaction. Even with a small group the employer eventually pays the entire cost of claims expenses through increased

renewal rates. Insurance companies also hold your reserve dollars to further protect themselves.

The world has changed, but many benefit plans have not...yet. To avoid being caught unprepared, you should review the purposes of your plan and establish your priorities. Does your plan fit with your corporate culture and compensation philosophies?

Understanding that the true cost of a benefits plan comes out of the corporation's pockets, employers are starting to separate benefits which clearly require insurance from benefits which require administrative services only. Complete insurance protection is retained for high risk, low frequency catastrophic events - life insurance, AD&D and long-term disability.

For the remaining benefits, the employer purchases separate administration services, and budgets for claims on a self-funded basis. These include dental care, vision care, and health care under your risk threshold (out-of-country claims and prescription drug claims over \$5,000 remain fully insured). These are the benefits which are subject to double-digit inflation.

The inflationary increases can be controlled through careful plan design, budgeting and the monitoring of on-going claims. Self-funded plans are not a new concept for large Canadian employers. In light of the new employee benefit environment, this type of plan design will become the norm for smaller groups as well.

With employee benefits plan costs driven by factors out of our control, the time is right for this fundamental change in thinking. The advantages include lower plan operating costs, improved communication with your employees, greater control, easier administration and the elimination of any renewal surprises. Your benefits plan becomes a management tool instead of a straight-line expense.

A thorough re-examination of your benefits plan can help you meet your business goals within the ever-changing environment.

Don Kibblewhite is an insurance broker and group benefits consultant. He can be reached at Clover Insurance @ (416) 798-4804 or by email at donald@passport.ca.

### TAX TIP A Lease is a Lease, Sometimes

#### Background

Prior to June 14, 2001 the CCRA was of the view that the treatment of a leased asset for tax purposes was based on the substance of the transaction, regardless of its legal form. Essentially, in transactions where the lessee either automatically acquires title to the asset at the end of the lease, is required to buy the asset at the end of the lease, or has a right to purchase the asset at the end of the lease at an amount substantially less than the fair market value, then CCRA considered the transaction to be a sale for tax purposes rather than a lease.

Since June 14, 2001 the CCRA is of the view that the treatment is based on the legal form of the contract rather than the underlying economic reality. Therefore, in the absence of a sham, a lease is a lease and a sale is a sale. This position equally applies to all leases.

#### Section 16.1 Election

Section 16.1 of the Act allows the lessee and lessor in certain circumstances to file a joint election to treat an arm's length lease of tangible depreciable property as a purchase and loan. The lease payments are then treated as blended payments of principal and interest and the lessee is entitled to claim CCA and notional interest on the 'deemed loan'. The lessor's position is unchanged by the election. At the end of the lease the lessee is deemed to dispose of the asset for the remaining principal amount of the 'deemed loan'.

If you have any questions regarding the content of this or any other Tax Tips, please contact the Williams & Partners Tax Group.

## Always Be Prepared by April Cugalj, CA Williams & Partners Inc.

For those of us that were once Girl Guides or Boy Scouts, we understand the reality behind the popular motto we lived by - "Always Be Prepared".

Today I see the benefits of those individuals that are prepared each and every day. As part of the Forensic team at Williams & Partners, I perform income replacement benefit calculations for self-employed individuals who have incurred a loss of income as a result of a motor vehicle accident.

The criteria to determine if an individual is self-employed includes, but is not limited, to the following:

- ✓ Anyone who is a sole proprietor or a partner in a partnership
- ✓ Anyone who owns a percentage in an incorporated business
- ✓ Anyone who is a contractor or is on contract with their place of employment
- ✓ Anyone who receives remuneration for the services they provide without deductions withheld for Canada Pension Plan Contributions or Income Taxes Payable

If you are self-employed and are involved in a motor vehicle accident through which injuries are sustained that render you unable to perform the essential tasks of your work, you may be eligible to receive an 'income replacement benefit' from your insurance carrier.

At Williams & Partners we are often retained by the Insurer to investigate the claim and perform a financial calculation to determine entitlement.

This would mean you would provide at least the following information:

- ✓ A complete copy of your personal income tax return

- ✓ Financial Statements for your business
- ✓ A complete copy of your Corporate Income Tax return
- ✓ A copy of your Business Registration Certificate
- ✓ A copy of the Articles of Incorporation and Shareholder Register
- ✓ Copies of your personal and business bank statements, including cancelled cheques
- ✓ Source documentation including invoices, receipts, journals and ledgers

The Insurance Act of Ontario places the onus on the claimant to substantiate their claim. For those individuals who are 'tardy' in filing their personal income tax returns or 'overdue' in completing their company's financial statements and corporate income tax returns, this task may become quite a challenge.

While we await the required information to calculate your income replacement benefit, you and your business may be suffering a loss of income. In addition to lost sales or revenue, you and your business may be incurring costs such as rent to maintain your premises and telephone, utility, taxes and insurance costs that you might not have the cash flow to cover if your business ceases operations. Although your benefit would help cover the cost of these expenses, there may be a time lag between when your bills must be paid and when you receive your benefits.

We can never fully prepare ourselves for what the future has in store. However, for self-employed individuals, having current financial records and tax filings for your business can ensure you are as prepared as possible should an unfortunate situation arise that leaves you unable to run your business.

## Alternative Financing by Dilsat Tuna, CA Williams & Partners LLP

Many growing companies in today's economy are being faced with the challenges of growing their businesses.

In an ideal world, all of these companies would have the adequate resources to meet their needs for growth. However, as we all know, in many cases the resources required to grow a business are rarely simply available. Many companies turn to the chartered banks as a first step to obtain the funds required to build their businesses. Granted, this seems to be the simplest alternative as it is a well-known and is a well-advertised method of obtaining financing. What many companies don't know is that there are other options.

Most traditional bank loans for small businesses require principal and interest payments in the month immediately following the transfer of funds. However, depending on the financing requirements of the particular business, there are many alternative ways to obtain the necessary resources with varying repayment terms and options.

### Venture Capital

The thought of including others in the ownership and management of your company may make any entrepreneur uneasy at first. The reality is that funds obtained through a venture capital transaction can help bring additional support and expertise, not just additional cash. Venture capital can be

obtained in virtually any stage of a business life cycle - whether it is for growth, acquisition or turnaround.

### Various Government Organizations

There are various grants and special loans available to companies operating in some select industries. Take for example the Canadian International Development Agency (CIDA), which deals mostly with Canadian companies that are interested in pursuing business internationally. CIDA has entered into strategic partnerships with many companies interested in growing their businesses overseas.

Another example is the Business Development Bank of Canada, which offers a wide range of financing options for businesses in every stage of the business life cycle.

More information on these two alternatives can be found on the following websites:

Canadian International Development Agency  
[www.acdi-cida.gc.ca](http://www.acdi-cida.gc.ca)

Business Development Bank of Canada  
[www.bdc.ca](http://www.bdc.ca)



If you are interested in additional information on any of the above, please feel free to contact us at (416) 969-8166.

## TAX TIP "On-Line Request"

Individuals may electronically ask for a change to a personal income tax return, as well as child and family benefits, through CCRA's website ([www.craadrc.gc.ca/tax/individuals/requests/menu-c.html](http://www.craadrc.gc.ca/tax/individuals/requests/menu-c.html)). The changes require the name, social insurance number, postal code, phone number, tax year to change and a brief explanation of the change.

CCRA will contact the taxpayer shortly thereafter with the results of their review or, to ask for supporting documents.

**TAX TIP deals with a wide variety of issues. Readers are urged to consult W&P prior to acting on the basis of material in this Tax Tip.**

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

Alternatively, changes may still be made through the use of a T1ADJ Form. However, these adjustments take CCRA a much longer time to process.

Clients of Williams & Partners should consult with the partner responsible for their tax filing prior to making any changes directly.

If you have any questions regarding the content of this or any other Tax Tips, please contact the Williams & Partners Tax Group.

## OIAA Claims Conference 2002

Each year, Williams & Partners Forensic Division participates in and attends the Ontario Insurance Adjusters' Association's Claims Conference. This year's conference was held on February 6, 2002 at the Metro Toronto Convention Centre.

The tradeshow was a great success with high attendance numbers,

as well as informative seminars, which were held throughout the course of the day. The attendees provided us with positive feedback on our service as well as our booth and labcoats.

Thank you again to all who visited our booth this year and we look forward to seeing you there next year!

## CLIENT'S CORNER

### Via Verde

Via Verde is a brand new garden retailer opening this spring in mid Toronto. Owned and operated by five experienced and passionate gardeners, Via Verde will offer high quality, unique garden plants and objects as well as great gardening advice to Toronto area gardeners.

While all of the Via Verde partners have previous small business experience in the garden industry, everyone involved wanted this new venture to be a very disciplined and focused one. After Via Verde had drafted their business plan, Geoff Bustin of Williams & Partners assisted the group in the preparation of detailed financial projections and budgets to quantify the business plan. With Geoff's assistance, the group worked on detailed cash flows to help ensure their business goals will be achieved and to use as a benchmark to evaluate performance. Geoff was also involved in assisting the group to select a point-of-sale (POS) system to best suit their needs and to compliment their chosen accounting software.

Via Verde looks forward to "growing" their business in a planned and disciplined manner and will work with Williams & Partners to assist them in achieving their goals.

You can learn more about Via Verde by visiting their website at [www.viaverde.ca](http://www.viaverde.ca).



## W&P NEWS BITS

Williams & Partners welcomes a new addition to our extended family. Suzi Monastero and her husband Mario are proud to announce the birth of their baby daughter, Jessica Nicole. Jessica made her debut on March 22, 2002 at 12:20 pm, weighing in at 8 lbs, 6 oz. The team at Williams & Partners is very happy for the proud new Mama and Papa, and extends their sincere best wishes to Suzi and her new family!

## Contest Winners!

**We are pleased to announce the winners of our T1 early bird draw for the 2001 year.**

**Grand Prize** Alanna DeCristoforo

- Toshiba Digital Camera

**2nd Prize** John Menardi

- Panasonic DVD Player

**3rd Prize** Greg Fantino

- Gift certificate for \$100 at any SIR Corp restaurant

**4th Prize** John Stevens

- Gift certificate for \$100 at any SIR Corp restaurant

**5th Prize** Laura Smith

- Gift certificate for \$100 at any SIR Corp restaurant

**6th Prize** Dana Gornitzki

- Gift certificate for \$100 at any SIR Corp restaurant

**7th Prize** Adrianes Van Voorden

- Gift certificate for \$100 at any SIR Corp restaurant

## CONTACT US

You can reach us by phone at **416-969-8166** e-mail at [team@williamsandpartners.com](mailto:team@williamsandpartners.com), or on-line at [www.williamsandpartners.com](http://www.williamsandpartners.com).

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