



WILLIAMS & PARTNERS  
CHARTERED ACCOUNTANTS LLP

# The Quarterly

## Summer 2003 issue

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## 2003 Personal Income Tax Planning and Filing

### It's never too soon

Now that the 2002 personal income tax filing season is long gone and the hot days of summer are finally here, it is certain that very few taxpayers are thinking about their 2003 income tax filing. However, developing some simple administrative habits early in

the year can eliminate some of the anxiety associated with filing your personal income tax return. In addition, taxpayers should be aware of some recent changes that affect personal income taxes for 2003.

### Simple administrative tips:

#### Keep Receipts

Nothing can be more frustrating than knowing you've incurred a tax deductible or tax creditable expense but you cannot locate the receipt. A receipt provides verifiable evidence of an expense being incurred. Without a receipt, it is your word against the Canada Customs and Revenue Agency ("CCRA"), and we know who is more likely to win that argument.

Receipts for medical expenses, charitable donations, political contributions and RRSPs, for example, must be included with your income tax filings. Receipts for various other deductible or creditable items including professional dues, tuition, child care expenses and interest must be available in case of audit from the CCRA. Where a self-employed individual or commissioned salesperson incurs deductible meals and entertainment expenses, the receipt should indicate who is in attendance with the taxpayer, the entity they represent and the nature of the event. The actual receipt must be available rather than a statement from the credit card issuer.

#### Keep a travel log

Where an employee uses their personal vehicle in carrying out his or her duties of employment or an individual is self-employed and requires an automobile for business purposes, these automobile expenses may be deductible. These expenses need to be justified with the use of a travel log. The travel log will indicate the date that the travel occurred, the destination driven to and the total number of kilometers of the trip. The overall total kilometers driven in the year must also be monitored.

Some employees may have the advantage of having an employer provided automobile. Similarly, a travel log will be of extreme importance to justify a tax deduction claim.

Where an employee uses an employer provided car to fulfill duties of employment, a stand-by charge benefit for the personal use of the car is assessed. The stand-by charge is calculated as 2% per month of the original cost of the car or two thirds of the lease payments. Previously, the stand-by charge would be reduced or prorated if personal driving is less than 12,000 kilometers per year and if the car is being driven 90% more for business purposes. However, commencing in 2003, the stand-by charge can be prorated if personal driving is less than 20,000 kilometers per year and if the car is being driven more than 50% for business purposes. Clearly, the earlier in 2003 that a travel log is maintained, the easier it will be to prove that the requirements of this tax benefit are satisfied.

#### Registered Retirement Savings Plan ("RRSP") Contribution Limit Increase

An individual's maximum RRSP deduction is limited to the lesser of 18% of his/her previous year's earned income and a set dollar limit (less pension adjustments). This dollar limit has been frozen at \$13,500 since 1996. However, in the 2003 Federal Budget it was announced that the dollar limit will be increased to \$14,500 for 2003, \$15,500 for 2004, \$16,500 for 2005 and finally \$18,000 for 2006. Taxpayers should be aware of this increase and may want to consider making their high 2003 contribution now to take further advantage of the tax shelter provided by the growth of their contribution.

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## Cyber Tips Shortcut key combinations:

As we all know, Windows interface is based on four basic terms: windows, icons, menus and pointers (WIMP). They make the average user's life much simpler, but sometimes there are just too many clicks involved to try to get to the desired menu item and/or function.

As original Windows was based on the DOS operating system, here are many DOS-based shortcut key combinations still available which can significantly reduce the execution time of certain menus.

All tips below are applicable to Windows 98, Windows Me, Windows 2000 and Windows XP.

This list is by no means exhaustive, and includes only shortcuts which I am using on a daily basis. But this list should give you an idea that a lot of WIMP-based functions can be replaced by simple two-key combinations, which could save a lot of time, especially when dealing with a significant number of programs or tasks.

Radek Costa-Sarnicki, CA

Press	To
ALT+ENTER	View properties for the selected item.
ALT+Enter	Displays the properties of the selected object.
ALT+ESC	Cycle through items in the order they were opened.
ALT+F4	Close the active item, or quit the active program.
ALT+SPACEBAR	Opens the shortcut menu for the active window.
ALT+SPACEBAR	Display the System menu for the active window.
ALT+TAB	Allows to cycle through icons of all open programs
ALT+SHIFT+TAB	Allows to backward cycle through icons of all open programs
BACKSPACE	View the folder one level up in My Computer or Windows Explorer.
CTRL+A	Select all.
CTRL+C	Copy.
CTRL+ESC	Display the Start menu.
CTRL+F4	Close the active document in programs that allow you to have multiple documents open simultaneously.
CTRL+V	Paste.
CTRL+X	Cut.
CTRL+Z	Undo.
CTRL+mouse click	Allows to choose items in the window which are not continuous; applicable to certain programs as well – i.e. in Excel allows you to choose non-adjacent cells
DELETE	Delete.
ESC	Cancel the current task.
F10	Activate the menu bar in the active program.
F2	Rename selected item.
F3	Search for a file or folder.
F4	Display the Address bar list in My Computer or Windows Explorer.
F5	Refresh the active window.
F6	Cycle through screen elements in a window or on the desktop.
SHIFT+DELETE	Delete selected item permanently without placing the item in the Recycle Bin
SHIFT+F10	Display the shortcut menu for the selected item.

## TAX TIP “Medical Expenses – Attendant Care in Retirement Home”

The Canada Customs and Revenue Agency (“CCRA”) has recently announced that seniors who are eligible to claim the disability amount and who live in a retirement home can now claim attendant care expenses as a medical expense.

The following must be provided for a claim to be allowed:

1. Proof of payment that shows the actual amount paid specifically for attendant care (as opposed to rent, for example).
2. Form T2201 – Disability Tax Credit Certificate, certified by a qualified person and approved by the CCRA.

Generally, attendant care covers the salaries and wages paid to employees of a retirement home who provide the following:

- ◆ Health care
- ◆ Meal preparation
- ◆ Housekeeping for the resident's personal living space

- ◆ Laundry services for the resident's personal items
- ◆ Transportation driver
- ◆ Security (in secured units)

The claim for attendant care is limited to \$10,000 per year (\$20,000 in the year of death). The claim for attendant-care expenses can be made in addition to amounts claimed under the Disability Tax Credit.

Eligible seniors who have already filed their 2002 tax return can request an adjustment.

In addition, this attendant-care change applies to past tax years if a Notice of Objection has already been filed but has not yet been ruled on, or if a Notice of Objection can still be filed for the tax year(s) in question.

The above change now makes the treatment of attendant care expenses in a retirement home consistent with “nursing home” expenses which have always been allowed as medical expenses.

**TAX TIP deals with a wide variety of issues and the information is general in nature.**

**As each person's circumstances are unique, 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.**

## 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](mailto:wendy.pettey@williamsandpartners.com).

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## Equity in Education Tax Credit

The Equity in Education Tax Credit is a fully refundable tax credit available on up to \$7,000 (\$700 per month to a maximum of 10 months) of kindergarten, elementary and secondary school tuition paid per child attending an Ontario independent school.

In the 2003 Ontario Government budget, the Finance Minister announced that the Equity in Education Tax Credit would be restored to its original schedule announced in 2001. Therefore, the tax credit rate will be 20% of eligible tuition paid (up from 10% in 2001 and 2002) in 2003, 30% in 2004, 40% in 2005 and 50% in 2006 and thereafter.

Parents contemplating placing their kids in private school for this coming September should be reminded of this incentive. In addition, parents should be aware that the credit is only available where the parent pays the tuition fees and is not available where the fees are paid by anyone else such as the child, another family member, a corporation, charity, trust, estate or non-resident of Ontario.

To learn more about how we can help you with your income tax plan in 2003, please contact your engagement partner or Enzo Morini at (416) 969-8166, extension 244.

## Watch Your 'Netiquette'

Friday, 4.45pm: time for one last check of your email inbox before taking off for the weekend. It's been a long, frustrating day ... your headache is getting progressively worse and you can't wait to get home, put your feet up, have a drink and watch some TV.

There's a message - a complaint - something about your company's product (or service, or receptionist, or fees). You immediately feel a shiver run down your spine, a knot forms in your stomach, and the hairs on the back of your neck stand on end.

"HELL EXCUUUUUUUUSE ME!" you fire back, just seconds later. "IF YOU'RE SO UNHAPPY, WHY DON'T YOU GO AND FIND ANOTHER COMPANY TO BOTHER THEN!"

In a matter of moments - you realize afterwards - you've managed to not only offend (and probably lose) a customer, but also potentially damage your company's reputation with other customers and rival businesses, as well as the general public.

This is because, unlike a phone call or face-to-face meeting, an offensive email can be forwarded (again and again and again) to other recipients, usually at the touch of a button, who can just as easily forward it again, and again, and again...

David Bond, a director at IT support company Invizage Technology, says situations like this are becoming increasingly commonplace because "the ease and speed at which we can now communicate via email has become one of its greatest downfalls. This can often lead to people making careless mistakes, sometimes with disastrous consequences - such as information being communicated in writing that could be construed as representing the company's viewpoint, or binding the company into an agreement."

As a result, a number of unwritten laws associated with the writing and sending of online messages - a concept loosely defined as 'netiquette' - have emerged.

The content of a formal message should be structured in much the same manner as you would a letter, beginning at the 'Dear X' line," says Bond. There is no need to include the date or other address information that you would normally include. Signoff should be as per a letter."

Such details such as company name, sender's name, sender's job, con-

tact details and even signatures can easily be added to the bottom of every outgoing email. In fact, an email signature automatically added to the bottom of every outgoing message can actually become a powerful advertising tool, especially when someone forwards it many times.

For more guidance on how to provide outstanding customer service, talk to your RAN ONE accountant about the Towards Awesome Service training program for your team.

For more information, contact W. John Trimble at (416) 969-8166 extension 228.





## CLIENT'S CORNER

### Friuli Long Term Care

Friuli Long-Term Care was incorporated on January 30, 2001, and with the help of Williams & Partners received designation as a registered charity effective August 29, 2001.

The Province of Ontario granted the charity a 168 bed allotment as part of the 2001 proposal call by the Ministry of Health and Long-term care.

The need in the community for culturally sensitive care for seniors was recognized by the Board of the Famee Furlane of Toronto (the Famee'). The Famee has been promoting service, philanthropy and a strong sense of community among its members since 1932.

In 1985 the Famee was instrumental in creating the Friuli Benevolent Corporation for the purposes of financing and constructing a 113 room seniors residence currently fully occupied on the Famee Furlane Centre campus. In 1994, members of the Famee acquired additional

adjacent land for the purposes of developing a long-term care facility.

Friuli Long-Term Care will create a culturally sensitive home-like environment for seniors. The care provided will be professional and compassionate. Ultimately, the goal is to enable seniors to remain vital, important and honoured members of the community. Residents will be offered a large choice of activities including social, educational and health and wellness programs

Matthew Melchior, Chair, Friuli Long-Term Care and Luigi Gambin, President, Famee Furlane are committed to the preservation of cultural heritage and outstanding senior care. It is the vision, dedication and efforts of individuals like these that will ensure the success of this project and the long-term care of seniors.

Please visit the Friuli Long-Term Care website at [www.friuliltc.com](http://www.friuliltc.com).

## W&P NEWS BITS

Williams & Partners is now automated. We've upgraded our telephone system to improve our level of service to our valued clients. When you call Williams & Partners, all you need is the extension of the party you would like to speak to, and you will be instantly connected with that person. To reach our company directory, listed alphabetically by last name, just press the # key.

Want to speak to someone else instead, just press the \* key and enter the new extension or return to the company directory. For general enquiries, you may speak to Karyn Boyd by pressing "0".

For a complete list of our team members' extensions, please visit our website at [williamsandpartners.com](http://williamsandpartners.com).

## TAX TIP "Non-compete Payments – Non-taxable, for now"

On March 11, 2003, the Federal Court of Appeal overturned a lower court decision and unanimously found that the receipt of a non-compete payment is tax free and not a disposition of property resulting in a capital gain.

In this case, a taxpayer disposed of his shares in a business. As part of the sale provisions, the seller entered into a non-compete agreement and received significant consideration for this.

The Tax Court of Canada found that agreeing to not compete was a disposition of a "right" and therefore taxable as a disposition of "property". The Federal Court of Appeal disagreed and found such a "right" does not constitute "property".

The Crown has not sought leave to appeal to the Supreme Court of Canada. However, the Department of Finance may now consider amendments to legislation to deal with this issue in their favour.

In the interim, the decision provides a significant tax planning opportunity for sellers of businesses. Documentation should be carefully drafted in order to meet the wording of the decision.

Taxpayers who have recently sold shares in a business and a non-compete provision was in place may consider reviewing their tax filing position. Where the taxation year is not yet statute barred, a notice of objection filing should be considered.

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## 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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