



WILLIAMS & PARTNERS
CHARTERED ACCOUNTANTS LLP

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NEWSFLASH

It is that time of year again.

The snow has melted away, winter coats and scarves have been placed in storage, the loons have returned from their southern nesting grounds and the rhododendrons are ready to bloom.

It is everyone's favorite time of the year.

Yes, you guessed it..... it's personal tax season.

Be on the lookout for Williams & Partners personal tax information request letter and details on our "early bird" incentives.

Did You Know Accountants Could Do This?

Throughout time accountants have been known as "history recorders", "number crunchers" and "bean counters".

For most people, their role in businesses has been narrowly defined and clients have used them as such. For a few clients, their advice has been sought for general business matters and they have been used as a sounding board for ideas and plans when the entrepreneur needed someone to talk to about their business.

The new breed of accountant has leapt across the timeline and has become more of a "history maker". Using knowledge garnered from experience with a large variety of industries and people, the new breed offers services and advisory roles to clients to aid their business in a variety of new ways.

We have found that entrepreneurs have a lot of the information that is useful in making positive and forward thinking changes to their business in their head or buried in their business records. Our role can be that of helping identify opportunities, problems, and drawing out the necessary solutions and plans to take advantage of opportunities and overcome the problems in your business. The process becomes one of using our skills to help you organize a plan to logically and systematically move your business forward to achieving what you want to get from your business.

Have you ever gone home after another 16-hour day and thought to yourself, why am I doing this? If you figured out what money you make from your business and calculate your "hourly wage" you might have some employees who are better off than you are, and they get to go home and let you worry about your business. If this is you, then maybe what you need most is a new plan to have a real life while still building something that is valuable and rewarding. We can help you create the plan and execute the necessary actions.

Have you ever had the experience of 20 phone messages in hand, three people trying to talk to you at once and nobody seems to listen to you? If you have, then it's possible that you need some help in the processes of running your business. Identifying what is critical and what are the true barometers of your business is what we can help you determine, monitor and respond to. These kinds of changes make your business more valuable and profitable.

Your Williams & Partners "business development advisor" can help you with these kinds of issues. WE CAN DO THIS!! Let's talk about it.

Contact John Trimble to learn more about improving processes and making your business more valuable and profitable.

Networks, Computers, Viruses & Security

Part 2002

2001 was not a good year with respect to the safety and security of corporate and private computer networks. A number of viruses, Trojan horses and worms spread over the Internet caused billions of dollars in lost productivity, down time, and in the worst case scenario, loss of crucial data. The worst violators were probably SirCam, BadTrans, Nimda, and Goner. Most of these were exploring the inherent weaknesses in Windows OS and Outlook as well as a somewhat nonchalant attitude from the general public towards security of computer networks. Another big concern was spyware and snoopware, embedded in popular peer-to-peer software (Grokster, Limewire, etc.) used for swapping files through the Internet, which allows for private data to be sent to third parties without knowledge of the owner.

The best way to lessen the exposure to security and privacy threats is to follow a few relatively simple steps to ensure that security basics are covered:

1. Install and regularly update anti-virus and firewall software.

There are several titles available. In the firewall category there are ZoneAlarm, Norton Firewall, Tiny Personal Firewall, Sygate Personal Firewall, McAfee Firewall, and Black ICE Defender. In the anti-virus category there are Norton, McAfee, Panda, PC-cillin, Trojan Remover from Simply Super Software and eSafe Desktop, among others. Which one is the best? – this depends mainly on personal preferences and certain realities of the business. Pricing should not be an issue, as most of them are below \$200 for a single license and some of them are free. In any case, regular updates are the key – ie. Norton posts anti-virus updates almost every 2-3 days, thus weekly updates might be too lax for proper security. You can use Gibson Research Corporation or PC Pitstop to test the security of your connection and various software.

2. Make sure all software is up to date with all available security and other patches. This includes all versions of Microsoft Windows (98, 98SE, ME, 2000 and XP) as well as all Microsoft Office programs – especially Outlook, Word and Excel.

3. Consider upgrading from Win95 and Win98 to Win2000 or Windows XP. The last two are considered to be much more secure than the first two due to the fact that their platform is based on Windows NT, considered the most secure of the Microsoft OS products.

4. Setup policies for the proper usage of your company's computers. For example restrict or forbid the downloading and installing of software without proper approval from management. A lot of freeware and shareware programs have snoopware and spyware embedded in their core, allowing third parties to follow individual usage over the Internet.

5. Make sure you do not open any e-mail and/or attachments received from unknown parties. Also be on the lookout for unexpected e-mail messages from people you know – their systems might have been infected and are propagating viruses without their knowledge. To be on the safe side, setup macro security settings at least at the “Medium” level (Tools, Macro, Security, Security Level tab in Outlook) as a lot of viruses are spread through macros.

The above suggestions, albeit far from comprehensive should help any owner-manager of a small/medium business enterprise to enjoy a much more peaceful, rewarding, and productive New Year. Happy computing.

To learn more about networks, computers, viruses and security, contact Radek Sarnicki.

Taking Advantage of Low Interest Rates

The current low interest rate environment is welcomed by many. With interest rates nearing 40-year lows, significant borrowing advantages exist. In addition, a unique income splitting and tax planning strategy is enhanced.

Generally, where one spouse lends money to the other spouse (or another family member) for investment purposes at little or no interest, any income realized will be attributed back to the lending spouse and taxed accordingly. However, where an interest rate at least equal to the lesser of the going market rate and the Canada Customs and Revenue Agency (“CCRA”) prescribed rate at the time the loan is made, the resulting income is taxed in the hands of the borrowing spouse.

The CCRA's prescribed rate for the first quarter of 2002 is only 3%. This rate has not been this low since the second quarter of 1997.

If a higher income spouse lends to the lower income spouse and charges this prescribed rate throughout the period in which the loan is outstanding, all income and capital gains, net of the interest paid, is taxed in the hands of the lower income spouse. The lending spouse would only include the prescribed interest in income.

The current prescribed rate is locked in as long as the loan is in place. As a result, where interest rates begin to rise, significant tax savings will accumulate.

If you wish to take advantage of this unique window of opportunity, please contact Richard Hemming of our Tax Group.

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.

Scientific Research & Experimental Development ("SR & ED")

Are you claiming your share?

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 Customs and Revenue Agency ("CCRA") 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 CCRA, 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 or Todd Trowbridge of our Tax Group.

TAX TIP: EMPLOYEE GIFTS AND AWARDS

The CCRA has recently eased its policy with respect to the taxation of gifts and awards to employees and the deductibility of such amounts to employers, retroactive to January 1, 2001. Under the CCRA's new policy, if the cost to the employer for gifts or awards is over \$500 (including commodity taxes), then the full fair market value of the gift or award is included in the employee's income. Otherwise the gift or award is tax free, yet still deductible by the employer. This policy applies to gifts and awards so that an employee may receive up to two gifts and two awards in a year, tax free as long as the total cost to the employer does not exceed \$500 for the gifts and \$500 for the awards.

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W&P News Bits

W&P CHRISTMAS LUNCHEON

The Williams & Partners Christmas Luncheon was a great success this year. Even Santa made a special visit to help us out with our Kris Kringle exchange.

This year Williams & Partners donated toys for children to the ChumCity Christmas Wish. Thanks to all team members for their generous donations!

We also raffled off a beautiful birdhouse, hand painted by our very own Robyn Shadoff. Proceeds of the birdhouse raffle were donated to the Markham Stouffville Hospital as part of our participation in the "Team 905" Corporate Campaign.

Thanks to Robyn for donating the birdhouse, and thanks to Santa for taking the time out of his busy schedule to drop by. A good time was had by all!

WELCOME BACK

Williams & Partners LLP would like to welcome back Shanon Hawkshaw, Helen Loukatos, Jebon Lok and Rita Freitas.

Shanon has just graduated from Wilfrid Laurier University, Bachelor of Business Administration Program. She was previously a co-op student with us and now returns to us as a full time employee. **Congratulations Shanon and welcome back.**

Helen and Rita return to us for their second work term and Jebon for his third under the Williams & Partners - University of Toronto Co-operative Education Work Program. Jebon is enrolled in the University of Toronto Bachelor of Commerce Program. Helen and Rita are enrolled in the University of Toronto Bachelor of Business Administration Program. **Welcome back Helen, Jebon and Rita.**

TWO NEW CHARTERED ACCOUNTANTS

There is one day a year where you can guarantee that every Chartered Accountant will stop whatever he or she is doing, break out into a cold sweat and reminisce the day he or she found out about passing the Canadian Institute of Chartered Accountants Uniform Final Exam ("UFE").

On November 30, 2001, Wendy Chan and Radek Sarnicki received notice that they successfully passed the 2001 UFE. The four day UFE remains one of the most difficult and sought after professional exams. **Congratulations Wendy and Radek.**

NEW TEAM MEMBER

Williams & Partners would like to welcome Dilsat Tuna, CA to our accounting team. Dilsat comes to us following several years of experience with the small business practice of a Big Five Accounting Firm. We look forward to sharing Dilsat's expertise with our clients. **Welcome Dilsat.**

CLIENT'S CORNER

St. Michael's College School Celebrates its 150th Anniversary

Great excitement is running through the community of St. Michael's College School these days. On September 15th, 2002, Ontario's only independent Catholic school for young men officially celebrated its 150th Anniversary.

St. Michael's College School was founded in 1852 by the Bishop of Toronto and is operated by the Basilian Fathers. Originally established as a minor seminary for the poor Irish immigrants of Toronto, St. Michael's has grown over the last 150-years into one of the most prestigious Catholic academic institutions in Canada.

Inspired by the Basilian Fathers' philosophy of education, St. Michael's offers students in grades 7-OAC an enriched Liberal Arts education based on the Catholic academic tradition. The school prides itself on developing the whole person and, as such, carries with it a renowned co-curricular program of activities geared toward preparing students to be leaders in their community.

The school is located in mid-town Toronto at the corner of Bathurst Street and St. Clair Ave. The 10-acre campus offers the most modern in teaching and learning facilities. The campus also boasts a 1200-seat arena, a 1000-seat football and track stadium, a new double-gymnasium, and a 250-seat Lecture Hall.

Highlighting the school's 150th Anniversary celebrations is the St. Michael's 150th Anniversary Gala on February 23rd, 2002, at the Mississauga Convention Centre. Over 1200 alumni, parents, donors, friends and staff of St. Michael's will gather to celebrate this important milestone. Guests will enjoy a world-class black tie optional dinner, and be entertained by keynote speaker and alumnus Dr. Robert Birgeineau, President of the University of Toronto. The emcee of the evening will be alumnus Leo Rautins, a former NBA player and the current colour analyst for the Toronto Raptors.

All money raised from the evening will go towards Bursaries and Scholarships at St. Michael's College School, in an effort to continue providing the highest calibre of independent Catholic education to the young men of St. Michael's.

For further details on St. Michael's College School please call them at 416-653-3180.

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