The Quarterly

williams & partners | chartered professional accountants LLP

Performance Management Spotlight: "Meeting Your Banker – A Chance to Shine!"

Every year without fail, our clients collect their financial statements, tax returns and other important financial information and meet with their corporate bankers – 'the feared annual credit review process.'

With a few well thought-out actions and some preparation, meeting with your banker can be a chance for you to showcase your company, its prospects, its financial position and any areas of concern you see with the business going forward. Changing your mindset and investing in your banking relationships can pay tangible dividends. But first, here are a few steps you can take to ensure your credit review process is a success. This list came to us through our banking relationships and there was striking consistency in what bankers are looking for in meeting with their clients or potential clients:

1) Prepare a summarized historical financial information package.

All too often, clients attend credit review meetings with simply providing their last year's financial statements prepared by their accountants, with little narrative or explanation. Instead look to provide a narrative and summary of key financial metrics (e.g. revenue, earnings before tax) and compare how those financial metrics performed according to your original plan. For example, there may be a very strong reason why your revenues increased significantly, however, gross margin was flat or deteriorated. Typically a description of why the variance is an anomaly would be included.

2) Prepare a strategic operational update.

Your banking relationship is built on trust, similar to your relationship with your other advisors – accountants, lawyers, investment advisors. Ensuring your banker intimately knows your company, its direction, opportunities and risk profile on an ongoing basis will go very far in streamlining future meetings to discuss and approve how you might finance future growth opportunities.

3) Assemble a detailed forecast.

As we all know business changes by the minute. A project that was locked down suddenly disappears. An important client moves to a competitor through no fault of your own. These changes, however, are not an excuse in the bankers eyes to not preparing forward looking statements detailing where your company is going, the amount of cash required in the business and the projected profitability. Your banker needs to understand clearly your company's ability to service its debt, ability to make interest payments or line of credit exposure. Helping your banker get comfort over your projected finances goes a long way to reducing their risk assessment of your company.

Benefits to Actively Developing Your Relationship with your Banker

Interest rates are a function of the risk inherent in your company's ability to pay down its debt and service the interest costs. Ensuring your banker knows your business and understands your direction goes a long way to reducing your perceived risk profile and lowering your interest rates providing a tangible benefit to your bottom line and perhaps even increasing your access to more credit.

Ensuring your company provides easy to read, clear and concise information is vital to this process. Many of our clients ask us to help them prepare such information packages and even attend such credit review meetings alongside them.

The Importance of Written Employment Agreements

As a business owner, our main focus and concern is to generate revenue, create our brand and be the best at providing our product or service to our clients. As we grow, we hire the right team to help support our goals and vision. With the main focus on growing and developing our business, we often do not document the employment arrangement. A verbal agreement, or handshake seals the deal and we go on building our brand. For those that are more aware of the importance of documentation, an offer letter is prepared – but what is in the documentation is also very important.

It is often too late when an employer realizes how important that employment contract documentation is. A legal battle with an exiting employee without a proper employment contract can be very costly to a business owner and can have an extreme negative impact on the brand and income of the business.

Some key tips for employers are to ensure there is a minimum statutory clause in your written employment agreement and that you have a written employment agreement that outlines the key pieces of your employment relationship (i.e. dates of employment, expectations of the job, hours of work, salary, vacation entitlement, etc.).

In recent years, Courts have awarded lengthier notice periods to both short term managerial employees and to long term non-managerial employees. Having an employment contract to welcome the new team member and outlining expectations and details of your employment relationship with enforceable documentation are extremely important in protecting both the employer and employee.

For further support on any Human Resources matters, we welcome you to contact Luisa De Jesus, our Human Resources Manager at luisa.dejesus@williamsandpartners.com.

Changes to Trust Rules Coming Soon

As announced in the federal budgets for 2013 and 2014, several changes to rules applicable to various types of trusts will be applicable in the new year.

Testamentary Trusts

Currently, testamentary trusts are taxed on income at graduated rates of tax. Effective January 1, 2016, all testamentary trusts will be subject to tax at the top federal tax rate of 29%. When combined with the top marginal provincial tax rate, the combined federal and Ontario tax rate on testamentary trusts will be approximately 49.5%. Certain trusts, newly termed "Graduated Rate Estates" ("GRE") and "Qualified Disability Trusts" ("QDT"), will be exempt from these rules. A Graduated Rate Estate may continue to enjoy the benefits of a graduated tax rate for up to 36 months after the date of death of the individual creating the trust. In addition, a Qualified Disability Trust, where a beneficiary who qualifies for the disability tax credit, will still benefit from graduated rates. For a Graduated Rate Estate, the estate must designate itself as the deceased individual's graduated rate estate in its first taxation year that ends after 2015.

A Graduated Rate Estate can select any fiscal year end but will be deemed to have a year end when it ceases to be a graduated rate estate (after 36 months) and is then required to select a December 31st fiscal year end going forward. As of January 1, 2016, testamentary trusts and non-graduated rate estates must select a December 31st year end.

Testamentary trusts have previously not been required to make quarterly tax instalments but may now be subject to quarterly income tax instalments commencing in 2016.

Lastly, testamentary trusts and non-graduated rate estates will no longer be entitled to the $40,000 exemption from alternative minimum tax and will not be able to allocate investment income tax credits to its beneficiaries.

Despite these new rules, testamentary trusts can still be used to achieve savings such as income splitting by paying testamentary trust income to a discretionary beneficiary who has little or no income.

Qualified Disability Trusts

Qualified Disability Trusts will continue to be eligible for the graduated rate of taxation. A Qualified Disability Trust is a testamentary trust that has a beneficiary with a disability tax credit certificate. To take advantage of the graduated rate of tax, trust capital must be paid to the disabled beneficiary.

continued on page 3.

Flexibility in Charitable Giving

New rules introduced will also allow greater flexibly in using the donation tax credit with respect to donations made by a Will and gifts made by direct designation. The new rules will allow donations to be allocated between the deceased and their estate where the donation is made by a Graduated Rate Estate. With these changes, the deceased may use a donation credit in the year of death or in the immediately preceding year, or alternatively, the Graduated Rate Estate may use the donation.

Alter-Ego, Spousal and Joint Partner Trusts

New rules will also apply to Alter-Ego, Spousal and Joint Partner Trusts. Effective January 1, 2016, a deemed year end will occur on the death of a spouse beneficiary in a spousal trust, a settlor in an alter-ego trust and the survivor of the settlor and their spouse in a joint partner trust. In the year of death, trust income (including capital gains triggered as a result of the death), will be taxed in the deceased beneficiary's terminal return and not the trust.

Planning

Individuals will want to revisit their Wills and post-mortem arrangements to ensure that the administration of their estate lasts for up to 36 months to benefit from the period of time that the graduated tax rate is applied. As only one Graduated Rate Estate is now allowed, multiple testamentary trusts will no longer be effective in Will planning.

Charitable giving arrangements should also be reviewed to ensure that the maximum savings are provided to the deceased and the estate.

Tax Tip: Recaptured Input Tax Credits (RITC's) Rate Reduced

"Recaptured Input Tax Credits (RITC's) Rate Reduced"

Generally, once taxable and zero-rated supplies of a corporation exceed the $10 million threshold, an Ontario business is restricted in claiming HST Input Tax Credits with respect to certain property and services and is then required to report these RITC's on their GST/HST return filings.

RITC's are considered to be the provincial portion of the HST paid or payable on specified Ontario property and services which includes the following:

- Road vehicles weighing under 3,000 kg, which are required to be licensed for use on Ontario public roadways;
- Motor fuel, other than diesel, for use in these motor vehicles;
- A service or property (other than ordinary repairs and maintenance) acquired for qualifying motor vehicles within twelve months of the time of purchase;
- Electricity, gas and steam or other forms of energy, used to generate energy not used directly in manufacturing of goods for sale;
- Telecommunication services (except Internet services, web-hosting services and toll free services); and
- Food, beverages and entertainment subject to the 50% income tax limitation.

The Canada Revenue Agency recently issued GST/HST information sheet GI-171, "Phasing out of Recaptured Input Tax Credits in Ontario" to explain how the phase out of the RITC's will be implemented. The RITC rate has been at 100% since inception on July 1, 2010 and will now begin to be gradually be phased out as follows, starting on July 1, 2105:

Recapture Period	Recapture Rate
July 1, 2010 to June 30, 2015	100%
July 1, 2015 to June 30, 2016	75%
July 1, 2016 to June 30, 2017	50%
July 1, 2017 to June 30, 2018	25%
July 1, 2018 to June 30, 2019	0%

Consequently, proper bookkeeping and recording of transactions will be more important to ensure that the correct percentage of RITC's is properly reported based on the time period that the HST is paid or becomes payable.

Client's Corner - Mackie Transportation Inc.

Mackie Transportation Inc. is a family owned business operating since 1928, specializing in Freight and Auto Transport. Ross, along with his son, Dean, and grandchildren, Shawn and Sara, are actively involved in the day to day operations of the company. Having a large fleet of both owner operated and company owned trucks allows Mackie to easily accommodate customers, as drivers are readily available not only in Ontario, but throughout Canada and the USA as well.

Their Auto Division specializes in all types of vehicles including manufacturer's prototypes, test cars, priceless antique and exotics, sport cars, show cars, movie vehicles, Ride and Drives, dealer training tours and other special events for auto manufacturers. Mackie moves all types of vehicles including vans, cars and motorcycles. Mackie also provides dedicated runs to and from Florida for the snowbirds and regular runs throughout Canada. They have a dedicated fleet of open and enclosed carriers with specialized tailgates for exotic vehicles. Mackie is also a SmartWay approved carrier to help reduce carbon footprint throughout North America.

At Mackie Transportation Inc. they understand the importance of every shipment they handle and the utmost care and respect that each of these loads require. They are quite confident in their ability to exceed the service levels of your transportation requirements and provide the excellent trouble-free service clients deserve.

News Bits

New Team Members:

We are proud to announce the following new additions to our team:

Victor Chen

Victor Chen joined us as an Analyst as part of the accounting team. Prior to joining the team, Victor worked at a smaller firm during past co-op terms in accounting, tax and finance. He graduated in 2013 from the University of Waterloo with an Honours Bachelor of Accounting and is working towards the CPA, CA designation, as he continues his education through CPA Ontario.

Robert Galluzzo

Robert joined the firm on September 21st, 2015 as a Senior Accountant. Robert has more than 18 years' experience in public accounting and most recently was an audit manager at a smaller firm. Robert has built many trusted relationships with his past clients and looks forward to offering the same elevated service to our clients. We look forward to having him as a part of the team.

Promotions:

We are pleased to announce the following promotions within our team:

Michael Vella

Michael was promoted to Senior Accountant effective July 1st, 2015. Michael joined the firm in July 2014 as a Staff Accountant bringing with him many years of experience from a previous mid-size accounting firm, as well as working as an Accountant in a medical supply company.

Michelle Le Blanc

Michelle has been promoted to Staff Accountant effective July 1st, 2015. She joined the firm as an Analyst in February 2014 bringing some experience working as a co-op at one of the larger firms. Michelle has been diligently pursuing her CPA, CA designation through the CPA Ontario program.

Kathleen De Pellegrin

Kathleen has also been promoted effective July 1st to Staff Accountant. She worked for Williams & Partners on a contract basis while in university and commenced full time employment with us in September 2014. Kathleen previously supported the team during some busy seasons and has developed strong relationships with many of our clients.

Fall 2015 Planner	December 15th	4th income tax instalment payment for 2015 due

CONTACT US

You can reach us by phone at **416.969.8166** 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.