



## HOBB & COMPANY

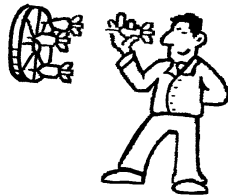
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### YEAR-END TAX PLANNING

Some 2008 year-end tax planning tips include:



1. Certain *expenditures* made by *individuals* by **December 31, 2008** will be eligible for **2008 tax deductions or credits** including: moving expenses, child care expenses, safety deposit box fees, charitable donations, political contributions, medical expenses, alimony, eligible employment expenses, union, professional, or like dues, carrying charges and interest expenses, certain public transit amounts, and children's fitness amounts.
2. You have until **March 2, 2009** to make tax deductible Registered Retirement Savings Plan (**RRSP**) contributions for the 2008 year.  
Consider contributing to a *spousal RRSP* to achieve income splitting in the future.
3. If you own a business, consider paying a *reasonable salary* to family members for services rendered to the business.
4. An individual whose **2008 net income** exceeds **\$64,718** will lose all, or part, of their *old age security*.

Senior citizens will begin to lose their income tax *age credit* if net income exceeds **\$31,524**.

Contact your professional advisors for assistance in *managing* 2008 personal income.

5. Consider purchasing assets eligible for *capital cost allowance* before the year-end.
6. Consider selling capital properties with an *underlying capital loss* prior to the year-end if you had *taxable capital gains* in the *year*, or any of the *preceding three years*. This capital loss may be offset against the capital gains.
7. **Registered Education Savings Plan (RESP)**  
A *Canada Education Savings Grant* (CESG) for RESP contributions will be permitted equal to 20% of annual contributions for children (maximum \$500 per child per year).
8. **Health and dental premiums for the self-employed**  
*Individuals* will be allowed to *deduct* amounts payable for *Private Health Service Plan* coverage in computing *business income* provided they meet certain criteria.
9. A *refund* of *Employment Insurance* paid for non-arm's length employees *may* be available upon application to

CRA.

10. Taxpayers that receive "*eligible*" dividends from private and public corporations will have a significantly lower tax rate on the dividends. *Notification* from the corporation to the shareholder is required.
11. Eligible *public transit passes* will be entitled to a tax credit.
12. A *fitness tax credit* for children under 16 enrolled in certain organized sports is available.
13. A *Registered Disability Savings Plan* may be established for a person who is eligible for the *Disability Tax Credit*. Non-deductible contributions to a *lifetime maximum of \$200,000* are permitted which are eligible for tax-deferred grants and bonds. Please contact your professional advisors for details.

### MANUFACTURING AND PROCESSING (M&P) PROPERTY

*M&P property* acquired after **March 18, 2007 and before 2010** will be eligible for enhanced *Capital Cost Allowance* deductions (50% straight-line method).

### BUILDINGS

An enhanced *Capital Cost Allowance* rate is available for *M&P buildings* (10%), and other *non-residential buildings* (6%).

To qualify, the building must be *brand*

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*new. Used buildings are not eligible.*

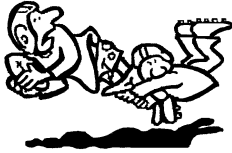
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## ESTATE PLANNING

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### DONATION SCHEMES

In a February 23, 2007 *Tax Court* of Canada case, the taxpayer received a *donation receipt* for *five times* the amount of the *cash donation*.



#### Taxpayer Loses

CRA *successfully disallowed* the charitable donations, even in *statute-barred years*, and applied *gross negligence penalties*.

Also, in a July 14 2008 *Tax Court* of Canada case, the taxpayers acquired original *works of art* from Canadian Art Advisory Services (*CAAS*) Inc. and shortly thereafter donated them at much higher values to charities identified by *CAAS*.

### Taxpayers Lose

The Court noted that the *value for donation* purposes should be the *amount paid* by the taxpayers *minus* the *15% retainer fee paid* to CAAS.

### REDEEMER FOUNDATION

The *Redeemer Foundation* operates a *forgivable loan program* that finances the education of students at an affiliated college. CRA was concerned that some charitable donations to the Redeemer College were *not valid* alleging that the *donors' contributions* were made solely to finance the *education* of their *own children*. CRA served the Redeemer Foundation with a requirement to report the identity of *each donor* and the name of the *related student*.

On July 31, 2008, the *Supreme Court of Canada* concluded that CRA is entitled to the *donor information*.

We understand that CRA did send Notices of Reassessments to some of the donors.

### Editor's Comment

This appears to *open up* a charity's *donor list* to CRA, upon request.

### EXECUTORS OF AN ESTATE

In a June 11, 2008 *Tax Court* of Canada case, the issue was whether \$15,000 received for *services* rendered as *Executors* of the uncle's Estate is *taxable* as assessed by CRA.

#### Taxpayers Lose

The *taxpayers' argument* that the amount was a *specific legacy* that their uncle gave them under his *Will*, and not remuneration for services rendered, was *not accepted* by the Court. Given the way in which the *Will was drafted*, the Court found that the *\$15,000* constituted taxable income from *employment*.

This is *not* considered to be a *non-taxable legacy* because a *legacy* does not entail any obligation or responsibility of the legatee.

The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions in a commentary such as this, a further review should be done. Every effort has been made to ensure the accuracy of the information contained in this commentary. However, because of the nature of the subject, no person or firm involved in the distribution or preparation of this commentary accepts any liability for its contents or use.

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