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The Optimizer



Tax Tips 2009: Part I

As we draw closer to the end of 2009, we thought we'd point out a few interesting ways for you to minimize your 2009 taxes:



Donations

You have until December 31, 2009 to make charitable donations and benefit from the charitable donations tax credits for 2009.

The federal credit is equal to 15% of the first \$200 of charitable donations paid in the year and 29% for any donation in excess of \$200. A similar credit is provided for provincial tax purposes.

Instead of cash, you can donate stocks or mutual funds units that have unrealized capital gains. Tax is eliminated on such gains that are generated when publicly traded securities are donated directly to a charity. Similarly, if you exercised stock options after March 18, 2007 and donate the shares, you may be able to exclude the resulting employment benefit from your income.



Monthly Transit Pass Tax Credit

The tax credit for public transit passes is a non-refundable tax credit for the cost of buying a monthly (or longer duration) pass for commuting on buses, streetcars, subways, commuter trains and ferries.

You will not need to submit any documentation when you file your return, but you must keep it in case the Canada Revenue Agency (CRA) asks for it in verifying your claim.

You can claim the full amount paid for a public transit pass, or for the cost of passes for multiple transit systems. The tax credit is a non-refundable tax credit, which means that the amount you claim is multiplied by the lowest personal income tax rate for the year and is then deducted from your tax otherwise payable.

Medical Expenses

You can claim medical expenses in excess of a minimum threshold. For 2009, the threshold is the lesser of:

- 3% of your “net income”, and
- \$2,011 at the federal level – provincial limit may vary depending on the province.

You are permitted to select any 12 month period ending in 2009 when claiming medical expenses.



In addition to prescription drugs, there are other medical expenses that are often ignored by the taxpayers. Some of the common ones are:

- Transportation costs incurred in obtaining medical treatment if such treatment is not available locally,
- Renovations and/or alterations to residence to make it more accessible for an infirm person,
- Renovations and/or alterations to vehicle in order to facilitate wheelchair access to an infirm person,
- Training costs incurred in order to provide care for an infirm dependant.

Moving Expenses

If you moved during 2009 for employment or business purposes, you may be able to claim a deduction for moving expenses provided your new residence is at least 40 kilometres closer to your new work location. Some of the moving expenses you may deduct are as follows:

- Transportation and storage costs relating to household effects,
- Cost of cancelling a lease for your old residence.
- Travelling expenses (includes auto, meals and accommodation expenses) to move you and your household members to your new residence,
- Costs for up to 15 days for meals and temporary accommodation near either residence for you and your household members,

If you sold your old residence as a result of the move, eligible moving expenses may also include:

- Legal fees and certain taxes paid in connection with the purchase of a new residence,
- Cost of selling your old residence (such as advertising, legal fees, real estate commission, and mortgage penalty if applicable).



Tax-loss Selling

You can off-set any taxes arising from capital gains by taking advantage of tax-loss selling. Tax-loss selling is essentially selling an investment at a loss with the intention of taking that loss and applying it against capital gains. You can benefit from tax-loss selling from the depressed market conditions. However, you should be aware of the “superficial loss rules” which deny a capital loss if you, an affiliated person, or entity acquires a similar stock or mutual fund unit within 30 days before or after the sale date.

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Certain Disbursements

In order to claim tax deductions and credits for certain items, you need to make the applicable disbursements before the end of 2009. Such items include:

- charitable donations
- medical expenses
- childcare expenses
- tuition fees
- professional dues



Shareholder Loans

If you took a loan from your corporation in 2008, if possible, you should repay it before the end of 2009. If you delay, the full amount of the loan will be added to your income for 2008, unless, among other things, the loan was made to you (in your capacity as an employee) for purchasing a residence or securities issued by the employer corporation.

\$750,000 Capital Gains Deduction

Small business corporation shares and certain other specified properties qualify for the lifetime capital gains deduction of \$750,000. Claiming this deduction often requires a good deal of planning. If you are thinking about selling assets that qualify for this deduction before the end of the year, speak to us as soon as possible.

RESP

Although contributions to a registered education savings plan (RESP) are not tax-deductible, the income that accumulates in the plan is taxable when it is paid out to a student.

Parents should take advantage of the Canada Education Savings Grant (“the grant”). The grant equals 20% of your annual RESP contributions to a maximum of \$500 per year.



2009 Firm Events

Annual Charity Golf Tournament

The firm proudly supports the Canadian Centre for Diversity and its "Discover Diversity" program. Our annual charity golf tournament provides funding for the Centre's Discover Diversity Faith and Cultural Program. The program's aim is to eliminate bigotry and discrimination by opening hearts and minds through a process that teaches students the value of empathy, so that friendship among people from different races and background is possible.

On June 24, 2009, the firm conducted its annual charity golf tournament which helped raise \$70,000 in order to further the firm's mandate in this regard.

Over the past 9 years, with your generous help and support, our tournament has raised well over \$480,000, for our Charity of Choice, and it is hoped that through our collective efforts, we will contribute in some way to the fixing of our complicated world.

Canadian Centre for Diversity - Awards Gala

On November 19, 2009 some of our partners and clients attended the 62nd annual Canadian Centre for Diversity awards gala.

Not only are we proud to be a sponsor of the event, but even more so, we are proud of our affiliation with this progressive and relevant organization.

As you know, our annual golf tournament provides funding for the Centre's Discover Diversity Faith and Cultural Program, offering elementary and high school students the opportunity to visit diverse houses of worship and learn about other backgrounds, traditions and values.

The awards gala highlighted some key individuals and organizations. The worthy recipients included Mathew Teitelbaum, Director and CEO, the Art Gallery of Ontario for the Human Relations Award, RBC for the Partners in Diversity Award, the Maytree Foundation

for the Legacy Award - the Mentoring Partnership, and the Emerging Leadership Award was given to the Slumdog Millionaire Kids as ambassadors to young people everywhere.

Firm Achievements

The UFE (Uniform Evaluation) is one of the most challenging exams that one has to write in order to become a CA (Chartered Accountant), and passing it requires a considerable amount of dedication and focus.

SF is proud to announce that our newest UFE graduates are:

Sara Feldstein
Gina Hua
Denis Lou
Robin Wong

Congratulations to our UFE writers on passing the UFE exam, the last academic hurdle in becoming a CA.

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