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The Optimizer



Tax Relief 2010

Recently the Minister of Finance highlighted certain tax relief measures which will benefit Canadians in 2010. These measures are as follows:



Tax Relief 2010

Corporate Tax Rate Reductions:

The federal general corporate income tax rate has been reduced from 19 per cent to 18 per cent. As a result, effective January 1, 2010, the federal portion of Canadian corporate tax rates would be as follows:

	General M&P income	General Active Business income	Investment income
General corporate rate	38%	38%	38%
Federal abatement	(10.0)	(10.0)	(10.0)
	28.0	28.0	28.0
M&P deduction	(10.0)	0.0	0.0
Rate reduction	0.0	(10.0)	(10.0)
	18.0	18.0	18.0

Elimination of Withholding Tax on Non-arm's Length Interest paid between US and Canada:

Prior to 2010, a 4% withholding tax was applicable on non-arm's length commercial interest paid between the taxpayers of US and Canada. Pursuant to the changes implemented under the Fifth Protocol to the Canada-United States Tax Convention, withholding tax on such non-arm's length interest paid between the taxpayers of the two countries has been eliminated effective January 1, 2010.



Increase in the Pension Surplus Threshold for Defined Benefit Plans:

The Income Tax Act allows employers to make contributions that are necessary to ensure that pension benefits promised under a defined benefit registered pension plan are fully funded. The current 10 percent pension surplus threshold that applies to defined benefit plans at both the federal and provincial level under the Income Tax Act will be increased to 25 percent.

It is expected that the 25 percent threshold will help employers better maintain a surplus cushion, thereby reducing the likelihood and severity of funding deficiencies while containing related tax assistance amounts.

Accelerated Capital Cost Allowance measures

Manufacturing and processing machinery and equipment

The Minister of Finance highlighted the extension of the 50% straight-line capital cost allowance (CCA) rate for investments in manufacturing and processing (M&P) machinery and equipment that would continue to apply on eligible assets acquired in 2010 and in 2011. The half-year rule will apply to M&P assets subject to this measure.



Abating Tax Penalties Through The Voluntary Disclosures Program

The Voluntary Disclosures Program (VDP) allows taxpayers to come forward and correct inaccurate or incomplete information or to disclose information they have not reported during previous dealings with the CRA, without penalty or prosecution. Subject to certain conditions, a disclosure may be made for Income Tax and GST/HST.



The disclosure must be voluntary, complete, and relate to information that is more than one year overdue. If the CRA accepts the disclosure, the taxpayer will have to pay the taxes or charges owing, plus interest.

Abating Tax Penalties Through Taxpayer Relief Provisions ("Fairness Provisions")

The CRA has the ability to forgive penalties and interest when they result from circumstances beyond a taxpayer's control, including:

- natural or human-made disasters, such as a flood or fire;
- civil disturbances or disruptions in services, such as a postal strike; or
- serious illness or accident, or serious emotional or mental distress (e.g., vehicle collision).



The forgiveness of penalties and interest can be requested when they result primarily from the actions of the CRA.

The CRA can also forgive interest when taxpayers cannot pay amounts owing because of circumstances beyond their control. For example:

- when collection has been suspended because of an inability to pay caused by the loss of employment and the taxpayer is experiencing financial hardship; or
- when a taxpayer is unable to conclude a reasonable payment arrangement because the interest charges absorb a significant portion of the payments. In such a case, the CRA may waive all or part of the interest for the period from when payments commence until the amounts owing are paid, provided the agreed payments are made on time.



Mandatory Internet Filing of Corporate Tax Returns in 2010

Starting with the 2010 taxation year, CRA requires mandatory internet filing for certain corporations with annual gross revenues of more than \$1 million. Consequently, such corporations (except for insurance corporations, non-resident corporations, corporations reporting in functional currency, and corporations exempt from tax under section 149 of the Income Tax Act) must file the T2 corporate tax return through the internet, using CRA-approved T2 software.

Penalties for failing to file through the internet will not be imposed until the 2011 taxation year.



Mandatory Electronic Filing for Information Returns in 2010

The CRA issued a reminder that beginning in January 2010, any business, which submits more than 50 original information slips, must file them electronically over the Internet. This measure was proposed in the 2009 federal Budget. The common information returns this initiative is addressing include: T4, Statement of Remuneration Paid; T4A, Statement of Pension, Retirement, Annuity, and Other Income; T5, Statement of Investment Income; RRSP Contribution Receipts; and Tax-Free Savings Account Annual Information Return.

The CRA is providing a one-year transitional period to allow filers time to adapt to these changes. Penalties will be assessed starting on January 1, 2011.

Prescribed annual interest rates for quarter ending March 31, 2010:

Tax type:	Overdue remittances	Overpaid remittances
Income taxes	5%	3%
CPP	5%	3%
EI	5%	3%
GST	5%	3%
HST	5%	3%

The annual interest rate used to calculate taxable benefits for employees and shareholders on interest-free and low-interest loans will be 1% for the quarter.



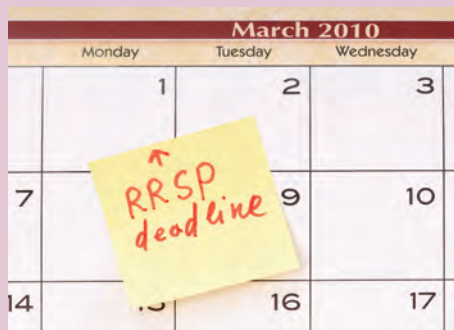
Reminders

2009 T4/T5 slips and summaries:

- If you or your corporation are an employer, you are required to file the relevant T4 slips and T4 summary for the 2009 year with the CRA on or before March 1, 2010.
- If you or your corporation paid interest, dividends or certain other income during the 2009 year, you are required to file the relevant T5 slips and T5 summary with the CRA on or before March 1, 2010.

2009 RRSP contributions

- The deadline to make your 2009 RRSP contribution is March 1, 2010. The contributions will be tax-deductible on your 2009 tax return (subject to your RRSP limit for the 2009 year).



- Your RRSP contribution limit for 2009 is the lesser of the following two amounts:
 - \$21,000, and
 - 18% of your 2008 earned income.
- The limit is increased if you have any unused contribution room from years prior to 2009.
- If you contribute more than your 2009 RRSP contribution limit, the excess can be applied towards your 2010 RRSP deduction. The maximum contribution limit for 2010 RRSP is \$22,000.

Tax Free Savings Account (“TFSA”) contributions

- Although TFSA contributions are not tax-deductible, you should consider making contributions to the account as income and gains earned within the account are tax-free.
 - The annual TFSA contribution limit is \$5,000.
- Generally, your TFSA contribution limit for 2010 would be made up of:
 - Your 2010 annual TFSA limit;
 - Any unused TFSA contribution room for 2009; and
 - Any withdrawals made from the TFSA in the previous years

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