Corporate Business Owners Year-End Tax Planning

Chartered Professional Accountants

BY SEEMANT THAKKAR CPA, CGA CMA LPA

416-985-7154

WWW.ENTCPASEEMANT.COM

Disclaimer

This material is at high level purpose only it is technical and should only be used as a guide to discuss these matters with a qualified professional accountant.

As it deals with technical matters which have broad applications and is not practical to be used alone.

No person or organization involved with this material accepts any legal responsibility for its contents or consequences from its use.

Property Plant and Equipment

Before the year-end review all the assets you would need to replace in the coming year.

If there are assets you will be placing soon it's a good idea to purchase them before the year-end so you may claim the capital cost allowance within the year.

Also in the redundant assets or not needed assets should be sold in order to incur losses to offset any gains in capital nature

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Salaries to Family Members

-A reasonable amount of compensation should be given to member family members before the end of year-end for the duties they've have performed

-This strategy is mainly intended for family members that are in a lower tax bracket

Defer the Sale of Depreciable Business Assets

Defer selling any depreciable assets in order that you may claim the capital cost allowance

This would also reduce net income if there is recapture associated with the selling of the depreciable asset.

Alternatively you could wait for a year when the Corporation has incurred a loss in order to sell the asset thereby offsetting the recapture against the loss in the year

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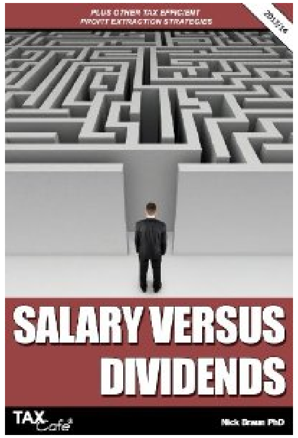
Dividends Versus Salary

This is usually done on a case-by-case basis. The accountant should review the amount of money that has been withdrawn from the Company by all family members.

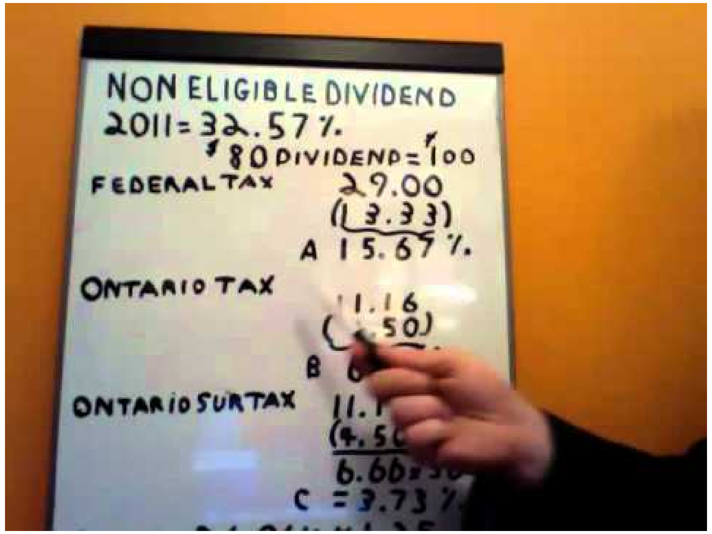
When deciding on the mix a number of factors need to be kept in mind, the different tax rates, the age of the taxpayer, the RRSP limits and requirements, the Canada pension plan requirements and many more factors before an accurate decision can be made.



Eligible dividends Versus Non-Eligible Dividends

We would be happy to advise you based on your situation which is more appropriate for you to withdraw eligible versus non eligible dividends.

In many cases only non-eligible dividends are available.



Bonuses Payable

In many cases bonuses payable is a good way of deferring taxes into the following year. When the bonus was declared before year end the corporation may use it as a deduction from its net income.

The taxpayer receiving the bonus has 179 days to receive the money from the company whereby then paying the tax on this amount.

This is also a great strategy for the purpose of reducing the net income of the corporation before the small business deduction.

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Gifting to Your Employees

Employees are entitled to non-cash gifts of up to $500 non-taxable. Keep in mind to give cards are considered to be to the equivalent of cash.

CRA has allowed a $100 cash gift per year per employee. You may want to consider providing your employees these gifts before December 31.

An even amount in access of these are taxable

Due to shareholders Advances

If funds are due to shareholders and the company is in a loss position however there isfunds in the available the shareholder should consider taking funds from his shareholder account instead of a salary thereby reducing his own personal taxes

These funds would be tax-free to the shareholder

CRA Requirements

Ensure that the Corporation has paid all its instalments on it’s due dates Per CRA's requirements.

Review the payments to ensure that the company has madesufficient payments before the year-end to minimize any penalties and interests.

Canada Revenue Agency
www.cra.gc.ca

Charitable Donations

The company should be should review its donation policy to ensure that all donations are done before year-end

A shareholder may also wish to review making the donation personally instead of through the company depending upon his personal tax rate.

Shareholder Advances from the Company

There are exceptions to when an individual shareholder may borrow funds from their own corporation per the income tax act.

In situations where this is not the case the shareholders should pay back the funds to the Company within one year of the taxation year.

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Thank you

Seemant Thakkar
CPA, CGA, CMA, LPA
ent Mississauga, LLP
Chartered Professional Accountants
416-985-7154
www.entcpaseemant.com