

This Month

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CCRA Reminder Concerning Payroll Deductions Tables (T4032)

The Canada Customs and Revenue agency has issued a reminder that it will no longer be distributing paper copies of the Payroll Deductions Tables (T4032) by postal mail. This is part of an effort by the CCRA to reduce the volume of paper waste it produces.



The Payroll Deductions Tables (T4032) and the Payroll Deductions Calculator (Tables on Diskette) are available from the CCRA's payroll website (www.ccra.gc.ca/payroll). Users are encouraged to download the tables from the site and print the pages they require.



A paper copy of the Payroll Deductions Tables (T4032) can still be requested if you are unable to access the electronic version.

Art Flips

In 2003, Canada Customs and Revenue Agency (CCRA) have reassessed more than 3,000 Canadian taxpayers who claimed a charitable donation tax credit on the donation of art. This totaled more than \$7 million in unpaid taxes. When CCRA suspects an "art flip" several items are reviewed. A taxpayer should be aware of the following:

- How long was the art held by the taxpayer? CCRA is more likely to challenge the deduction when the art is bought and sold in the same year.
- What is the value of the art? CCRA may want proof when there is a significant difference between the purchase price of the art and the selling price or the charitable receipt value.
- Has an independent qualified appraiser provided an appraisal of the art? The taxpayer should request a certification to prove that the appraiser is a qualified and independent party who is not connected to the promoter or seller of the art. Generally, membership in a professional association is a good indication of an appraiser's qualifications.
- Will the promoters and others provide assurances of the transactions' legality in writing?
- Are there any advanced income tax rulings from CCRA about investments and donations? Ask the promoter of the donation program for this information. Review the rulings carefully.
- Before signing any documents, please feel free to call our office for guidance.



Benefits of Outsourcing Payroll

Payroll can be a big hassle to even the most experienced small business owner. Stop to consider the penalties one faces for missing a tax payment, and all of a sudden the "hassle" has turned into a nightmare! An enormous number of employers have been charged monetary penalties for payroll mistakes, with fines totaling tens of millions of dollars.

For the majority of small business owners, payroll services offer an attractive alternative to internal processing. Take a second to consider the following advantages that accompany outsourcing:

- Expert knowledge of payroll and payroll systems.
- The ability to accurately budget with fixed payroll costs.
- The ability to streamline and create an efficient reporting process.
- The elimination of computer hardware costs and computer upgrades.
- The ability to handle workload peaks, illness or unexpected changes in qualified staff.
- The assurance that payroll records are accurate, reconciled and structured so that all audit requirements are met.

Padgett Business Services is proud to offer payroll processing through our local office. We want to take care of your payroll hassle so you can focus your time on growing your business. Why should you become a statistic for the CCRA? Our knowledge of regulatory issues limits your tax liability and helps you to avoid costly tax penalties. Try our services and you will find that we provide competitive pricing without sacrificing dedicated customer service and quality.

Contact our office today and let us show you how our economical, customer friendly payroll service can benefit your business.

Business Investment Loss - Denied

In a 1998 Tax Court of Canada case, a mother had guaranteed the business loans for her son's corporation. Unfortunately, the corporation failed and during the period 1989 to 1993, the mother paid off the loans. The mother claimed business investment losses for the amounts repaid.

Her only motivation for the guarantee was to assist her son's business. She did not charge a guarantee fee and thus there was no possibility of investment income.

The Tax Court disallowed the business investment losses for the mother because she did not make the loan guarantees to earn income.

Corporate Director's Liability

If a corporation (including a for-profit or non-profit corporation) fails to deduct, withhold, remit, or pay amounts held in trust for the Receiver General for Canada (CPP, EI, income tax, and GST/HST), the **directors** of the corporation at the time **may be held personally liable** along with the corporation to pay the amount due. This amount includes penalties and interest.

Where the directors take appropriate steps to ensure the corporation makes the necessary deductions or remittances, Canada Customs and Revenue Agency will not hold the directors personally responsible.

SmallBizPros is dedicated to meeting the tax, accounting, and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. Padgett Business Services, the Padgett Foundation and PayTrak Payroll Services are all part of SmallBizPros, Inc. This publication suggests general business planning ideas that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed here is appropriate to your business, it is important you seek advice from our office before implementing any of the ideas suggested in this newsletter.

