

THIS MONTH:

- ◆ Stop International Tax Evasion Program
- ◆ Door Prizes at Company Functions
- ◆ Lifetime Capital Gains Exemption (LCGE)
- ◆ Estate Planning

Stop International Tax Evasion Program

The 2013 Federal Budget introduced the concept that Canada Revenue Agency (CRA) will pay financial rewards to individuals who provide information on major international tax evasion. CRA could pay up to 15% of federal tax collected if the reassessments are in excess of \$100,000. Penalties, interest and provincial taxes will be excluded.

Persons requesting rewards will have to meet certain requirements. For example, persons who have been found guilty of tax evasion related to their offer of information will not be eligible for the rewards.

Door Prizes at Company Functions

In a 2013 Technical Interpretation, CRA was questioned about door prizes received by all attendees at a company social function.

CRA commented that their tax-free \$500 gifts and awards policy would apply to all attendees including the employee, the employee's spouse, and all other non-arm's length individuals that received a gift.

It was suggested that gift cards might be given as door prizes. CRA stated that these near cash gifts would not be included in the \$500 gifts and awards policy. Instead, the near cash gifts would be taxable benefits to the employees. Additional details related to CRA's gifts and awards policy are available at www.cra.gc.ca/gifts.

Lifetime Capital Gains Exemption (LCGE)

The 2013 Federal budget proposes to increase the LCGE to \$800,000 of capital gains realized by an individual on qualified property. It is effective for the 2014 tax year.

The LCGE will be indexed to inflation for the years following 2014. The new limits apply to any taxpayer who has claimed the LCGE previously.



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Estate Planning

Estate planners often suggest that the RRSP/RRIF holder designate a beneficiary of the plan. There are many advantages:

- Probate fees can be avoided because the funds transfer direct to the beneficiary.
- The funds are not exposed to the liabilities of the deceased's estate.
- No elections are required for the "refund of premiums" status.
- Premium refunds allow a tax-deferred transfer of funds.
- Reporting on the transfers to a surviving common-law partner or a spouse can be avoided.
- It avoids the exposure where a beneficiary will not sign the agreement which would require the estate to pay tax on the account value.
- It avoids the situation where the executor overlooks the situation entirely.

There may be advantages to leaving the funds to the estate instead of the individual.

- There may be additional planning opportunities because the elections allow precise amounts to be reflected as a "refund of premiums" or reported on the terminal tax return.
- The executors can use elections to provide flexibility to determine how "refund of premiums" and other assets will be allocated between the eligible beneficiaries. The refund of premiums might be directed to lower income beneficiaries and/or beneficiaries who could make use of the advantages while designating other assets to other beneficiaries.
- A spouse who does not transfer the funds to his or her RRSP/RRIF but instead uses the money for other purposes, forces the deceased's estate to pay the tax. This might not please some of the beneficiaries.
- A testamentary trust could be funded. This is advantageous where "refund of premiums" and/or rollovers are not available. It is also useful if the plan holder does not want an amount left to those beneficiaries.

Contact your Padgett Business Services office to discuss this further.

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Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts 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 herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.