



THIS MONTH:

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Per Diem Meal Allowance

In a recent Technical Interpretation, CRA noted that an employer-provided meal allowance will not be taxable where the following conditions are met:

1. It must be a reasonable amount;
2. The allowance is received to cover expenses while travelling away from the metropolitan area or the municipality where the employer's establishment is located, at which the employee normally worked or to which the employee normally reported;
3. The travelling is done to perform the duties of an office or employment.

As a general rule, CRA allows an employer to use \$17 per meal as a reasonable over-time meal allowance. This rate is stated in the CRA Guide T4130.

CRA usually considers an allowance to be reasonable if it covers the out-of-pocket expenses incurred by an employee who is travelling for employment purposes.



Balancing the books isn't always easy.



Business owners understand the importance of keeping records up-to-date. Unfortunately, paperwork has a habit of piling up – *quickly!*

PADGETT BUSINESS SERVICES

now offers a solution -

PADGETT CONNECT

PADGETT CONNECT is an easy-to-use business software applications package that is customized for your business. You don't need to be a computer whiz or an accountant to use this product. New users can start entering their records within a ½ hour of installation on their computer. The package contains the following:

PADGETT CHEQUEBOOK - Makes bookkeeping simple

PADGETT INVOICING - Tracks and reports sales, customers and products

PADGETT PAYROLL - Makes paying your employees a breeze and keeps you in control

For more information on **PADGETT CONNECT**, visit us at www.padgettconnect.ca or contact your Padgett representative .

Should You Incorporate Your Business?

If you own a business, you may have wondered if you should incorporate. Historically the income tax system in Canada has benefited incorporated Canadian small businesses. Although the income and deduction calculations are almost identical to an unincorporated business, the major differences are in the corporate taxation structure and tax planning opportunities. When developing the tax plan for your business, you and your advisor should look for opportunities in the following areas:

- Income splitting with family members;
- Tax deferral to the future;
- Estate planning for you and your family;

- Utilization of the capital gains exemption; and
- Planning your retirement, including disposing of your business.

Since personal and corporate tax as well as family law issues can make this issue complex, please contact our office to discuss your situation.



Disability Income Insurance

CRA recently noted that where a proprietor purchased a Disability Income Policy, the premium is a non-deductible personal expense. But the receipt of the disability benefits is tax-free.

If a corporation acquires a Policy for the employees, the premiums are generally deductible. If the employee receives the disability benefits they are included in the employee's income. However, if the individual received the benefit because she or he is a shareholder, the premium paid by the corporation would be included in the individual's income, under Subsection 15(1). The premium would not be deductible by the corporation. However, any disability benefits received by the shareholder would be tax-free.

Director & Personal Liability

In a recent Tax Alert titled "Abuse of Source Deductions and GST/HST Amounts Held in Trust" CRA warned that businesses must hold source deductions and GST/HST amounts in trust for the government. Penalties and interest and possibly personal liability for the directors will be the result if this is not done.

Federal legislation allows CRA to collect unpaid amounts through garnishments, assessments of the directors, seizure and sale of the assets of the debtor corporation, an assessed director or a sole proprietor, and any other means of recovery.

Taxpayers who have not complied with this requirement may make a voluntary disclosure to CRA. The taxpayer will not be penalized or prosecuted if valid disclosures are made before CRA begins any compliance action against the taxpayer.

Taxpayers may only be required to pay the in trust amounts owing plus interest.

PADGETT BUSINESS SERVICES

WHERE YOUR SUCCESS TAKES ROOT



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.