



THIS MONTH:

- ◆ Ask the Experts: Free Cost Analysis
- ◆ Personal Tax Returns Processed by CRA
- ◆ Claiming Automobile Expenses
- ◆ Employer–Paid Disability Premiums
- ◆ Registered Educational Savings Plan

Personal Tax Returns Processed by CRA

Canadians file more than 26 million individual income tax and benefit returns each year, and all are electronically analyzed. Based on this analysis, CRA selects certain returns for review because they are high-risk. Other returns are selected based on a random sample used to measure non-compliance for all taxpayers.

CRA has four main review programs:

1. Pre-assessment Review Program
2. Processing Review Program
3. Matching Program
4. RRSP Excess Contribution Review Program

Applying the **Pre-assessment Review Program**, the CRA electronically analyzes returns to identify situations that represent a higher risk of tax loss.

After a notice of assessment is issued, returns go through the **Processing Review Program** where they are reviewed to make sure that certain claimed deductions and credits are accurate and are supported by appropriate documentation.

The **Matching Program** makes sure that information slips filed by a third party, such as an employer or a bank, correspond to the information the taxpayer reported. All returns are matched to third-party information slips.

Through the **RRSP Excess Contribution Review Program**, the CRA identifies taxpayers with potential registered retirement savings plan (RRSP) excess contributions and communicates with them to review their situation.

Ask the Experts:

Get a free cost analysis and a second opinion.



You want to have problem-free payment processing and to increase your profits.

As a valued Padgett client, let Chase Paymentech provide you with a free cost analysis of your processing costs. They will help you determine what your company needs to do to manage processing costs and optimize your payment solution.

Benefit from their knowledge and expertise in the payment industry!

Get actionable answers and informed advice on your credit and debit processing questions.

Call your local Padgett representative today for more details and to set up an appointment for a no cost, no obligation, 30 minute consultation.



Certain terms and conditions apply. Cost analysis will be based on calculations for comparable services. Merchant must provide most recent payment processing statement to Chase Paymentech to confirm existing rates.



Claiming Automobile Expenses

One of the more common expenses claimed by taxpayers are automobile expenses (applies to any motor vehicle such as van, bus, pickup truck, station wagon, SUV or other truck). Many individuals use their automobile for work or business and incur personal expenses in doing so. It is important to note that only expenses of a business nature are eligible as a deduction against their related income. As such, the Canada Revenue Agency (CRA) has strict requirements in ensuring that only business-related expenses are claimed. As a result, the retention of automobile tax records becomes imperative for every taxpayer that uses an automobile for work or business.



Employer-Paid Disability Premiums

If you think that paying for your employee's disability premiums is always a good thing, think again. If you provide your employees disability as a nontaxable fringe benefit, payments they receive upon their disability will be, in most cases, FULLY taxable to them!



Payments received due to disability are not taxable if:

- ◆ Your employees paid the premiums on the policy with after-tax funds, OR,
- ◆ You paid the premiums but deducted the amount from their income.

The cost of disability insurance – even over a good amount of time – can be far less than the tax due on the income received under the policy. Like all insurance, it all depends on whether you actually collect under the policy.

Registered Educational Savings Plan (RESP)

A RESP is a savings plan for post-secondary education which allows funds to accumulate on a tax-deferred basis up to certain limits. There is no annual limit for contributions. For each beneficiary the lifetime limit on contributions is \$50,000. Although there is no tax deduction, the interest and income earned within the plan is sheltered, which means that the tax is only payable on the funds withdrawn to fund the student's education. And it is taxed at the student's low rate.

RESP Canada Learning Bond

The Canada Learning Bond (CLB) is part of the Canadian RESP program. Actually the CLB is a grant. The big difference between this grant and the regular RESP grants is that no contribution is required. Once you qualify, you apply, and you can receive up to \$2,000 deposited in your RESP account per child. The family net income must be below \$43,953, in 2014 (\$43,561 for 2013) An RESP account can be set up at a financial institution. This grant will provide more low income families the opportunity to get their children started in advancing their education. Go to www.canlearn.ca for more details.

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.