

Questions or comments? Email us at office@logankatz.com or call 613-228-8282 ext 0

This 'n That at Logan Katz ...

Welcome back, Tanya! The Partners and Staff are pleased to announce Tanya Gillis' return to the firm from her maternity leave. Tanya was able to spend a wonderful (and wondrous!) several months at home with her baby boy, Luka.

Logan Katz LLP was honored to have been a partner at the **2007 Ottawa Small Business**

Forum on February 16, 2007. The Forum was very well-attended and many new acquaintances were made throughout the day. Gary Katz and Jason Valente presented a very informative workshop entitled "Knowledge Is Power: Tax Planning for Small Business", while David Logan and Denis Chainé provided valuable information at the Logan Katz LLP kiosk. Our newly-introduced, complimentary Owners' Manual for "Starting Your Own Business" (available on mini-disc) was also quite a hit!

Personal tax season is right around the corner! The Logan Katz LLP 2006 Personal Tax Checklist is now available to assist you in preparing and compiling your personal tax information. This year, you can help us to serve you better by signing up for the "My Account" service on the Canada Revenue Agency's website. (instructions and further information are included in the Checklist package).

Upcoming Breakfast Seminars

March 22, 2007

Steve Lewis, CIBC Wood Gundy Securities Inc.
"Investment Policy Statement and Flow-Through Shares"

April 12, 2007

Jamie Larabie, LARA-TECH Limited
"Your Wireless Office"

WHO SAID THE BEST THINGS IN LIFE WERE FREE?

An employer often provides various benefits or perks to their employees in addition to the pay cheque. As February 28, 2007 is the filing deadline for your employees' T4 slips, we thought it would be useful to remind you of the various benefits the Canada Revenue Agency (CRA) has determined as being taxable, over and above salary.

The following are the most common benefits that are considered taxable income:

Registered Retirement Savings Plans (RRSP's) - contributions made by an employer to an employee's RRSP are considered taxable income.

Gifts and Awards - that are cash or near cash (e.g. gift certificates) are considered taxable benefits. Employers are permitted to give up to two non-cash gifts or awards per year to an employee subject to a limitation on cost. Gifts costing less than \$500 per employee per annum (including taxes) are not considered taxable benefits. If the cost of a gift or award is more than \$500, then the full value is taxable.

Social Events - generally, if the event is open to all employees and the cost per employee is less than \$100 per person, there is no taxable benefit. Costs do not include ancillary costs such as transportation home, taxi fare and overnight accommodations. If the cost of the event is greater than \$100 per person, then the entire amount, including ancillary costs, is taxable.

Group Term Life Insurance - employer paid premiums are a taxable benefit.

Cellular Phone - if company policy calls for the employee to be provided with a cellular phone, the related costs are not taxable if the primary purpose is to allow the employee to perform or to carry out their duties. If part of the use is personal, the value of this usage should be included in the employee's income.

Internet - if the employer provides internet service at an employee's home, and the employee is the primary beneficiary of the service, the cost of the service should be included in the employee's income as a taxable benefit.

Interest-Free and Low-Interest Loan - loans provided to an employee will result in a taxable benefit if the loan was received because of an office, employment, or shareholding.

The benefit represents interest calculated using the prescribed rate of interest (as set by the CRA) minus the actual interest paid. Any interest paid must be received by January 30th of the next calendar year. The Income Tax Act includes specific circumstances where loans to employees may be acceptable, while loans received by a person in his/her capacity as a shareholder, will generally be considered taxable income.

Forgiveness of employee debt - the value of the forgiven amount will be considered a taxable benefit.

Personal Use of a Company Vehicle - the rules surrounding the use of a company vehicle are complicated. The benefit for the year is generally the total of the following amounts: a standby charge and an operating benefit, less any reimbursements made by the employee. If the employer owns the vehicle, an automobile standby charge will apply. The formula is 2% per month of automobile use multiplied by the cost of the vehicle, or if the vehicle is leased, 2/3 of the number of months multiplied by the monthly lease cost. The standby charge may be reduced if personal use is less than 1,667 kilometers per month, and the automobile is used primarily (greater than 50%) for business purposes.

The operating benefit can be calculated using the optional or fixed-rate calculation. The optional method only applies when there is a standby charge and the employee uses the vehicle more than half of the time for business. If these conditions are met and the employee informs his/her employer before the end of the year of his/her wishes to have the operating benefit calculated using the optional method, the operating benefit will amount to one-half of the standby charge. Otherwise, the fixed rate for 2006 is 22 cents per km traveled for personal use.

Don't Forget the GST and CPP Implications

For some of the benefits mentioned above there may also be GST and/or CPP implications to consider.

Final Words

Many benefits can be received by your employees and they are usually great incentives that contribute to employee satisfaction and loyalty. The intention of this article is certainly not to discourage the use of non-cash benefits. As benefits are granted, please contact us to determine an appropriate remuneration strategy for your employees.

LOGAN KATZ LLP BREAKFAST SEMINAR SERIES—SNEAK PREVIEW!

Investment Policy Statement and Flow-Through Shares—Steve Lewis, CIBC Wood Gundy

Like a business, a family or organization should have a framework which outlines the goals, expectations, etc. for investments. This blueprint is called the **Investment Policy Statement** and should be used by all families as the guide to which all investment decisions are fundamentally based upon.

At our next breakfast seminar, Logan Katz LLP is pleased to host Stephen Lewis of CIBC Wood Gundy who will outline the benefits of the **Investment Policy Statement**. Stephen has worked with families and businesses in the Ottawa area for over 20 years. He started his career with the Royal Bank and, since 1995, as an Investment Advisor with CIBC Wood Gundy.

An overview of **Natural Resource Flow-Through Shares** will also be presented. What are they? What are the risks? Who are they appropriate for? In addition Stephen will talk about Individual Pension Plans. Who are they appropriate for and what are the pros and cons.

To find out more about these topics, be sure to sign up for our upcoming breakfast seminar on March 22, 2007.

Watch for your invitation coming soon and reserve your seat quickly - our breakfast seminars are consistently filled up!