

This Month:

- ◆ Record Keeping Got You Down?
- ◆ Employees vs. Independent Contractors
- ◆ Claiming Automobile Expenses
- ◆ Employer-Paid Disability Premiums
- ◆ Registered Educational Savings Plan
- ◆ Keep the Invoices

Employees vs. Independent Contractors

It's crucial to know whether your workers are employees or independent contractors. Big dollars may be at stake in the form of Federal and provincial assessed penalties resulting from misclassification. The validity of your company's pension plan may also be at stake.

A periodic review of the status of your workers to see if they are properly classified is critical, but the process isn't easy due to the complexity of the issue. The Canada Revenue Agency has published a guide called "Employee or Self-Employed?", which contains an extensive analysis to determine whether there is an employer – employee relationship or a business relationship. The four factors which are considered are: control of the worker, ownership of the tools, chance of profit/risk of loss and integration. There is no litmus test for exactly how many factors must be satisfied, nor are the factors uniformly applied.

If you'd like to discuss these complex rules with us and see how they apply to your business in order to make sure that none of your workers are misclassified, please call our office to arrange for an appointment.

Record Keeping Got You Down?



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

Padgett Business Services 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, contact your Padgett Business Services representative about **PADGETT CONNECT** today or visit www.padgettconnect.ca

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.

Keep The Invoices

Improper input tax credit (ITC) documentation is one of the main reasons for GST/HST reassessments. Proper invoices to support ITCs are required by Canada Revenue Agency auditors. For example, the input tax credit may be disallowed if only the credit card slip is provided rather than the actual invoice. The supplier's GST/HST registration number should be printed on the source document. Some clients use credit card receipts, bank statements, and cancelled cheques to substantiate the GST/HST input tax credits. However, none of these documents show the supplier's GST/HST registration number.

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.