



This Month:

- ◆ Contribute to Your RRSP
- ◆ Early gifts from PayTrak
- ◆ Eligible Deductions & Credits
- ◆ \$750,000 Capital Gains Deduction
- ◆ Use Capital Losses
- ◆ Other Tax Planning Issues

SPECIAL TAX EDITION

2010 is almost upon us as the old year draws to a close. It is time once again to take advantage of the many personal and business tax-planning opportunities that are still available. This edition of the SmallBiz Builder provides numerous ways to save on taxes for the year 2009 and beyond. From all of us at Padgett Business Services, we wish you a happy new year.

CONTRIBUTE TO YOUR RRSP

The most popular tax tool available to taxpayers is investing in a registered retirement saving plan (RRSP). Contributions to RRSP's are tax-deductible and the income earned within the plan grows tax-deferred until retirement. You can claim a contribution of up to 18% of 2008 earned income to a maximum of \$21,000. Earned income is defined as income from employment, from business, net rental income from real estate, CPP disability pension, certain types of royalty, and spousal or child support payments that are included in your income. The contribution limit may be subject to the year 2008 pension adjustment reversals. Pension adjustments reflect, in most cases, your employer's contributions to a pension plan or actuarial commitments to such plans in the year 2008. The age limit for contributing to an RRSP is 71. The age limit for converting an RRSP to an annuity or RRIF is also 71. Don't over-contribute.

Some Gifts Come Early!

Get your 2009

T4's prepared for free!

When the holiday season is over, it will be back to business as usual. One of your first administrative duties in the New Year might involve preparing the T4's for your business. New government rules require any business with more than 50 T4's to file electronically. Submissions via paper, DVD, CD, or diskette are no longer acceptable. Many of our clients decided to make their lives less stressful by outsourcing their payroll preparation to PayTrak Payroll Services. Now there is even more incentive for you to consider using our services too.



For any new client, who engages our service and has a payroll started before December 15th, we are offering to prepare your 2009 T4's for free!

PayTrak offers a complete payroll service that is easy to use, flexible and gives you the option of paying your employees by cheque or direct deposit. And a Customer Service Representative is assigned to your account so you always deal with the same person.

For more information, contact your Padgett Business Services representative, call us at 1-877-316-2999 or visit us at www.paytrak.ca



ELIGIBLE DEDUCTIONS & CREDITS

If you pay the following expenses by December 31, 2009 they will be eligible for the deductions of credits:

- Childcare expenses
- Deductible support payments
- Charitable donations
- Union and professional dues
- Moving expenses
- Political donations
- Accounting fees
- Medical expenses
- Investment counsel fees
- Interest paid on loans used to purchase investments
- Tuition fees
- Safety deposit box fees
- Home renovations

USE CAPITAL LOSSES

You can use your 2009 capital losses to reduce your current year's income taxes by applying such losses against your 2009 capital gains. You must however be careful of the superficial loss rules preventing you from claiming a capital loss on an identical asset that you reacquired 30 days before or after the sale date.

If capital gains were realized in the years 2006 to 2008 and net capital losses were incurred in 2009 then you can carry these losses back against previous years' capital gains. You can carry the unused 2009 losses forward to future capital gains.

The last 2009 transaction date effective for publicly traded securities is December 24, 2009.

\$750,000 CAPITAL GAINS DEDUCTION

You can make use of the lifetime \$750,000 capital gains deduction if you dispose of shares in a qualified small business corporation, a qualified farm property, or a qualified fishing property. If you have already claimed the \$100,000 personal capital gain exemption (ended in 1994) then this reduces the available lifetime capital gains to \$650,000. You must also verify whether you have claimed allowable business investment losses (ABIL) in prior years or have cumulative net investment losses (CNIL) as of December 31, 2009, as these items will also affect the amount of exemption that can be claimed.

OTHER TAX PLANNING ISSUES

- Consider a Registered Education Savings Plan (RESP) for your children.
- Review your December income tax installment.
- Repay outstanding shareholder loans and pay interest on employee loans.
- Contribute to your spouse's or common-law partner's RRSP to the extent of your RRSP deduction limit for 2009. This doubles the amount a couple can withdraw for the Home Buyer's Plan.
- Claim your personal tax credits.
- Keep your transit passes.
- Pay reasonable salaries to family members.
- Convert non-deductible debt to deductible interest.
- Review your will every five years.
- Split pension income with spouse.



Consult your Padgett Business Services representative to obtain additional tax planning ideas.

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.