



## *This Month:*

- ◆ Paperwork Got You Down?
- ◆ “Soft” Loans for Your Children
- ◆ Wills and Executor
- ◆ Home Office Expenses

### “Soft” Loans for Your Children

Parents quite often make loans to their adult children to help them purchase a car, a home, or for other reasons. A loan is different from a gift. The parent can charge interest so that the loan will earn some investment income. The loan can be set up for blended payments of principal and interest or to pay interest only. There is no requirement for the parent to charge interest.

For a long term loan used to purchase a house, for example, it is quite possible that the loan will not be repaid during the parent’s lifetime. The parent could provide in her or his will that any remaining balance of the loan will be forgiven or instead become part of the child’s inheritance. Such an arrangement does not cause any adverse tax consequences because the “debt forgiveness” rules in the Income Tax Act do not apply to the settlement of loans by inheritance or bequest.

Giving your child this type of “soft” loan is similar to giving them a part of their inheritance early, during your lifetime.

## Paperwork got you down?

Get your 2009  
T4’s prepared for free!



Let’s face it, payroll can be a hassle. It becomes even more of a hassle when you need to prepare the T4’s for your business. 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 15<sup>th</sup>, 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](http://www.paytrak.ca)



## Wills and the Executor

A will specifies your instructions as to how your assets will be distributed on your death. In the will, you name an executor to act as your personal representative and to deal with all the tax, investment, administrative, and other duties involved in distributing and overseeing your assets as per your instructions.

Some people feel honoured to be named as the executor, in that it suggests respect and trust in their abilities. However, most people fail to realize how much responsibility is required, the amount of time and effort that the appointment often necessitates, and the family conflicts that might arise.

Here are some of the responsibilities of an executor:

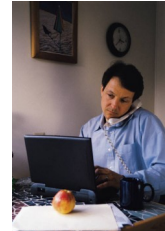
- Pay the bills, obtain death certificates, make the funeral arrangements if required,
- Locate and list all the assets of the deceased,
- Arrange the probate of will if applicable,
- Take control of the assets and contact financial institutions to change the name on the accounts to "the estate of",
- Ensure the applicable trust laws are complied with at all times,
- Manage the assets of the deceased as the trustee,
- Assess the tax situation and file any required returns,
- Prior to distributing assets to heirs, settle any outstanding debts.

Conflicts often arise between the executors and the heirs. The beneficiaries may be suspicious of the executor because he or she does not have enough knowledge or skills, is insensitive, is too hasty, shows favouritism, etc. Anyone who is appointed as an executor should be aware that these are common situations during emotional times.

An executor requires many skills. One of the most important is the ability to know when outside expertise is required. An executor frequently hires a lawyer, accountant or trust company for assistance. Sometimes, appointing an independent outside party, such as a trust company as the executor may be the best choice especially when a family conflict can be expected.

## Home Office Expenses

In a recent Tax Court of Canada case, the taxpayers operated a partnership in their home and deducted costs for painting the exterior of the house, brickwork repair, lawn care and snow removal.



CRA disallowed these expenses and called them personal in nature.

The Tax Court relied on another case where the Supreme Court previously ruled that if a need exists, even in the absence of a business activity...then an expense to meet the needs would traditionally be viewed as a personal expense.

In this case, the need to keep the exterior of the residence in good condition, the grounds maintained and the thoroughfares clear, existed quite separate from the partnership's management business. Business clients rarely came to the residence. Thus, these costs were personal expenses according to the court.

Note that other expenses, such as a business permit, that were directly related to the office in the home were certainly deductible.

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.