



## *This Month:*

- ◆ Benefits of Outsourcing Payroll
- ◆ Corporate Directors Liability
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- ◆ CRA's Priority
- ◆ Water & Coffee
- ◆ Owner-Managed Business-Creditor Proofing

### Corporate Directors Liability

If a corporation (including a for-profit or non-profit corporation) fails to deduct, withhold, remit or pay amounts held in trust for the Receiver General for Canada (CPP, EI, income tax and GST/HST), the **directors** of the corporation at the time **may be held personally liable** along with the corporation to pay the amount due. This amount includes penalties and interest.



Where the directors take appropriate steps to ensure the corporation makes the necessary deductions or remittances, Canada Revenue Agency will not hold the directors personally responsible.

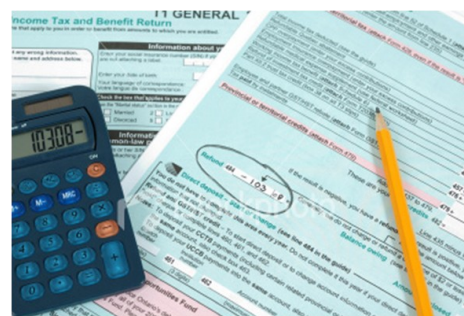
### Business Investment Loss-Denied

In a Tax Court of Canada case, a mother had guaranteed the business loans for her son's corporation. Unfortunately, the corporation failed and subsequently the mother paid off the loans. The mother claimed business investment losses for the amounts repaid.

Her only motivation for the guarantee was to assist her son's business. She did not charge a guarantee fee and thus there was no possibility of investment income.

The Tax Court disallowed the business investment losses for the mother because she did not make the loan guarantees to earn income.

## We will prepare your business' 2009 T4's 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 Pay-Trak 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)



## CRA's Priority

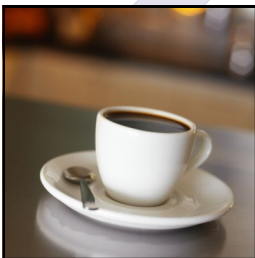
In a recent Federal Court of Appeal case, the Court found that the Crown has priority over secured creditors regarding deductions at source that were withheld but not remitted to the Canada Revenue Agency (CRA)

The property is deemed to be held in Trust. The secured creditor is obligated to remit to the Receiver General the proceeds that arose from property received, to the extent of the unpaid balance owed to the CRA.



## Water & Coffee

The Income Tax Act provides that an amount paid or payable regarding the human consumption of food or beverages is usually restricted to a deduction of 50%. Canada Revenue Agency states that this includes the costs to the business for water and coffee provided to staff and clients.



## Owner-Managed Business-Creditor Proofing

Every business owner should be concerned about creditor proofing his assets. Here are several suggestions to consider:

### 1.) Transfer assets out of the company:

- Place capital assets in a separate holding corporation so that subsequent legal claims that arise in the operating company do not affect these assets.
- Lease the assets in the holding corporation back to the operating company. It may be easier to sell the operating company in the future.
- Protect cash assets from potential claims. Pay tax-free dividends from the operating company to the holding company regularly.
- Establish a retirement compensation arrangement (RCA). This removes funds from the corporation as a tax-deductible expense and places the cash into a creditor-protected Trust.

### 2.) Secure the business owner's assets:

- Secure the shareholder loans by establishing a general security arrangement to provide the shareholder priority over all unsecured creditors.
- Transfer assets to the lower-risk spouse on a roll-over basis for tax purposes. If there were a future marriage breakup, this type of property would usually be equally divided between the spouses under the provincial family legislation, regardless of who owns title.
- An estate freeze would transfer the future growth of the assets to other family members.
- Transfer the assets into a Discretionary Family Trust to protect them from creditors. A Discretionary Family Trust permits the transferor to retain control over the assets. This would produce a taxable disposition unless the transfer is to a qualifying Spousal Trust or a Joint Partner Trust or an Alter Ego Trust.

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.