



## *This Month:*

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## Canadian Tax Planning and Filing Deadlines 2nd Quarter 2008

### April 15

- File first quarter source deductions (for qualifying small businesses).
- File US personal income tax returns.

### April 30

- File personal income tax returns for previous year and pay any balance due to the CRA.
- File GST rebate application for partner and employee-related expenses deducted in previous tax year.

### June 15

- File personal tax returns of individuals with self-employment business income, or with spouses or common-law partners of taxpayers with self-employment business income. Payment of any taxes is still due on April 30.
- Pay second quarter installment for taxpayers who are required to remit quarterly.

## Interest Expense

The Canada Revenue Agency (CRA) notes that a taxpayer may restructure debt and ownership of assets to obtain an interest deduction. For example, if Mrs. X sells 2,000 shares of Y Corporation and uses the proceeds to pay off the debt on a personal asset, and then borrows additional funds to buy another 2,000 shares of Y Corporation, this new loan would be directly used to acquire the shares. The interest would be deductible to Mrs. X.



In another example, assume Mrs. A acquires Property B with \$2,000 of borrowed money and then sells the property for only \$1,500. If she uses the \$1,500 to reduce the debt, this leaves \$500 still outstanding. The interest on the remaining \$500 continues to be deductible even though there is no longer an asset.

The CRA notes that if Mrs. P borrows \$500 and also receives \$1,000 from sales and then she purchases a \$500 investment property and a \$1,000 personal property, Mrs. P could allocate the \$500 of borrowed money to the \$500 investment property. This would deem the interest on that \$500 of borrowed funds as a deductible expense.

## CRA's Tax Myths List



CRA warns that accepting the following tax myths "as fact could have serious legal implications for you, including fines, penalties and even jail time, plus any taxes and interest owed."

The Tax Myths are:

- You can withdraw funds from a self-directed RRSP tax free.
- Some individuals claim to be exempt from paying HST/GST and have a card to "prove" it.
- The Income Tax Act is unconstitutional and the CRA cannot enforce it.
- The CRA performs "e-audits" using email.
- Winners of lotteries and sweepstakes must pay fees and taxes to CRA before claiming their prize.

### Getting the Best Deal in a Credit Card Processor

When shopping for a credit card processor, there are a number of things to look for in determining which one truly offers the best deal.

**FEES:** All processors will assess merchants fees for services. Some are legitimate and some are "Junk Fees". Junk Fees are fees that you pay and for which you receive very little or nothing of value in return. Some common Junk Fees are: "Batch Fees", "Programming Fees" and "Cancellation Fees".



Ask each processor what their policies are on these fees and if they do charge them, how much do they charge. The same is true for "Legitimate Fees" such as "Application Fees", "Statement Fees" and "Minimum Fees." Find out how much each processor charges. Confirm that minimum fees are in fact just that - a minimum fee and not something added to your total fees.

**DISCOUNT RATES:** Ask how rates differ for different types of transactions. For example what are the rates for transactions where:

1. The card is present and swiped through a POS terminal.
2. The card is present but the MAG stripe cannot be read and so it is hand keyed.
3. The card is not present and the order came to you via mail or telephone.
4. The card is not present and the order came to you via a shopping cart on your web site.

All of these transactions will have different rates and fees attached to them. Compare the rates and fees and most importantly the service you can expect. Sometimes the lowest rate is not the best deal. Be careful of processors who tell you they will do things but then don't put them in writing.

Talk to us about how our office can offer you a credit card service that comes with no Junk Fees, no Cancellation Fees, and provides extremely competitive rates.

### Tax Tidbits

If you have unused charitable donations, you can carry them forward for up to five years to reduce tax payable in those future years.

If you are self-employed, you can usually deduct private health and dental insurance premiums for you and your family.

### 2nd Quarter Interest Rates

The Canada Revenue Agency (CRA) has recently announced the prescribed interest rates (applicable for income tax purposes) that will be in effect from April 1 to June 30, 2008:

- 8% on overdue taxes, Canada Pension Plan contributions and Employment Insurance premiums.
- 6% on overpayments.
- 4% on taxable benefits for employees and shareholders from interest-free or low interest loans.

### Fairness Applications

The income tax act allows an individual to request an adjustment to a tax return back 10 years, even though the date to file a Notice of Objection has expired. The CRA usually allows this application for situations such as missed medical expenses or missed disability tax credits.

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