

The Berris Mangan Review



Year-End Tax Considerations – Individuals

DECEMBER 2010

By Aaron Dovell, C.A., Senior Manager, Tax



As the end of 2010 approaches, you should take some time to ensure that you are maximizing tax deductions and deferrals available. We have provided some common items that you may wish to consider before the end of 2010 or in the first 2 months of 2011.

INVESTMENT PLANNING

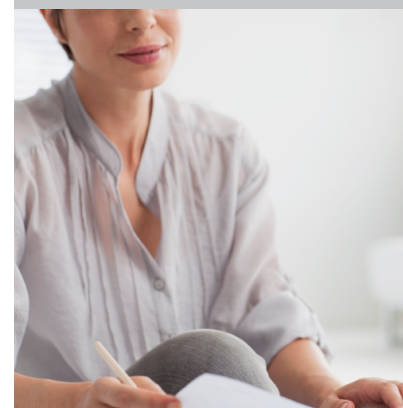
- Recognize unrealized losses by selling investments to offset capital gains incurred in 2007, 2008, or 2009 or absorb capital gains realized to date in 2010 (note settlement date must be prior to December 31, 2010).
- Recognize unrealized gains if your income is lower than usually; otherwise defer sales of investments with unrealized gains until 2011 or later.
- Ensure you are maximizing your TFSA account for investment purposes;
 - i) An additional \$5,000+ of room will be made available January 1, 2011;
 - ii) If you require funds from your TFSA in early 2011, consider withdrawing in December 2010 as the withdrawn amount will be added to your contribution room as of January 1, 2011 allowing you to reinvest in your TFSA during 2011;
 - iii) Gift funds to your spouse to invest in his/her TFSA if room is available; although attribution rules apply, there will be no income to report if invested in a TFSA.
- Review your debt and consider strategies to shift debt used for personal purposes to investment purposes to allow interest to be deducted for income tax purposes. These strategies may be fairly simple or may quite complex and should be discussed with us.

RRSP

- Review your 2010 RRSP room and make a contribution prior to March 1, 2011. Your RRSP room should be available on your 2010 Notice of Assessment. The maximum contribution room addition for 2010 is \$22,000.
- RRSP room for employment income earned in 2011 will become available January 1, 2011. In general, the available amount is 18% of your employment income; however, if you have over-contributions or a separate pension your room will be reduced. The maximum contribution room addition for 2011 is \$22,450.

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- If you have made a Home Buyers' Plan withdrawal from your RRSP, make the required repayment prior to March 1, 2011 or the amount will be included in your 2010 income.
- If your personal income is low consider drawing from your RRSP to realize on your low marginal tax rate and reinvest in your TFSA or other investment account.
- If you are **over 65** and not receiving pension income consider transferring a portion of your RRSP to an RRIF or an annuity that will provide a minimum of \$2,000 annually in order to use the \$2,000 pension credit.
- If you turned or will turn 71 before the end of 2010 make sure you convert your RRSP to an RRIF.

TAX DEDUCTIONS

- If you intend on deducting amounts for child care, investment counsel fees, professional dues, medical expenses, or charitable and political donations for 2010 ensure you have paid the amounts prior to year end as they must be paid within the taxation year to be deducted for income tax purposes.
- If your medical expenses are above the threshold of \$2,024 for 2010 consider making additional medical payments in 2010 (i.e. payments for prescription glasses or contacts or dental costs).
- If you have made charitable donations in excess of \$200 consider shifting future donations from 2011 to 2010 as total donations in excess of \$200 receive 29% credit compared to a 15% credit for donations up to \$200.

TAX INSTALLMENTS

- If you are required to make installments based on your 2009 income taxes and have not made any payments for 2010, you should review your income tax liability for 2010 and, if any, make a lump sum payment for the required installments as soon as possible to reduce the applicable interest and penalties charged on failing to make installments.
- Your first installment for 2011 is due March 15, 2011 and should be $\frac{1}{4}$ of your total installment requirements for 2010. If you expect to have less income in 2011, you may consider reducing your 2011 installments to be based on 2011 income.

OWNER MANAGER - FUTURE PLANNING

The above relates to personal planning that should be considered at year end. Where you are an owner-manager other items may be considered on a going forward basis including:

- Reviewing your salary/dividend mix to minimize income taxes from year to year;
- Consider retaining tax deferred income within your corporation for investment purposes and timing distributions based on personal needs and effective personal tax rates;
- Consider other more complex strategies such as dividend sprinkling with family members or introducing a family trust.



ACCOUNTING AND AUDITING STANDARDS UPDATE

By Craig Whyte, C.A., Director of Assurance



Assurance and accounting standards are continuing to change at a rapid pace, below are some of the more significant changes that have occurred this fall and will impact our services in the coming year:

CANADIAN AUDITING STANDARDS

New Canadian Auditing Standards (CAS) have been adopted in Canada and are applicable for audits of all entities with fiscal years ending after December 14, 2010. These new auditing standards retain the fundamental concepts of risk-based auditing although there are some new concepts introduced within CAS which will impact all audits, for example:

- **Auditor's Report** - the auditor's report will now have titles for each paragraph and there will be additional paragraphs to highlight important matters that the readers of the financial statements should consider.
- **Dating of the Auditor's Report** – under CAS, an audit is not considered complete until the financial statements receive approval by Senior Management and/or the Board. This is a new concept and it results in an extension of our work to the date of approval of the financial statements.
- **Performance Materiality** - performance materiality is a new concept under CAS and it represents the materiality that the auditor uses to plan and perform the audit. Performance materiality is lower than financial statement materiality which is the estimated size of an error that would have an impact on the decisions of users of the financial statements. This lower performance materiality is designed to reduce the risk that any undetected errors would be large enough to cause the financial statements to be materially misstated because auditors will inspect more transactions and balances than under the previous standards.

REVIEW ENGAGEMENT STANDARDS

The review engagement standards have changed to align the dating of the review engagement report to the new CAS. Review engagement reports will also reflect the date of the approval of the financial statements by management and/or the Board.

ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

New Accounting Standards for Not-For-Profit Organizations have been completed for year ends commencing on or after January 1, 2012 (early adoption is permitted). These new standards carry-forward the previous not-for-profit standards and combine them with the new Accounting Standards for Private Enterprises. Overall, there will be little impact for most entities although there are certain first-time adoption options that should be reviewed before implementing them.



FIRM NEWS

NEW CLIENT PORTAL

We are pleased to announce our recent implementation of a **new web Portal** that will allow our firm to facilitate the secure transmission of electronic files between our office and your computer.

Portal provides a reliable, secure space where our staff and our clients can conveniently exchange information.

Some of the **benefits** of Portal include:

- Secure transmission of your confidential electronic files;
- Quick and convenient access, 24/7, to important documents including financial statements and tax returns;
- No limits on file sizes, such as Quickbooks files that are too large for email.

Please note portal is only supported by Internet Explorer (no other browsers are supported at this time). A short instruction manual on the basics of navigating the portal (i.e. uploading and viewing or downloading files) is posted on our website.

If you are interested in using Portal, email portal@berrismangan.com.

NEW COMPANY ANNOUNCEMENT

Introducing...Berris Mangan VALUATIONS



We are pleased to announce the formation of **Berris Mangan Valuations Inc.** Our new company, led by Mike Berris, C.A., will provide a full range of business valuation and related services.

Our mission is to provide valuation services in a manner that is responsive, fairly priced, and in accordance with the standards of the Canadian Institute of Chartered Business Valuators.

Our practice will be focused on the following areas:

- Matrimonial and shareholder disputes.
- Valuations for financial reporting, including impairment of intangible assets and goodwill.
- Expropriations - determination of business values and disturbance damages.
- Quantification of Economic Losses.
- Valuations for income tax purchases.
- Minority Shareholder transactions.
- Technical support for the purchase and sale of businesses.
- Complete range of litigation services.



Introducing Ron Hooge to Berris Mangan VALUATIONS

Ron Hooge, BSc, C.A., C.B.V.



Ron is a Chartered Business Valuator who has practised for 22 years with local, national and international valuation and accounting firms. Ron recently joined us from Ernst & Young where he was vice-president in the valuation and business modeling group.

His expertise includes business valuations, litigation support, quantification of damages and related matters. Ron has appeared as an expert witness before the Supreme Court of British Columbia, Queen's Bench of Alberta, the Expropriation Compensation Board of British Columbia, and mediations and arbitrations. Ron has also acted as an arbitrator in valuation disputes between shareholders.

STAFF NEWS

CONGRATULATIONS TO OUR NEW C.A.'S!

The partners, principals and staff at Berris Mangan would like to congratulate Caren Li, Tim Sham and Richard Wong for their successful completion of the 2010 Uniform Evaluation (UFE).

We are proud of their achievements!

PROMOTIONS

Aaron Dovell, C.A., Senior Manager, Tax



Aaron has been a member of the Berris Mangan team since 2001. We are pleased to announce his promotion to Senior Manager, Tax.

Aaron is a graduate of the University of Northern British Columbia and obtained his C.A. designation in 2005.

He specializes in Canadian corporate reorganizations and estate planning and U.S. and cross border income taxes for individuals.

Jamie Nguyen, C.A., Manager, Tax



Jamie has been a member of the Berris Mangan team since 2004. We are pleased to announce his recent promotion to Manager, Tax.

Jamie obtained his C.A. designation in 2008 and has completed the CICA In-Depth Tax Course, Parts I and II.

Jamie works with a wide range of companies with a primary focus on owner-managed businesses and a specialization in Canadian tax compliance and corporate reorganizations.

Contact Us

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