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Pontiac Chamber of Commerce

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Year End Tax Tips

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2013 Year End Tax Tips

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This article is only excerpts of the complete document which is available on the Chamber web site.

Consider taking dividends in 2013

A corporation may distribute its after-tax income as dividends to shareholders, who then pay tax on the dividend income.

An individual who receives dividends from a Canadian corporation may claim a dividend tax credit (DTC) that is meant to compensate for tax that was paid by the corporation. Two common types of dividends that an individual may receive from a Canadian corporation are eligible dividends and non-eligible dividends. Eligible dividends are paid from income that was taxed at high rates in a corporation, so these dividends are eligible for an enhanced DTC in an individual's hands. Non-eligible dividends are paid from income that was taxed at low rates in a corporation, so a lower DTC is available to individuals for these dividends.

Useful Links of Interest to Business Owners

Funding: Canada Summer Jobs - Service Canada

Deadline January 31, 2014
www.servicecanada.gc.ca



Quebec Voluntary Retirement Savings Plan for Employers

<http://www.standardlife.ca/prpp/>



New - Concierge service announcement

Makes it easier for SMEs to find R&D programs to accelerate their growth.
<http://www.chamber.ca/media/news-releases/131202-concierge-service-announcement/>

Tax-Loss Selling

Tax-loss selling involves selling investments with accrued losses at year end to offset capital gains realized elsewhere in your portfolio. Any capital losses that cannot be used currently may either be carried back three years or carried forward indefinitely to offset capital gains in other years.

In order for your loss to be immediately available for 2013 (or one of the prior three years), the

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Rail Petition

VIA rail service is needed by students, tourists, business travellers, those without cars or licences, people going to medical appointments and meetings.

Train travel is 600 times safer than highway travel!

That's why I signed a petition to Jim Flaherty - Canadian Finance Minister, Denis Lebel - Canadian Transportation Minister, Steven

Harper - Canadian Prime Minister, which says:

"Canadians are entitled to VIA service that serves a customer's needs not the corporation's needs.

We demand the return of VIA train schedules for all Canadians!"

Please take two minutes of your time and sign this petition

http://petitions.moveon.org/sign/via-rail-service?source=s.icn.em.mt&r_by=9616355

2013 Year End Tax Tips (continued from page 1)

settlement must take place in 2013, which means the trade date must be no later than December 24, 2013.

Use a prescribed rate loan for income-splitting

If you are in a high tax bracket, it might be beneficial to have some investment income taxed in the hands of family members (such as your spouse, common-law partner or children) who are in a lower tax bracket; however, if you simply give funds to family members for investment, the income from the invested funds may be attributed back to you and taxed in your hands, at your high marginal tax rate.

To avoid attribution, you can lend funds to family members, provided the rate of interest on the loan is at least equal to the government's "prescribed rate."

You should consult with tax and legal advisors to make arrangements to implement a prescribed rate loan.

Retirement Considerations

Convert your RRSP to a RRIF by age 71. If you turned age 71 in 2013, you have until December 31 to make any final contributions to your RRSP before converting it into a RRIF or registered annuity.

It may be beneficial to make a one-time overcontribution to your RRSP in December before conversion if you have earned income in 2013 that will generate RRSP contribution room for 2014.

Canada Pension Plan (CPP)

If you are between ages 60 and 64 in 2013 and are considering taking CPP pension benefits prior to age 65, you may wish to apply by December 31, 2013. If you start CPP benefits in 2013, your pension will be reduced by a "downward monthly adjustment factor" of 0.54% for each month before

age 65 that you began receiving it. Starting in 2014, however, the downward monthly adjustment factor will increase to 0.56% (and will gradually continue increasing to 0.6% by 2016), thus decreasing your CPP pension.

Quebec Pension Plan (QPP) Retirement Benefits

If you are considering taking QPP pension benefits prior to age 65, you may wish to apply by December 31, 2013. If you start QPP benefits in 2013, your pension will be reduced by a "downward monthly adjustment factor" of 0.5% for each month before age 65 that you began receiving it. Starting in 2014, however, if you were born after 1953 the downward monthly adjustment factor could increase and may be up to 0.53%, depending on the amount of pension you receive.

Old Age Security (OAS) benefits

In July 2013, Service Canada implemented a process to automatically enroll seniors who are eligible to receive the Old Age Security pension. If you can be automatically enrolled, Service Canada will send you a notification letter the month after you turn 64. If you do not receive an automatic enrolment letter, you must apply for your Old Age Security pension.

Review asset allocation

Non-registered Investments

Investment income can be taxed in different ways, depending on the type of income (e.g. interest, Canadian dividends, or capital gains), and the type of account in which investments are held (non-registered or registered).

Registered Investments

Investments held within registered plans such as TFSAs, RRSPs or RRIFs, are not taxed while held in

News, article suggestions and letters to the editor are welcomed and encouraged. Content will be edited to fit the space available. We welcome press releases and news from our local business community.

Chamber Benefits

Being a member of the Pontiac Chamber of Commerce means that you are also affiliated with the Canadian Chamber of Commerce (CCC) — www.chamber.ca and the Quebec Chamber of Commerce (FCCQ) — www.fccq.ca

You and your business can take advantage of benefits listed on their web sites.

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de commerce du Québec



Group Insurance Benefits

Visit the new web site / view the video!

<http://www.chambers.ca>

the plan.

RRSP Contributions

Although you have until March 3, 2014 to make RRSP contributions for the 2013 tax year, contributions made as early as possible will maximize tax-deferred growth. If you have maximized RRSP contributions in previous years, your 2013 RRSP contribution room is limited to 18% of income earned in 2012, with a maximum contribution of \$23,820, less any pension adjustment.

TFSA Contributions

There is no deadline for making a TFSA contribution. If you have been over age 18 and resident in Canada since at least 2009, you can contribute up to \$25,500 to a TFSA in 2013 if you haven't previously contributed to a TFSA.

If you withdraw funds from a TFSA, an equivalent amount of TFSA

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Thank You! – for the Holiday Party and the Business Awards Gala

The Chamber would like to acknowledge those you contributed to another wonderful **Chamber Holiday Party**.

The silent auction held during the Chamber Holiday Party was a great success. Thirty-three businesses from the Pontiac donated various products and services for the auction resulting in a donation to the Chamber of over \$1200 dollars. Many thanks to all those who contributed.

We would also like to thank those who put their time and effort into planning and coordinating the event. These include Ginger Finan and Mike Guitard who ran the bar,

Fran Finan for assistance setting up and decorating the hall, Lynda and Richard Wegner for working at the ticket table and a BIG thank you to Brad Summerfield for his time and services in setting up the sound system and joining the band for the evening at no charge to the Chamber.

All your contributions are extremely appreciated!

The 2013 Business Entrepreneurship Awards Gala was a resounding success. There were 165 people in attendance to cheer on the finalists and recipients!

This event would not have been possible without the financial support of Emploi Quebec (CLE), SADC, CLD Pontiac, Ministère des Finances et de l'Économie, Caisse Populaire Desjardins de Fort Coulonge, Carrefour jeunesse-emploi du Pontiac (CJEP), MRC Pontiac, Mireille Alary (Gagne, Isabelle, Patry, Laflamme & Associés), Union des Producteurs Agricole (UPA) Pontiac, Tourisme Pontiac, CDE Pontiac, Caisse Populaire Desjardins de Masham-Lusville and nine local municipalities. The Pontiac Chamber of Commerce is very appreciative of our sponsors.

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contribution room will be reinstated in the following calendar year, assuming the withdrawal was not to correct an overcontribution.

Contribute to an RESP & RDSP

Registered Education Savings Plans (RESPs)

RESPs allow for tax-efficient savings for children's post-secondary education. The federal government provides a Canada Education Savings Grant (CESG) equal to 20% of the first \$2,500 of annual RESP contributions per child or \$500 annually.

Registered Disability Savings Plans (RDSPs)

RDSPs are tax-deferred savings plans open to Canadian residents eligible for the Disability Tax Credit, their parents and other eligible contributors.

Certain payments must be made by December 31

Charitable donations

This year saw the introduction of the new Federal First-Time Donor's Super Credit (FDSC), which was

announced in the March federal budget. You can claim this credit if neither you nor your spouse or common-law partner has claimed the charitable donations tax credit in any of the five preceding tax years, from 2008 to 2012. The FDSC, which can be claimed once from the 2013 to 2017 taxation years, provides an additional 25% tax credit on total monetary donations up to \$1,000 that are made after March 20, 2013.

Other expenses

Certain expenses must be paid by year end to claim a tax deduction or credit in 2013. This includes investment-related expenses, such as interest paid on money borrowed for investing, investment counseling fees for non-RRSP/RRIF accounts, and safety deposit box rental fees. Note that 2013 is the last year you can claim safety deposit box fees since, as of 2014, they will no longer be tax deductible. Other expenses that must be paid by December 31st include child care expenses, medical expenses, interest on student loans, and spousal support payments.

Prepayments

While expenses must be paid by December 31 to claim a tax deduction or credit in many cases, the related good or service does not always need to be acquired in the same year. This provides an opportunity to prepay certain items.

Accelerate purchase of business assets

If you're self-employed or a small business owner, you may wish to consider accelerating the purchase of new business equipment or office furniture that you may be planning to purchase in 2014. Under the "half-year rule", you are permitted to deduct one half of a full year's tax depreciation (capital cost allowance) in 2013, even if you bought it on the last day of the year.

Conclusion

These tips highlight just a few of the ways you can act now to benefit from tax savings when you file your return. But keep in mind that tax planning is a year round affair. Speak to your tax advisor well in advance of tax filing season if you want information on reducing your taxes.

Information supplied by R. F. MacKillop CFP.

Chamber Business Sponsors

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Welcome to the Chamber!

Businesses who have joined the chamber since the last newsletter.

Club Quad du Pontiac

Check the chamber web site for links to all Chamber businesses.

Support your local businesses!

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If you received this newsletter via regular mail and would like to receive it via email, please let us know a valid email address. We do not share our lists.

Avant que ça ne devienne trop gros,
consultez votre avocate.

Kim Beaudoin, avocate

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Would Like to Join the Chamber?

Membership fee of \$100 entitles you to all chamber benefits. Membership valid from April 1st to March 31st.

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If you are interested in taking advantage of these enhanced memberships, contact the Chamber for more information.

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