

## CANADIANS AFFECTED

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U.S. estate tax affects both U.S. citizens living in Canada as well as non-U.S. citizens who own U.S. situs property.

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## 2012 Update

### Further Reporting Required This Year by U.S. Individuals Who Own Foreign Assets

The Hiring Incentives to Restore Employment (HIRE) Act imposes new reporting requirements on a U.S. individual whose ownership interests in specified foreign financial assets exceed \$50,000.

Of particular importance is the fact that this applies to all US individuals, regardless of their residency and is effective for taxable years beginning after March 18, 2010; thus, for calendar-year taxpayers, 2011 is the first year for which the new rules are in effect.

On December 19, the IRS published temporary regulations implementing the new reporting requirements. These rules are in addition to the longstanding foreign bank account (FBAR) reporting requirements, which also apply to some of the same foreign assets, and taxpayers who comply with the new rules will not be excused from filing FBARs for the same assets.

### 2012 Automobile Deduction Limits and Expense Benefit Rates for Business

The 2012 automobile expense limits and the prescribed rates for the operating expense benefits are as follows:

- The ceiling on the capital cost of passenger vehicles for capital cost allowance (CCA) purposes will remain at \$30,000 (plus applicable sales taxes) for purchases after 2011. This ceiling restricts the cost of a vehicle on which CCA may be claimed for business purposes.
- The limit on deductible leasing costs will remain at \$800 per month (plus applicable sales taxes) for leases entered into after 2011. This limit is one of two restrictions on the deduction of automobile lease payments. A separate restriction prorates deductible lease costs where the value of the vehicle exceeds the capital cost ceiling.
- The maximum allowable interest deduction for amounts borrowed to purchase an automobile will remain at \$300 per month for loans related to vehicles acquired after 2011.

HIRE ACT Reporting (Continued from page 1)

All individuals that may be affected by these new rules should consult their tax adviser to determine the requirements that they must meet in order to comply.

A taxpayer who fails to comply may be subject to a \$10,000 penalty unless reasonable cause exists for the failure.

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Automobile (Continued from page 1)

- The limit on the deduction of tax-exempt allowances paid by employers to employees using their personal vehicle for business purposes for 2012 will be increased by 1 cent to 53 cents per kilometre for the first 5,000 kilometres driven and to 47 cents for each additional kilometre. For Yukon, the Northwest Territories and Nunavut, the tax-exempt allowance is set 4 cents higher, and will also increase by 1 cent to 57 cents for the first 5,000 kilometres driven and to 51 cents for each additional kilometre. The allowance amounts reflect the key cost components of owning and operating an automobile, such as depreciation, financing, insurance, maintenance and fuel costs.
- The general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers for 2012 will increase by 2 cents to 26 cents per kilometre. For taxpayers employed principally in selling or leasing automobiles, the prescribed rate will increase by 2 cents to 23 cents per kilometre. The amount of the benefit reflects the costs of operating an automobile. The additional benefit of having an employer-provided vehicle available for personal use (i.e., the automobile standby charge) is calculated separately and is also included in the employee's income.

## ANNUAL INDEXATION OF CPP AND PENSION CONTRIBUTIONS

The Canada Revenue Agency recently announced that the maximum pensionable earnings under the Canada Pension Plan for 2012 will be \$50,100 — up from \$48,300 in 2011. The basic exemption amount for 2012 remains at \$3,500. The employee and employer contribution rates for 2012 are unchanged at 4.95%, and the self-employed contribution rate remains 9.9%. The maximum annual contribution for an employee is \$2,306.70 — up from \$2,217.60. The Quebec Pension Plan maximum is \$2,341.65.

The maximum RRSP contribution will be increased from \$22,450 in 2011 to \$22,970 in 2012 (however, each year's maximum contribution is restricted to 18% of the prior year's earned income and is reduced by prior years' pension adjustments).

## OTHER ITEMS EFFECTIVE JANUARY 1, 2012

- Effective January 1, 2012, the Federal general corporate income tax rate is reduced to 15 per cent.
- Effective January 1, 2012, the Family Caregiver Tax Credit will provide new tax support for caregivers of infirm dependent family members. This new 15-per-cent non-refundable tax credit based on an amount of \$2,000 will provide tax relief for caregivers of all types of infirm dependent relatives, including, for the first time, spouses, common-law partners and minor children.
- The temporary 50-per-cent straight-line accelerated capital cost allowance rate for investments in manufacturing or processing machinery and equipment was extended to include investments undertaken in 2012 and 2013.

**tax & business** ALERT has been prepared by **LEVI & SINCLAIR, LLP** for the general information of our clients, staff and other interested parties.

The enclosed comments are of a general nature and are not intended to cover all aspects of the subject matter. Prior to implementing any planning based upon information in this publication, the specific facts pertaining to any particular situation should be carefully considered. We will be pleased to assist in this regard and to provide further details pertaining to the matters discussed herein.

If you know of someone who should be added to our mailing list or if you require additional copies, please contact us at (514) 931-7600

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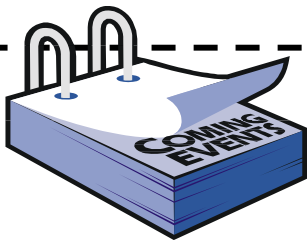
**DON'T MISS THE RRSP DEADLINE**

If you haven't yet contributed to your RRSP for 2011, don't wait until the end of February 2012, contribute now. The earlier you contribute to your RRSP, within the allowable limits, the more quickly the capital to finance your retirement will grow, sheltered from tax.

Your maximum contribution for 2011 is 18% of income earned in 2010, principally from employment or a business, up to a maximum of \$22,450 (compared to \$22,000 in 2010). The maximum RRSP contribution for 2011 applies to earned income of \$124,722 in 2010.

**FEDERAL AND PROVINCIAL GENERAL CORPORATE TAX RATES IN EFFECT**

	2011	2012	2013	Beyond
Federal	16.5%	15.0%	15.0%	15.0%
<b>Provincial</b>				
British Columbia	10.0%	10.0%	10.0%	10.0%
Alberta	10.0%	10.0%	10.0%	10.0%
Saskatchewan	12.0%	12.0%	12.0%	12.0%
Manitoba	12.0%	12.0%	12.0%	12.0%
Ontario	11.8%	11.3%	10.5%	10.0%
Quebec	11.9%	11.9%	11.9%	11.9%
New Brunswick	10.5%	10.0%	10.0%	10.0%
Nova Scotia	16.0%	16.0%	16.0%	16.0%
Prince Edward Island	16.0%	16.0%	16.0%	16.0%
Newfoundland	14.0%	14.0%	14.0%	14.0%

**ALERT DATES**

February 29, 2012

Deadline for filing 2011 remuneration slips to employees (T4/R1) and independent sales representatives (T4A/R1), slips for payments of dividends and interest (T5/R3); including related summaries to the respective governments.

February 29, 2012

Deadline for 2011 contributions to an RRSP.

March 15, 2012

First personal income tax installment for 2012 is due.

March 31, 2012

Deadline for filing trust income tax returns for trusts with a December 31, 2011 year end. Filing date for T-5013 of partnerships.

April 30, 2012

Deadline for filing personal income tax returns other than those permitted to file by June 15.

## **ABOUT LEVI & SINCLAIR**

**LEVI & SINCLAIR** is a firm of chartered accountants that traces its origin in Montreal to 1970. We pride ourselves on being more than just an accounting firm. We offer an effective blend of personalized service, experience and technological leadership, coupled with a steadfast commitment to consistently deliver excellence. The members of our firm possess unique talents, expertise and experience, giving our clients access to a knowledge base of considerable breadth and depth.

### **OUR SERVICES**

Our firm takes pride in adding value to every client that we serve through our extensive expertise and proactive approach to your financial needs. We match our dedication to adding value with experience and expertise: we have experience in servicing virtually every type of industry and professional practice.

### **FORENSIC AUDITING AND LITIGATION SUPPORT SERVICES**

Our firm has developed an expertise in both litigation support and international service. Our highly trained staff are licensed world-wide to perform investigative and forensic audits and have achieved international recognition for their innovations particularly in the field of computer forensics. Our forensic department has been called upon by law enforcement agencies as well as the public and private sectors for assistance in the most complex and difficult of situations in Canada, the United States and the Caribbean.

### **TAXATION**

Our office has a strong basis in federal and provincial tax issues. Our accountants work hard to minimize your taxes, yet make sure that you fulfill your tax requirements ethically while working to add value. We can fill a variety of tax needs, both domestic and international as well as corporate and personal.

### **FINANCIAL**

**LEVI & SINCLAIR** can meet all of your basic financial needs with our exemplary Accounting Services Group that can truly add value whether it's your business or your personal finances that we are reviewing. We work with business entities as well as non-profits and foundations. Our accounting services include; auditing and compilation review of financial statements, budgets and forecasts, and government reporting. We won't simply process your financial statements, our mission is to add value. We will go the extra mile to help you forecast or locate opportunities that you may be missing.

### **BUSINESS CONSULTING**

**LEVI & SINCLAIR**'s Business Consulting unit has proven itself as a valuable resource to businesses of all kinds. We can help you plan your future, whether you see it coming or not. We can help you bring seminal business events to life; like mergers and acquisitions, business valuation, leases and contracts, or business development plans, all of which take a huge amount of planning and attention to detail. If there are no big events on your horizon, we can still be of service by helping you to anticipate the unexpected through our forecasting, real estate projections, risk management assessments, or our feasibility studies. We look at your business and all of its many facets, to find both issues and opportunities and bring that valuable insight to you.

# LITIGATION SUPPORT AND DISPUTE RESOLUTION SERVICE AREAS

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- **Management and employee fraud and theft**
- **Identification of secret commissions and kickbacks**
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- **Business valuation**
- **Fairness opinions**
- **Insurance claim assistance**
- **Retail sales audits**
- **Contract dispute resolution**
- **Professional negligence litigation support**
- **Fraud prevention program design, implementation and evaluation**
- **Bank due diligence audits**
- **Employee background audits**
- **Financial discrepancy analysis**
- **Divorce litigation support**
- **Insurance claim quantification**
- **Breach of contract quantification**
- **Electronic Discovery and Data Recovery**
- **Computer forensics**

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