

March 4, 2010

tax & business Alert

BUDGET HIGHLIGHTS:

- Assistance to Manufacturers
- Benefit for Single Parents
- Reduced corporate taxes
- Freeze in EI premium rate
- Work Sharing Extended
- Benefits Entitlement – Shared Custody

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FEDERAL BUDGET 2010



The Minister of Finance, James M. Flaherty, presented the 2010 budget in the House of Commons this afternoon, a budget which projects \$53.8 billion for 2010, falling to \$49.2 billion in 2011 and to \$27.6 billion in 2012. The following is a summary of the highlights contained in the budget.

Individuals

Corporations

BENEFIT FOR SINGLE PARENTS

The Universal Child Care Benefit (UCCB) provides families with \$100 a month for each child under the age of six years. In two-parent families, the UCCB is included in the income of the lower-income spouse or common-law partner.

For single parents, the UCCB is included in their income and taxed at their marginal tax rate.

Budget 2010 proposes, commencing in 2010, to allow single parents to choose to include UCCB payments in their own income, or in the income of the dependant for whom an Eligible Dependant Credit is claimed, thereby providing treatment comparable to single-earner two-parent families. In most cases, the Dependant, and thus the UCCB, would not be subject to tax.

ASSISTANCE TO MANUFACTURERS

The budget proposes the elimination of all remaining tariffs on manufacturing inputs and machinery and equipment.

The majority of these 1,541 tariffs will be eliminated March 5, 2010, with the remainder being gradually eliminated by no later than January 1, 2015. When the second phase of tariff relief is fully implemented.

REDUCED CORPORATE TAX RATES

The federal general corporate income tax rate was reduced to 18 per cent on January 1, 2010. As previously announced, it will be further reduced to 16.5 per cent on January 1, 2011 and to 15 per cent on January 1, 2012.

INSIDE THIS ISSUE:

Work Sharing Extended	2
Freeze in EI premium rate	2
Other Measures	3
Place of supply rules for harmonized sales tax	3
Limits and rates for automobile expenses	4
Mandatory information Returns - electronic filing	4
Alert Dates	4

(Continued on page 2)

(Continued on page 2)

WORK SHARING EXTENDED

Work-sharing offers Employment Insurance income benefits to qualifying workers willing to work a reduced work week while their employer recovers. The Economic Action Plan extended work-sharing agreements by 14 weeks, to a maximum of 52 weeks, and increased access to work-sharing agreements by providing greater flexibility in the qualifying criteria and streamlining processes for employers.

Budget 2010 extends this measure. Existing or recently terminated work-sharing agreements will be extended by an additional 26 weeks, to a maximum of 78 weeks. Greater flexibility in the qualifying criteria for new work-sharing agreements will also continue to be provided. Both of these enhancements will be in place until March 31, 2011.

TAXATION OF CORPORATE GROUPS

The budget announces that the government will explore new rules for the taxation of corporate groups, including a formal loss transfer system or consolidated reporting.

FREEZE IN EI PREMIUM RATE

The Government is maintaining the freeze of the EI premium rate at \$1.73 per \$100 of insurable earnings to the end of 2010.

Individuals (CONTINUED)**BENEFITS ENTITLEMENT – SHARED CUSTODY**

Under existing rules, only one eligible individual can receive the Canada Child Tax Benefit and Universal Child Care Benefit in respect of a qualified dependant each month. Similarly, the child component of the Goods and Services Tax/Harmonized Sales Tax Credit (GST/HST credit) is payable in respect of a qualified dependant to only one eligible individual each quarter.

Budget 2010 proposes to allow two eligible individuals to receive Canada Child Tax Benefit and Universal Child Care Benefit amounts in a particular month, and two eligible individuals to receive GST/HST credit amounts in respect of a particular quarter, in respect of a child if the recipients would

be eligible to receive amounts under the Canada Revenue Agency's existing shared eligibility policy.

This policy applies when a child lives more or less equally with two individuals who live separately.

The Canada Child Tax Benefit and Universal Child Care Benefit payments will be equivalent to each eligible individual receiving one-half of the annual entitlement that they would receive if they were the sole eligible individual, paid in monthly instalments over the year. The child component of the GST/HST credit will similarly be equivalent to each eligible individual receiving one-half of the annual entitlement that they would receive if they were the sole eligible individual, paid in quarterly instalments over the year.

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.

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Other Measures

- Budget 2010 provides \$50.5 million over the next two years to The Jacques Cartier and Champlain Bridges Incorporated so that it has the financial resources to carry out capital expenditures required to maintain the safety of its bridges and ensure they continue to serve the needs of Montréal-area commuters.
- Budget 2010 proposes to eliminate all disbursement quota requirements for charities, except those related to the requirement to annually disburse a minimum amount of investments and other assets not used directly in a charity's operations. This requirement is being updated to provide charitable organizations a greater ability to maintain reserves to deal with contingencies.

The reformed disbursement quota rules will apply to charities for fiscal years ending on or after March 4, 2010.

- Budget 2010 proposes that expenses incurred for purely cosmetic procedures (including related services and other expenses such as travel) be ineligible to be claimed under the Medical Expense Tax Credit. A cosmetic procedure will continue to qualify for the Medical Expense Tax Credit if it is required for medical or reconstructive purposes.
- Budget 2010 proposes to clarify that GST/HST applies to all purely cosmetic procedures, to devices or other goods used or provided with cosmetic procedures, and to services related to cosmetic procedures.
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PLACE OF SUPPLY RULES FOR HARMONIZED SALES TAX

On Thursday February 25, 2010, the Department of Finance (Finance) released the long anticipated proposed place of supply (POS) rules for the harmonized sales tax (HST) that will affect taxable supplies considered to be made in the harmonized provinces of New Brunswick, Nova Scotia, Newfoundland and Labrador and, effective for supplies made after June 30, 2010, British Columbia and Ontario.

These rules specify whether, and at what rate, suppliers must charge the provincial component of the HST on their supplies of taxable property and services made in Canada. As well, the related rules that, in certain circumstances, require self-assessment or provide for rebates of the provincial component of the HST are proposed to be changed. See [Finance News Release 2010-14](#), Government of Canada announces proposed changes to place of supply rules for the harmonized sales tax (HST), and related documentation for full details of the proposals.

Readers are reminded that while budget proposals are customarily given the effect of law immediately, the amending legislation, when ultimately adopted by Parliament, may be altered to some degree.

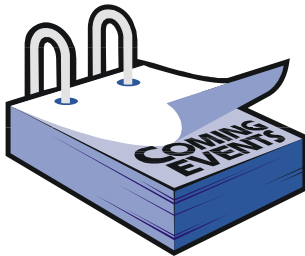
LIMITS AND RATES FOR AUTOMOBILE EXPENSES

For 2010, the deduction limits for automobile expenses are unchanged:

- the ceiling on the capital cost of passenger vehicles for capital cost allowance (CCA) purposes will remain at \$30,000,
- the monthly limit on deductible leasing costs will remain at \$800
- the monthly limit on interest deduction will remain at \$300
- the limit on the deduction of tax-exempt allowances paid by employers to employees using their personal vehicle for business purposes will remain at 52 cents per kilometre for the first 5,000 kilometres and 46 cents for each additional kilometre.
- The general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers for 2010 will remain at 24 cents per kilometre.

MANDATORY INFORMATION RETURNS—ELECTRONIC FILING

Starting January 2010, if you submit more than 50 original information returns (slips), you will be required to file electronically using the Internet? This means that if you previously filed returns on paper, DVD, CD, or diskette, you must now file over the Internet.

**ALERT DATES**

March 15, 2010	First installment due for individuals required to make income tax installments.
March 31, 2010	Deadline for filing income tax returns by an inter-vivos trust and other personal trusts with a December 31, 2009 taxation year-end. Filing date for T-5013 of partnerships.
April 30, 2010	Deadline for filing personal income tax returns other than those permitted to file by June 15.
June 15, 2010	Deadline for filing personal income tax returns for self-employed individuals, but any amounts owing must still be paid by April 30th

ABOUT LEVI & SINCLAIR

LEVI & SINCLAIR is a firm of chartered accountants that traces its origin in Montreal to 1950. 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. Our Chartered Accountants and Business Consultants provide advisory services on a broad range of issues to both our individual and corporate clients. The members of our firm possess unique talents, expertise and experience, giving our clients access to a knowledge base of considerable breadth and depth. Together with our support personnel, we share a commitment to developing practical solutions for the business challenges of today, and to devising strategies for tomorrow.

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.

TAXATION

Our office has a strong basis in federal and provincial tax issues. Our tax group has been in existence for 50+ years and is highly qualified and experienced. 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. Our specialties lie in tax reporting and representation, tax planning (business, personal, divorce and litigation), tax structuring of entities and transactions and tax research.

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

- **Civil and criminal Fraud Investigation**
- **Management and employee fraud and theft**
- **Identification of secret commissions and kickbacks**
- **Sarbanes-Oxley compliance audits**
- **Sarbanes-Oxley 404 audits**
- **Intellectual Property Litigation Support**
- **Training on fraud awareness and prevention**
- **Due Diligence Audits**
- **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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