

November, 2008

TAX-FREE SAVINGS ACCOUNT

Starting in 2009, Canadians aged 18 and older can save up to \$5,000 every year in a tax-free savings accounts . In our **tax & business Alert** issue of the 2008 Federal Budget we describe in detail how the account works and the benefits for the taxpayer. Our newsletter can be found at www.levifca.com

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tax & business Alert

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Planning for 2008 can help reduce your taxes

Tax planning is a prudent and necessary procedure for both the individual and corporate taxpayers due to the complexities and constant changes in our income tax legislation. Although tax planning is something which should be considered throughout the year, towards year end it becomes more common to evaluate certain tax planning ideas which may result in a reduced or deferred tax burden.

Most tax planning transactions should be reviewed with your professional tax advisor as the proposals incorporated in this year's Federal and Provincial budgets may not necessarily be the same as when they ultimately become law. Further changes which may have occurred to previously available tax planning measures may have changed.

In this year end tax planning issue of tax & business Alert we present several items for your consideration.

CONTRIBUTE TO YOUR RRSP

If you haven't yet contributed to your RRSP for 2008, don't wait until the end of February 2009, 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 2008 is 18% of income earned in 2007, principally from employment or a business, up to a maximum of \$20,000 (compared to \$19,000 in 2007). The maximum RRSP contribution for 2008 applies to earned income of \$111,111 in 2007. If you participate in a pension

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CLAIM THE \$750,000 CAPITAL GAINS DEDUCTION

Small business corporation shares and qualified farm property (including shares of a corporation and partnership interests) still qualify for the lifetime capital gains deduction of \$750,000 (\$500,000 for shares disposed of before March 19,2007). Claiming this deduction often requires a good dose of planning and help from your tax advisor. If you are thinking about selling the assets that qualify for this deduction before the end of the year, consult your tax advisor as soon as possible.

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plan, you should keep the pension adjustment in mind — and the pension adjustment reversal, if applicable. To find out the exact amount that you can contribute, look at the “RRSP Deduction Limit Statement for 2008” section of your federal assessment notice for 2007.

Plan Ahead for 2009

The RRSP limit will increase again in 2009, when it will reach \$21,000. If you have your own corporation, have no other source of earned income, and are able to do so, pay yourself a salary of at least \$116,666 this year if you wish to ensure that you can contribute the maximum amount to your RRSP in 2009.

Unused Prior Year Contributions

If you contributed less than the maximum allowable amount to your RRSP in a previous year, and if you can afford it, use the unused RRSP contribution room for 2008 by contributing an additional amount equal to the unused room.

MATURING RRSP

An RRSP must be matured before December 31 of the year in which the annuitant turns age 71. Do not miss this legislated deadline. If you do, all accumulated funds in your RRSP will be included in your taxable income in the year following the year you turn 71. You will have no recourse for correcting this oversight. There are three main maturity options that apply to non-insurance-type RRSPs:

- ▶ Receive an annuity.
- ▶ Transfer the accumulated RRSP funds into a registered retirement income fund (RRIF) from which a periodic retirement income is received.
- ▶ Collapse the RRSP and receive a lump sum after paying the relevant tax.

NOTE: Monitor current proposals to delay the required maturity date of an RRSP currently proposed by the Quebec government.

The law allows you to contribute up to \$2,000 over the authorized maximum. Do not exceed this limit, because the penalty of 1% per month on excess contributions can add up fast, and the administrative formalities to recover over contributions are relatively complex.

Is your spouse younger than you?

If your spouse is younger than you and you anticipate that his or her retirement income will be less than yours, consider creating a spousal RRSP. You can then continue contributing to the spousal plan until your spouse turns 71, provided that you have unused contribution room.

USE YOUR CAPITAL LOSSES

Under the tax rules governing capital losses, you can use your 2008 capital losses to decrease the current year's taxes if you have realized at least an equal amount in capital gains. Many taxpayers also sell their investment losses before the end of the year once they have realized significant gains earlier in the year. But be careful! If, within the 30 days prior to or following the sale of an asset that resulted in a capital loss, you purchase an identical asset, the superficial loss rules prevent you from claiming a capital loss on an asset you clearly intended to continue holding. This rule also applies if your spouse or a company under your control purchases the identical asset.

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CAPITAL GAINS DEDUCTION *(continued from page 1)*

If you have already claimed the \$100,000 personal capital gains deduction (abolished in 1994), you are entitled to a maximum deduction of only \$650,000. If you plan to use this deduction in 2007, check with your tax advisor to find out whether you have realized an allowable business investment loss (ABIL) in prior years or have cumulative net investment losses (CNILs) as at December 31, 2007, as these will be taken into account, and it is possible that you will not

DEFER TAX ON CERTAIN STOCK OPTION BENEFITS

If you exercised stock options in 2008 on publicly traded shares and expect to keep these shares until at least December 31, 2008, you can defer the benefit related to exercising options worth \$100,000 (as this amount is based on the fair market value of the shares at the time the stock options were granted). To defer the benefit, you have to notify your employer in writing before January 16, 2009, to allow this information to be included in your T4 (Relevé 1) for 2008. Your tax advisor can help you to determine whether the deferral is beneficial and, if so, how to optimize it.

STAGGER TAXATION OF CERTAIN CAPITAL GAINS

If you dispose of property on which you realize a capital gain, you can stagger the taxation of this gain over up to five years if you allow the purchaser to stagger the payment of the proceeds from the sale over at least a five year period as well. The term is increased to 10 years for the transfer of farm or fishing property, shares from a family farm or fishing corporation, or from a small business corporation when this transfer is carried out in favour of a child, a grandchild or a great-grandchild living in Canada.

DONATE

If you have not already done so, now is an ideal time to reconsider your donation plans for 2008 and benefit from the charitable donations tax credits.

Another very interesting tax strategy, for both you and the charity, is to donate publicly traded company shares from your portfolio, especially if these shares include a significant gain. In fact, no income tax is payable on a capital gain realized when shares of a public listed company are donated to a charitable

Travel and Automobile Allowance

The Income Tax Act provides that allowances which are not in excess of reasonable amounts, in respect of travelling and motor vehicle expenses incurred in the performance of the duties of an office or employment, are not required to be included in computing the income of an individual from that office or employment.

organization (including private foundations, since March 19, 2007). Under these circumstances, the charity receives a larger amount than it would if you were to sell the shares and donate the proceeds after paying taxes on the gain.

REPAY SHAREHOLDER LOANS

If you took a loan from your corporation in 2007, repay it before the end of 2008. If you delay, the full amount of the loan will be added to your income for 2007. An exception is available if the loan was made to an employee-shareholder for purchasing a residence, securities issued by the employer, or a car for work purposes. Other restrictions apply to these types of loans, however.

DECLARE A BONUS

The small business tax deduction (SBD) is available to Canadian-controlled private corporations with incomes of less than \$400,000 in 2008 (this amount varies regarding provincial and territorial taxes). If the active business income derived from your company exceeds the \$400,000 threshold it would be good tax planning for the corporation to pay out a bonus to bring its income below the threshold. Your company will be able to claim the tax deduction as long as the bonus is paid within 180 days of your corporation's fiscal year-end.

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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

MAKE CERTAIN DISBURSEMENTS BEFORE THE END OF THE YEAR

Some deductions and credits can only be claimed if the amount was disbursed before the end of 2008. This is the case for charitable donations, child support (if deductible), childcare expenses, interest on loans for investment purposes, tuition fees, and union and professional dues.

MAKE YOUR DECEMBER INSTALMENT

Individuals who are required to make quarterly instalments should review the amounts paid, to avoid or reduce the non-deductible interest charged on late or deficient instalments (which can be onerous).

If you are required to pay your income taxes in instalments and estimate that your 2008 income will be significantly less than it was in 2007, decrease the amount, if you have not already done so, of your December 15, 2007 instalment. However, be careful when making this estimate: if your actual income in 2008 is higher than expected, you could be required to pay interest that is not tax-deductible.

TIMING OF ACQUISITION OF ASSETS

Accelerate the acquisition of depreciable property used in carrying on a business otherwise planned for the beginning of the next year. This will allow additional depreciation to be available to be claimed in the current year. The "available-for-use rules" should be considered (generally requiring the depreciable property to be used in operations for the depreciation deduction to be allowed). This will also allow full capital cost allowance deduction in 2009.

Consider delaying until the subsequent year the acquisition of depreciable property in a class that would otherwise have a terminal loss.

DEDUCTING HOME OFFICE EXPENSES

If you are self-employed, or run your own sideline business and have an office in your home, you may be able to deduct expenses relating to that office. For home office expenses to be deductible, the office must either be your principal place of business, or be used exclusively to earn business income and be used on a regular and continuous basis for meeting clients, customers, or patients.

However you cannot increase or create a loss by deducting home office expenses. Any excess is not lost since it can be carried forward.

REGISTERED EDUCATION SAVINGS PLAN (RESP)

Under a RESP, contributions are made to the plan, intended to pay for the post-secondary education of designated beneficiaries, usually the taxpayer's children or grandchildren. Although contributions are not tax-deductible, income earned in the plan is not taxable until distributed, at which time it is taxed in the hands of the beneficiary.

The accumulated income is forfeited where the beneficiary (ies) does (do) not undertake post-secondary education. However, certain plans allow the substitution of other children, grandchildren, nephews/nieces and even non-related persons.

VISIT US

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www.levifca.com

KEEP YOUR TRANSIT PASSES

Individuals can claim a non-refundable tax credit for monthly or longer-duration public transit passes in their federal tax return.



U.S. CITIZENS IN CANADA

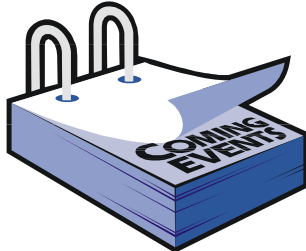
A U.S. citizen resident in Canada must file Canadian and U.S. income tax returns, reporting their world-wide income. These tax returns should usually be prepared by a competent professional advisor due to the complicated interplay of foreign tax credits.

CANADIANS VACATIONING IN THE U.S.

Canadians who spend on average more than 120 days a year in the United States run the risk of being considered a U.S. resident for U.S. tax purposes. If you are caught under the specific rules, but have spent less than 183 days in the U.S. in the current year, the "Closer Connection Exemption" may apply. The exemption is claimed by filing IRS form 8840 on a timely basis, generally by June 15 of the following year. Please contact your tax advisor for more details.

WILLS

Wills should be reviewed and updated on a periodic basis, taking into consideration changes in financial position and legislation.



ALERT DATES

December 15, 2008	Final installment due for individuals required to make income tax installments.
February 28, 2009	Deadline for filing 2008 remuneration slips to employees (T4/Relevé1) and independent sales representatives (T4A/Relevé1), slips for payments of dividends and interest (T5/Relevé3); including related summaries to the respective governments.
March 1, 2009	Deadline for 2008 contributions to an RRSP.
March 15, 2009	First personal income tax installments for 2009 are due.
March 31, 2009	Deadline for filing trust income tax returns for trusts with a December 31, 2008 year end. Filing date for T-5013 of partnerships.

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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