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PERSONAL TAX

HOME RENOVATION TAX CREDIT (HRTC)

All invoices that you are claiming for the HRTC must be for purchases made between January 28, 2009 and January 31, 2010.

Any purchases made in this time period may be claimed even if they are for materials that were not installed until after January 31, 2010. Work performed by a contractor or third party that has not been completed before February 1 2010 has to be prorated and only the portion of the work that was completed can be claimed.

There is no requirement that homeowners pay the invoice in full before February 1, 2010.

Acceptable documentation includes agreements, invoices and receipts that state:

- The contractors name, business address, and GST Registration Number
- A description of the supplies and the date when the supplies were purchased
- The date when the supplies were delivered and/or when the

supplies were installed or services performed

- A description of the work preformed including the address where the work was preformed
- The amount of the invoice
- Proof of payment

Payments to a new home builder for the cost of upgrades to the new home are not eligible for the HRTC if the upgrades were made by the builder before title passed to the purchaser.

Qualifying expenditures do not include outlays or expenses made or incurred under the terms of an agreement entered into before January 28, 2009, even if the work was done after January 28, 2009.

EMPLOYMENT INCOME

EMPLOYER PAID TUITION

As a result of several recent Court Decisions, CRA now accepts that where an arm's length employer provides a post-secondary, scholarship, bursary, or free tuition to family members of an employee under a scholarship program, this amount will be included in the student's income, not the employee's income.

The entire amount may be exempt from tax if the student is eligible to claim the education tax credit.

With respect to employer-paid training or educational assistance for arm's length employees, CRA states that when the training is taken primarily for the benefit of the employer there is no taxable benefit.

CRA generally considers that the employee must come back to work for a reasonable period of time after completion of the courses for the training to be considered primarily for the benefit of the employer.

BUSINESS/PROPERTY INCOME

GENERAL PURPOSE COMPUTER EQUIPMENT

Certain general-purpose computer equipment, including related system software and supplementary data equipment qualifies for capital cost allowance at 100% if:

- It is purchased after January 27,2009 and before February, 2011

- It is situated in Canada and is purchased for the purpose of earning income in Canada

Used equipment does not qualify. An example of supplementary equipment would be a printer that is connected to the general-purpose computer such as a desktop or laptop.

Also, CRA noted in a July 13, 2009 External Technical Interpretation, that a restaurant Point of Sale computer system generally qualifies for the 100% capital cost allowance rate.

MANAGEMENT FEES

In a Tax Court of Canada case on June 30, 2009 \$80,000 in management fees paid by the plaintiff to a related company were considered not to be deductible on the basis they were not incurred to earn income from a business and were not reasonable.

Lack of any written or verbal agreement stating the terms and conditions of the services provided by the sub-contractor as well as the absence of the formalities required to create real legal obligation between the companies led the Court to disallow the deduction.

CHANGE OF RELATIONSHIP STATUS

When a marriage or common-law relationship has ended there is a significant effect on income tax, support calculations and in some cases property settlements.

The date a marriage ends is easy to determine because the date of the divorce decree is stated in the legal documentation. The end of a common-law relationship is not always as easy to determine or plan around.

For tax purposes, a common-law relationship comes into existence when two individuals live together in a conjugal relationship and have a

child together, or have lived together for at least a year. This relationship status of common-law is in effect until the couple lives apart or separate at any time for a period of 90 days because of a breakdown in the relationship. As of the 91st day of a separation the couple is considered the equivalent of being divorced.

When the status of a relationship changes the Child Tax Benefit and other benefits are recalculated based on single income instead of family income. Depending on the couple's relative incomes there could be a significant increase in benefit payments.

The definition used above to describe common-law status, like many of the income tax definitions, applies only for income tax purposes. **Different statutes** apply different definitions, often under provincial rather than federal law.

The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions in a commentary such as this, a further review should be done. Every effort has been made to ensure the accuracy of the information contained in this commentary. However, because of the nature of the subject, no person or firm involved in the distribution or preparation of this