



# Business Matters

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## TAXATION

### Tuition Tutorial 101

**The cost of educational upgrading to increase future earnings comes with a price.**

Modest relief is available, however, to those students attending Canadian universities or government-certified trade schools, who make an effort to satisfy tax authorities.

#### Why You Should File a Tax Return

Students may decide (ERRONEOUSLY) that because they have no taxable income it is not necessary to file. Notwithstanding the legal requirement, there are significant financial reasons to file your tax return:

1. Filing triggers other tax deductions and refunds and thereby provides eligibility for HST rebates and provincial credits.
2. Recorded “earned income” becomes eligible for RRSP and other deductions. Filing income now creates a build-up of RRSP contribution room that will permit reduction of future taxable income when earnings are higher.
3. Financial institutions may require proof of personal income and stability in the event additional funds are required. Most financial institutions request copies of a taxpayer’s last Notice of Assessment to confirm income.
4. Failure to file could result in Canada Revenue Agency applying an estimated assessment of earned income. If tax is owed, penalties and interest will be charged.

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5. The income students earn is often not large enough to create taxable income. The student may, therefore, be eligible for a refund of taxes withheld at source otherwise unavailable if a tax return has not been filed.
6. Because student earned income is often so low, the tuition and education credits are not needed to offset taxes payable. Filing tax returns creates unused credits that may be carried forward to reduce future taxes.
7. Credits unused by the student may be used by a parent, spouse, common-law partner, or grandparent to reduce taxes in the year of expenditure. If the student has not filed but has given permission for the credits to be transferred, these credits will not be available for others to claim.
8. Students who borrow funds under the Canada Student Financial Assistance Act are allowed a federal 15 percent tax credit on the interest cost of borrowing funds provided the interest is paid. In the event the student cannot use the interest credit, it can be carried forward for five years. You cannot get the credit if you do not file. (The credit is not transferrable.)
9. Earned income may produce Canada Pension Plan contributions that will contribute to your retirement fund.

### General Guidelines

The following general guidelines recognize that the provinces and territories have differing tax credits. Student taxpayers and their supporting parents, common-law partners, spouses and grandparents should review the following points with their Chartered Accountants to see how they apply in their jurisdictions.

Tuition credits approximate 15 percent of the eligible tuition fee, provided the fees exceed \$100. Other eligible tuition fees include: admission and academic, laboratory, examinations, athletic and health services.

A Canadian student enrolled full time in a degree program at a foreign university may claim the tuition paid for each 13-consecutive-week course leading to the degree. In order to claim the tuition, the student must have been physically present on campus or virtually present for distance learning and be able to prove attendance. Students who meet these requirements should ask the institution to complete Form TL11A.

Canadian students living near the Canada-US border who commute regularly to attend a post-secondary educational institution in the US can claim tuition fees and textbook costs even if the individual courses do not last 13 consecutive weeks and do not lead to a degree. The fees must be in excess of \$100. To make this claim, you must have the institution complete Form TL11C.

Canadian students studying at a Canadian post-secondary institution who qualify for the education amount are automatically allowed a federal textbook deduction of \$65 per month for full-time students and \$20 a month for part-time students for each month the student qualifies for the education amount, i.e. for each month of enrolment.

### Additional Deductions

Deductions that may reduce tax or taxable income include the following:

1. Payment for off-campus rental accommodations usually provides a tax credit. If you are sharing rental costs with other students, consider asking the landlord to provide separate receipts for each student or maintain a copy of the lease agreement showing the actual amount of rental required per month.
2. If you are paying someone else part of the shared rent and your name is not on the lease, obtain either a receipt if you pay cash to your roommate or write a cheque to the individual to ensure adequate documentation establishing your rent payment. A written agreement between yourself and the other roomies indicating how much rent each is required to pay is added insurance in the event of an audit. If utilities are not included in the rental amount, they are not considered rent.
3. If you live off campus and board is included in your monthly payment, segregate the rent and food portions of the payment since food is not a deductible expense.
4. Moving expenses are deductible by a student against certain types of income. If you have taxable income and have incurred costs to move from your place of work to attend school and/or to move from your school to your place of work to earn tuition, keep these receipts and record the details of the distance moved and the mode of transportation.
5. Taxation rules permit tax credits for public-transit expenses.

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*Check with your CA to ensure maximum use of all available deductions and/or credits.*

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### Questions for Your Chartered Accountant

Given that provincial or territorial jurisdictions may provide differing deductions or tax credits, you may wish to check with your local Chartered Accountant to ensure maximum use of all available deductions and/or credits.

1. Can I deduct the cost of my books and supplies?
2. Am I allowed to deduct the cost of a residence on campus?
3. Can I deduct the cost of meals at the campus cafeteria?
4. What about student union or association fees?
5. Is transportation cost an educational deduction?

6. Is a computer, Internet time, a calculator and software to complete my assignments an education deduction?
7. What if I need a PDA to keep in touch with professors and to update my schedule?
8. Are my car expenses an allowable deduction if I need my car to get to school?
9. Is parking to attend class a deductible expense?

Documentation of income, expenses or other deductions is necessary to support your tax return. Records that should be retained for at least five years include:

- Details of all sources of income regardless of whether the income is from commissions, self-employment, gratuities earned or shown on an issued T4, T4A, T4A(P), T5
- Details of all expenses incurred to earn income especially if the taxpayer is self-employed or earned commission income
- Tuition fee receipts
- Charitable donation receipts
- Medical receipts for prescription drugs, glasses or medical insurance costs
- Moving receipts
- Receipts for public transit

- Rental receipts for accommodation
- Lease or rental contracts
- Loan agreements with financial institutions
- Statements from financial institutions indicating the interest cost on any student loan.

### **Tuition Assistance**

Whether scholarships, fellowships or bursaries are taxable or tax exempt in full or in part, depends on the type of funding and the student's financial situation. The issuer of these funds must advise the taxpayer to allow appropriate allocation of funds for tax filing. Box 28 of the T4A will provide the tax filer with the data required to determine whether amounts received are fully or partially exempt in the income calculation.

### **December 31<sup>st</sup> Deadline**

As the end of the taxation year approaches, reducing personal taxes payable or the taxes of supporting family members should be the goal of every student. Providing records required by CRA to your Chartered Accountant will reduce the tax expense and provide additional working capital for those paying the bills.

## **TECHNOLOGY**

# **Print This**

**Despite attempts to create a paperless office, the need for printed documents and data is as relevant as ever.**

Laser printers can be one of the most inexpensive pieces of office equipment. Most manufacturers offer entry-level colour printers starting in the \$200 - \$300 price range; a monochrome laser printer can sell for less than a pair of jeans.

Printer manufacturers seem willing to virtually give away the hardware knowing they will make their profit selling ink cartridges and toner drums. The capital cost of printers is no longer significant; managing the cost of using them is a different matter. Ideally the cost of monochrome printing should not exceed one cent per page; colour printing more than four cents per page is pricey.

### **Things to Consider before Purchasing**

#### ***Same Brand and Model***

If your business needs multiple printers, consider purchasing the same brand and model. Having the same model allows bulk toner purchases, replacement is easier, and the



need to support multiple printer drivers on your network is eliminated.

#### ***Cost Per Page***

Compare the per-page cost of consumable toner cartridges with their printed-page rating. For example, one may contain enough toner for 2,000 pages while the other may print 5,000 pages. What is the cost per page of the differently priced toner cartridges? Some manufacturers offer multiple cartridge models that have different capacities.

#### ***Drum Unit***

The most expensive replacement part in a printer is the drum unit, which transfers the electrostatically charged toner onto the page. The cost of replacement drums can be more than the original printer. Before purchasing a printer determine

the range of copies that can be produced and the cost of a replacement drum. Some manufacturers combine the toner and drum into a single cartridge, a fact to be taken into consideration when determining the total cost of ownership.

### ***Draft Print Mode***

Most printers support a draft-printing mode, which uses less toner. Some printer models also include a duplex function allowing you to print on both the front and back of the page to save paper.

### ***OEM Cartridges***

Third parties may sell compatible or refilled cartridges for less, but these may not perform as well as an OEM cartridge (original equipment manufacturer, i.e. the company that manufactured the printer; any other cartridge manufacturer would be considered a third party), and may void the printer's warranty.

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*Colour printers require four cartridges rather than just one.*

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### ***Colour or Monochrome***

Unless colour is essential for your business, monochrome is still the most economical printer to provide to your employees. Colour printers typically require four cartridges rather than just one, and they tend to have a higher cost than simple black cartridges for monochrome printers.

### ***Buying Used***

If your business does a large volume of printing it may be beneficial to approach office-supply companies that refurbish

high-volume equipment received in trade for newer models. Reliable vendors may be able to provide equipment originally costing between \$10,000 to \$14,000 for \$3,000 or \$4,000 dollars. High-end printers may offer features such as overlay printing, duplexing, sorting, multiple page size, reducing or enlarging features, faxing, scanning, document storage, wireless communication and client counters. It may be worth considering a service contract.

### ***Due Vigilance***

Some network printers can now be programmed to determine who is printing what and how many copies are being printed. Not only does this provide an opportunity to pass on reproduction cost to the client but it also allows management to monitor usage by user to determine whether certain individuals may be using the office printer for excessive personal usage.

### ***E-Waste***

Companies that are sincere about "going green" should consider the environmental impact of less expensive printers. Inexpensive printers may have relatively higher consumable costs. Consumers may be tempted to purchase a new printer when the toner or drum wears out, despite the current one still being functional, thus creating toxic "e-waste." This temptation is, of course, a fallacy, because new printers usually include demonstration consumables, with far less capacity than the refills.

### ***The Bottom Line: Overall Operating Cost***

Initial capital cost may no longer be a consideration when purchasing printers but the low buy-in price suggests that management review the overall operating cost to determine whether these "good buys" will in the long term be a more expensive option that does not necessarily fit with the environmental goals of the business.

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## **MANAGEMENT**

# **Will You Be My Executor?**

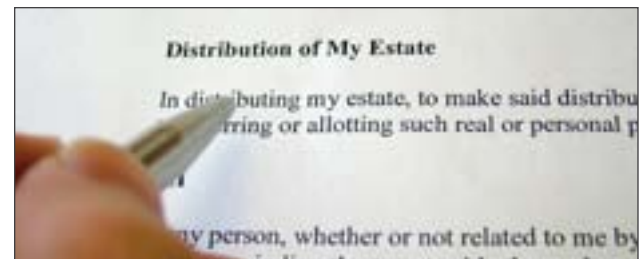
**Friends, family or a client may one day ask you to take care of their affairs after death.**

This is the role of the executor. Being asked is a complement since it demonstrates trust in your integrity.

To prepare you for that "yes," you should understand the tasks an executor may be required to perform.

### **First Things First**

First locate the will. Review it for matters of immediate concern such as dependent family members, pets and special



funeral instructions. If the will has not been specific, the executor may have to seek consensus for the memorial service, burial or cremation.

No unauthorized person has access to any property of the deceased. Its disposal according to the wishes of the deceased is your responsibility. If you must change locks, change them.

Remember, you are bound by the terms of the will to carry out the wishes of the deceased. Work without bias or favour. Many individuals associated with the deceased will have differing viewpoints as to how to deal with the will, the assets, liabilities and distribution to family, friends or charities. As executor, you cannot be swayed by friendship or emotion.

### **Accountability**

As an executor you are accountable. To avoid, at the least, hard feelings and misunderstandings with the survivors and, at the worst, legal action against you, maintain detailed documentation of all financial transactions.

### **Expertise**

It may be necessary to hire an independent third party to assist in making sound decisions you may lack the skills to deal with, for example, selling the house, filing taxes, distributing assets or paying bills. Retaining the services of experts does not diminish your capacity or responsibility but simply provides greater insight into the options available.

### **Time**

Dealing with third-party issues after a death can be emotionally and financially stressful. The executor will be under pressure to provide financial solutions to immediate family in a timely fashion so they may continue with their lives; at the same time, however, other beneficiaries, creditors, and tax authorities must be satisfied. Expectations of a quick settlement of the estate are unreasonable; a complex estate settlement can take one or two years.

### **Value the Assets as Soon as Possible**

Prepare a list of assets to determine their value. Use a digital camera to take pictures of all assets in the home, vacation property and business location. Pictures will assist in identifying tangible assets for distribution. If assets must be moved before property is sold, or because the premises are rented, the list and pictures will help account for the assets. Listing all of the assets in a residence can be a daunting task. (You can hire someone to do this work.)

Determine financial assets that may be at various financial institutions, insurance companies or work locations. You will need to find the documentation to locate: RRSPs or RSP accounts, bank accounts, insurance policies, safety deposit boxes, employer pension plans, and investments.

Usually the surviving spouse will be able to provide the initial contacts for employers as well as banks and insurance companies. It may be necessary to search through the personal papers of the deceased to find other investments.

If the deceased owned his or her own business, the executor needs to involve the other shareholders or employees to deter-

mine whether the business is to continue or be sold. A business valuation may be necessary to satisfy estate issues, not to mention corporate and/or personal taxation.

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*Cancel the deceased's credit cards to prevent unauthorized use.*

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### **Settling the Deceased's Debts**

You may be required to settle outstanding financial obligations. Cancel all credit cards to prevent unauthorized use and pay outstanding balances from the deceased's assets.

### **Filing Tax Returns**

If the deceased had a Chartered Accountant, seek advice as to the best means of minimizing tax for both the estate and the beneficiaries. As the deceased's tax advisor the Chartered Accountant will undoubtedly be able to provide additional insight into sources of investment income, RRSPs and other tax information. The CA may be able to offer advice regarding the timing of asset sales that may trigger taxable capital gains or taxable income.

### **Locate Named Beneficiaries**

The executor must locate any named beneficiaries. This may not be a problem if the beneficiaries are close family members and are within the local vicinity, but could become problematic if the individual has moved out of the area or out of the country.

Once all the assets have been found, the liabilities assessed, the bequest determined and the overall estate valued, you must then distribute the assets.

The deceased while alive relied on certain individuals or companies to look after insurance, investment, banking, legal, accounting and taxation issues. An executor should look to those the deceased trusted to assist with advice and direction. Such an approach should provide sufficient input to allow the executor to make informed decisions and thereby avoid the sting of criticism from those who might feel distribution was not fair.

### **Signing Off**

As an executor your accountability, independence and responsibilities are paramount to ensuring that you cannot be faulted for actions that may be perceived as incorrect. When an executor has finally finished, a full accounting for all the assets, liabilities, expenses and distribution of assets should be completed. A release form should be signed by all parties approving the transactions report and releasing you from further responsibility.

## MONEYSAVER

# Travel Safely

**When you travel abroad for business or pleasure, be careful.**

All foreign environments are not hostile but bad things can happen to nice people even in good places.

### Read Ahead

Before going anywhere, check your destination country on the “Travel Reports & Warnings” page of the Department of Foreign Affairs and International Trade Canada for any travel advisories:

[http://www.voyage.gc.ca/countries\\_pays/menu-eng.asp](http://www.voyage.gc.ca/countries_pays/menu-eng.asp)

This site tells you about current issues of which you should be aware, including street crime and dangerous areas of the country. Make sure you also read the FAQs page:

<http://www.voyage.gc.ca/faq/menu-eng.asp>

Women should read the Department’s online booklet, *Her Own Way: A Woman’s Guide to Safe and Successful Travel*:

[http://www.voyage.gc.ca/publications/woman-guide\\_voyager-feminin-eng.asp](http://www.voyage.gc.ca/publications/woman-guide_voyager-feminin-eng.asp)

### Get Your Paperwork in Order

Most countries require the expiry date of your passport be more than six months from your arrival date. Renew your passport if the expiry date is anywhere near the six months.

Get any required visas or permits well before your departure date. Many small countries have only an embassy in Ottawa empowered to issue visas; if you live far from Ottawa, the issuing process can sometimes be lengthy. If you are staying for a long time in a country for school or work, you may be required to register with the local police upon arrival; get this permit renewed in plenty of time if you need to stay beyond the permitted period.

Get the address, telephone and fax numbers and email address of the Canadian embassy in your destination country. (The Foreign Affairs website also has numbers for after-hours contact in an emergency.) The embassy is located in the capital. Not all other cities may have Canadian consular representatives.

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*Leave expensive jewellery and luggage at home.*

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### Do Not Stand Out from the Crowd

Do not stand out as a wealthy mark for thieves. Leave expensive jewellery and luggage at home. Dress appropriately. Forego designer labels.



### Different Customs — Literally

Many countries are not as tolerant as Canada in such areas as dress codes, physical interaction, alcohol consumption, picture taking and freedom to travel. Since picture taking is sometimes considered a violation of security, be careful where you point your camera.

### Passport Safety

Do not carry your passport in a purse or briefcase; they can be too easily grabbed, especially by thieves working in teams to distract your attention. Keep all bags closed and never take your hands off them.

Always carry your passport on your person; never leave it or other identification in your hotel room. Carrying your passport, travel insurance information and credit card in a nylon neck wallet under your shirt or blouse keeps it away from pickpockets. (Only have walking-around money in your pocket or purse.) In these days of international terrorism, a Canadian passport has substantial black-market value. Carry a photocopy of pages 2 and 3 of your passport in the event yours is lost or stolen. Page 2 carries your essential identifying information and page 3 has your signature. A photocopy may not be as good as the real thing, but at least you have starting point for identification.

### Be Careful

#### *Your Hotel Room*

Place your passport and other valuables in the room safe when you are in your room. Do not leave money or valuables lying around.

### ***New Friends***

Be cautious whom you befriend. Twenty years ago providing someone with your name and telephone number “in case you’re ever in Grande Prairie” was not an issue. Now, however, given the speed of Internet communication, the fact that you are not at home or at the office makes your personal and business assets vulnerable to theft while you are away.

### ***Minimize Information on Your Computer***

Load your laptop only with the information necessary for the trip. Loss of your office/personal computer with all its private and business information could be disastrous.

### ***Prescription Drugs***

Not all customs officials understand that your drugs have been prescribed by your doctor and are necessary for your health. Keep the prescription with the drugs in case customs or police start to ask questions. Ensure that all inoculations are up to date and that your International Certificate of Vaccination says so.

## **Travel Insurance and Vehicle Rentals**

### ***Do Not Leave Home without Travel and Medical Insurance***

Never withhold information about known health problems when applying for coverage. Most policies have a clause that allows insurers to investigate your medical records to determine whether your immediate health concern existed before you bought the policy. Understand the provisions of your policy and follow them to the letter. Failure to contact your insurer in the event of a medical emergency may void the coverage. Always keep your health and travel insurance on your person.

### ***Think Twice before Renting a Vehicle***

Foreign jurisdictions have differing laws governing at-fault accidents. If you are involved in an accident, even one that clearly is not your fault, it is possible you could face jail time or be prohibited from leaving the country until the issue is cleared up. This can take weeks or even months to resolve. If vehicle rental is necessary, buy the most insurance available. It only seems expensive until you need it.

## **Spending Money**

### ***Take Two Credit Cards***

Before you go, find out which credit cards are accepted in the destination country. Consider taking two cards, one for your travel-itinerary expenses and the other, with a much higher limit, for absolute emergencies such as a car accident for which you may have to pay expenses or restitution before you can leave the country. Contact your credit-card supplier before your trip and ask them to flag your cards with respect to your travel destination and expenditures.

### ***The Country’s Currency***

Determine the currency most easily converted in the countries to be visited. If you are staying in one country for most of your time, buy that country’s currency before you go. For example, if going to Europe buy Euros before you leave Canada. For most other countries, US dollars are the preferred foreign currency.

## **Common Sense Makes a Good Travel Companion**

Minimizing risk to personal safety and financial loss should be a consideration every time you leave for the airport. Combine common sense with the above recommendations and your next trip should see you home safely.

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### **Disclaimer:**

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