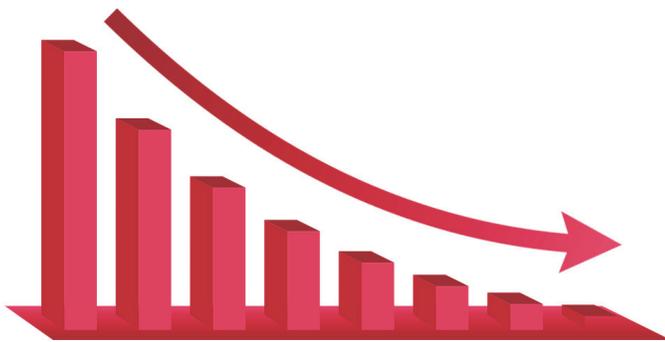


This Month:

- Business Investment Losses
- Should You Incorporate Your Business?
 - Per Diem Meal Allowance

Business Investment Losses



A loss on an investment in a company you own or made in another person's small business can qualify for some advantageous tax rules to help ease the impact on your finances. Whether the investment was in shares or a loan to a small business it may qualify for a full deduction against your personal income.

Typically, only half of an investment loss would be deducted and only against investment capital gains. The ability to deduct these business investment losses against any type of personal income can

reduce income taxes for the year by a substantial amount. It's important that the nature of the investment be properly analysed to ensure it meets the criteria. Many small businesses will meet the criteria.

Furthermore, if the loss exceeds your income for the year, it is possible to carryback the loss against income you earned in the three previous years or carry them forward to apply against future income.

The Canada Revenue Agency will typically ask for some documents to support your claim. If this unfortunate situation has impacted you, consult with your Padgett advisor to make sure that you can at least minimize your income taxes. Your Padgett advisor can also help you determine if the loss can be claimed even though the investment still exists, but the likelihood of recovery is very low.

Should You Incorporate Your Business?

If you own a business, you may have wondered if you should incorporate. Historically the income tax system in Canada has benefited incorporated Canadian small businesses. Although the income and deduction calculations are almost identical to an unincorporated business, the major differences are in the corporate taxation structure and tax planning opportunities. When developing the tax plan for your business, you and your advisor should look for opportunities in the following areas:

- Income splitting with family members;
- Tax deferral to the future;
- Estate planning for you and your family;
- Utilization of the capital gains exemption; and
- Planning your retirement, including disposing of your business.

Since personal and corporate tax as well as family law issues can make this issue complex, please contact our office to discuss your situation.



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Per Diem Meal Allowance

In a recent Technical Interpretation, CRA noted that an employer-provided meal allowance will not be taxable where the following conditions are met:

- It must be a reasonable amount;
- The allowance is received to cover expenses while travelling away from the metropolitan area or the municipality where the employer's establishment is located, at which the employee normally worked or to which the employee normally reported;
- The travelling is done to perform the duties of an office or employment.

As a general rule, CRA allows an employer to use \$17 (including the GST/HST, and PST) per meal as a reasonable over-time meal allowance. The rate is stated in the CRA Guide T4130.

CRA usually considers an allowance to be reasonable if it covers the out-of-pocket expenses incurred by an employee who is travelling for employment purposes.

PADGETT BUSINESS SERVICES

WHERE YOUR SUCCESS TAKES ROOT



Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.