Winter 2014

In our newsletter, we try to offer a variety of current information and helpful business advice. We welcome any comments.

Contractor vs. Employee?

The determination of the status of an individual as an employee or independent contractor is a frequent source of litigation and confusion due to its impact on CPP, EI and income tax matters. Important side issues include the workers' entitlement to employment related benefits such as vacation pay and wrongful dismissal settlements.

The accepted judicial and administrative test has been based on the following criteria.

Degree of Control: In an employer/employee relationship, the employer controls either directly or indirectly the way the work is done, or has the right to do so. In a contractor relationship, the payer does not usually have control over how the work will be performed.

Ownership of Tools: In an employer/employee relationship, the employer generally supplies the equipment and tools required by the employee and covers the costs relating to their upkeep. In a contractor relationship, workers generally supply their own tools and equipment and cover costs related to their use.

Ability to Subcontract: In an employer/ employee relationship, the employee does not have the ability to subcontract their work as they do it themselves. In a contractor relationship, workers have the ability to hire others to do the work for them.

Chance of Profit/ Risk of Loss: In an employer/employee relationship, the employer alone assumes the risk of loss. The employee does not assume any financial risk. In a contractor relationship, the worker may make a profit or incur a loss. The individual's income depends on the results achieved by the end of the contract.

Integration: Where the worker integrates his activities to the commercial activities of the payer, an employer/employee relationship probably exists. Whereas when the worker integrates the payer's activities into his own commercial activities, a business relationship probably exists.

Tax Deductible Rental Expenses

If you own a rental property personally you must include the income you earn on your personal tax return. The good news is that you can also claim the rental expenses you incur to earn that income. Any expense incurred to earn the rental income is deductible. Here are the most common categories of you can use to sort out your expenses:

- Advertising
- Insurance
- Legal, accounting and other professional fees
- Management and administration fees
- Maintenance and repairs
- Mortgage interest
- Office expenses
- Property taxes
- Utilities

Commonly Missed Medical Expenses

Year after year, taxpayers are missing out on claiming medical expenses on their tax returns. Here is a list of the most commonly forgotten medical expenses we encounter:

- Bathroom aids – to help a person get on and off a toilet or in and out of a bathtub or shower – prescription required.
- Cancer treatment – in or outside of Canada, provided by a medical practitioner or licensed private hospital.
- Cosmetic surgery – if necessary for medical or reconstructive purposes, such as surgery to address a deformity related to personal injury resulting from an accident or trauma, a congenital abnormality, or a disfiguring disease.
- Eyes – eyeglasses, contact lenses or other vision devices – prescription required.
- Hospital services – public or private, that are designated as hospitals by the province, territory or jurisdiction where they are located.
- Laser eye surgery
- Orthodontic work including braces – expenses for purely cosmetic procedures are not eligible.
- Scooter – that is used in place of a wheelchair.
- Travel expenses – if medical treatment is not available to you within 40 kilometers from your locality, you can claim vehicles expenses based on the number of kilometers driven. For travel over 80 kilometers, you can also claim the costs of meals and accommodations.
- Vaccines – prescription required.
- Walking aids – for devices designed to help a person with a mobility impairment walk – prescription required.
- Wigs – the amount paid for a person who has suffered abnormal hair loss due to disease, accident or medical treatment – prescription required.

This listing is certainly not exhaustive so if you have any additional questions on medical expenses that you think may qualify for the tax credit please feel free to contact us.

Apprenticeship Tax Credits

The Ontario and federal governments offer apprentice tax credits with respect to qualifying apprenticeship wages.

The Ontario tax credit is equal to a specified percentage (35% to 45%) of apprenticeship wages incurred by the employer. The maximum credit available for each apprentice is $10,000 a year, with a maximum of $40,000 over the first 48 months of the qualifying apprenticeship. The Ontario government definition of a qualifying apprenticeship is that it must be a qualifying skilled trade approved by the Ministry of Training, Colleges and Universities (Ontario).

The federal tax credit is equal to 10% of eligible wages paid to the eligible apprentices. There is a maximum credit for each apprentice of $2,000 per year for the first two years of their apprenticeship contract. The wages must be paid to an eligible apprentice whom the Canada Revenue Agency (CRA) defines as someone who is working in a prescribed trade (Red Seal Trade). The contract must also be registered with a federal, provincial or territorial government under an apprenticeship program designed to certify or license individuals in the trade.

In closing, your company could receive up to $12,000 per year for each qualifying apprentice. Please feel free to contact us if you have any additional questions.