Winter 2012

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

BIG changes

Mandatory coverage for construction industry

As of January 1, 2013, there are new rules for the construction industry as set by the Workplace Safety and Insurance Board (WSIB). The construction industry covers quite a number of activities so you may have to investigate further to see if you fall under the new rules.

The new rules will require everyone to have WSIB coverage, including **owners of businesses** and independent operators.

For businesses already registered with the WSIB, the owners must start reporting their earnings and pay premiums to the WSIB.

For those not registered with the WSIB but now required to, the WSIB is asking that you pre-register by January 1, 2013 to ensure you are ready. In both cases, the reporting of earnings and paying of premiums must commence January 1, 2013.

There are two exemptions from WSIB coverage:

1. Home renovators who meet both of the following:
   - work directly for the homeowner;
   - are paid directly by the homeowner.

2. One executive officer or partner may qualify for an exemption. To qualify, the individual must not perform any construction work. Also, forms must be filed to request this exemption.

In addition, both the principal and contractor/subcontractor will have obligations for clearance certificates starting in 2013. Contractors/subcontractors must have WSIB coverage, report and pay their premiums on time so they are eligible for a clearance. Fines can be issued for failure to have a valid clearance.

Do you own foreign property?

Taxpayers who own specified foreign property with a total cost of more than $100,000 are required to file Form T1135 *Foreign Income Verification Statement*. This form must be filed every year you meet the $100,000 threshold. The purpose of this form is to make sure you are reporting all your foreign-source income.

The filing deadline for Form T1135 is the same day as your annual tax return, which for individual taxpayers is April 30th in most cases or June 15th if you or your spouse carries on a business.

The penalty for filing late is $25 per day to a maximum of $2,500, which can be a costly oversight.

The reporting requirements apply when the total cost of the property exceeds $100,000, not its fair market value (FMV). If you inherited a foreign property, its cost amount is the FMV at the time you inherited it. If you owned foreign property at the time you immigrated to Canada, its cost amount is its FMV at the time you became a resident.

Specified foreign property generally includes rental properties, funds held in foreign bank accounts and securities on deposit with a foreign broker. It excludes personal-use property such as a vacation home, property used or held exclusively in the course of carrying on an active business and foreign pension or retirement plans that are exempt from tax in the foreign country.

Maintaining your charitable status

Registered charities in Canada need to be aware of the guidelines they must follow to maintain their charitable status. Having their charitable status revoked would be a disaster to most charities which rely on their ability to give out tax receipts to donors in order to generate donations to fund their charitable activities.

In the past year, a number of charities had they status revoked by the Canada Revenue Agency. The following are some of the frequent reasons why charities lose their charitable status:

- Failure to keep adequate books and records to support revenues and expenses
- Failure to file annual charity return
- Excessive payments to non-qualified donees
- Participation in donation tax shelter arrangements
- Failure to substantiate the values recorded on donation receipts
- Use of charity assets for the personal benefit of one of the directors
- Loss of the charity's status as a legal entity

In the 2012 federal budget, a penalty was introduced for promoters of donation tax shelter arrangements. The budget also indicated that the Canada Revenue Agency will be paying more attention to political activities carried on by charities and donations from foreign sources.

A business plan for business success

Are you a small business owner without a business plan? Perhaps you think that you are too busy to write one or that you don't need one. In fact these days, you can't afford to be without one! Here are some tips from the experts on why you need a business plan and how to develop one.

A business plan is not just for the bank – "Business owners often think they need a business plan to get financing," says Chartered Accountant Robert Gold, FCA, Managing Partner with Bennett Gold LLP in Toronto. "But you need to think of your business plan in terms of internal focus, as well as external focus. An internally focused plan can guide you on cash flow management, capital expenses and cyclical issues. It can help you focus and forecast. It is your crystal ball." External audiences for your business plan may include investors, suppliers and your bank who will be a part of your financial forecast.

A good plan will help you make good decisions – "Anyone starting a business should do a business plan," agrees Chartered Accountant Chi Ho Ng, Principal, Auditing and Assurance Standards for the Canadian Institute of Chartered Accountants. "It provides a road map for the business owner to determine whether he or she is on the right track, which, in turn, provides the information required to make important decisions, such as whether to continue the business or go to Plan B."

Customize your content – "A comprehensive business plan includes a cover page, table of contents, executive summary, business description, analysis of the business environment in which you are operating, industry background, analysis of your competitors, market analysis, marketing plan, operations plan, description of the management team and financial plan," says Gold. "You can pick and choose from these elements, depending on your plan's focus and audiences."

Include goals and timelines – "Ask yourself what you realistically want to achieve in the next three months, six months, nine months, year, two years and five years," suggests Ng. "Then set out what you have to do to get there. For example, within the first three months you may want to have a client list and marketing materials. Within the first six months, your goal may be to contact 100 potential customers." The plan should also identify break-even points and timelines. "This will help you know when to go to Plan B," explains Ng.

Write the first draft yourself… – "The business owner is the most knowledgeable about the business, so the owner should write the first draft," says Ng. You can start from scratch or use one of the many business plan templates that are available.

…then seek professional assistance – "You will need a Chartered Accountant to help draft the financial part of the plan and a communications person who has written business plans before, and who understands the market and the industry," advises Gold. "The communications person should work with the CA to ensure that the financial and other information flows through the entire plan." Banks often insist that the financial part of the plan be prepared by a CA. "The owner is the best person to predict revenues. The owner and CA need to work together on this part of the plan," explains Gold.

Monitor, update and adjust – "Once you write the plan you have to work the plan," says Gold. "See your CA on a regular basis to compare your financial projections to your actual results and then adjust the plan as needed."

Source: The Institute of Chartered Accountants of Ontario