

Beware of Fraudulent Phone Calls, Tax Savings, Plus More!



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Beware of fraudulent phone calls

Based on recent accounts in social media and the personal experience of our staff and clients, there is a phone scam currently circulating where the caller identifies themselves as being from either the Canada Revenue Agency ("CRA") or the Internal Revenue Service ("IRS"). The caller states that a case is being filed against you in federal court for tax fraud or evasion. They go on to say that a warrant is being issued for your arrest and then provide a phone number to call as soon as possible. The messages are intended to instill anxiety and fear.

In CRA's words, "These are SCAMS and taxpayers should NEVER respond to these fraudulent communications". When in doubt, never provide your personal information or banking details over the phone.

For more information, please visit: <http://www.cra-arc.gc.ca/fraudprevention/>

Business owners: Save tax on the sale of your shares!

The lifetime capital gains exemption ("CGE") allows individuals who realize capital gains on qualified small business corporation ("QSBC") shares and qualified farm or fish properties to

avoid taxes on some or all of the realized gain.

For the 2015 tax year, the maximum CGE is \$813,600. The CGE will be indexed annually using the Consumer Price Index data as reported by Statistics Canada.

Often business owners will want to use the CGE on a sale of the shares of their company. However, in order to be considered a QSBC the company's assets must be comprised of a specified percentage of active business assets, utilized in Canada, in the 24 month period leading up to and including the date the shares are sold. The accumulation of excess passive assets, such as cash, can put a company offside of the QSBC criteria. Therefore, the composition of a company's assets should be monitored on a continuous basis in order to ensure that QSBC status is maintained.

Please contact Wendy Seet of the Manning Elliott Tax Team with any questions.

Families: Save tax on your investments!

The CRA recently announced that the interest rate to calculate the benefit on interest free or low interest loans will remain at 1% for the third quarter of 2015.

This low interest rate provides an opportunity to share the family tax burden by having certain types of income taxed in the hands of a family member subject to a lower tax rate.

Example: Higher-income spouse has cash available to invest and comes across an opportunity to earn 4% on an investment.

Basic steps:

1. Higher-income spouse loans the cash available to the lower-income spouse. The interest rate on the loan is 1% (i.e. CRA's prescribed rate at the time the loan was made) and the rate need not fluctuate with subsequent changes to the prescribed rate.
2. Lower-income spouse invests the cash and earns 4% income each year.
3. Lower-income spouse pays the interest by January 30th of each year.

The lower-income spouse reports the income earned on the borrowings and can claim a deduction on their income tax return for the 1% interest paid. Although the higher-income spouse has to include the 1% interest received in their income, the overall family tax burden is reduced as the income that would have been earned on an investment made by the higher-income earner is now taxed in the hands of the lower-income spouse.

Why Do This Now?

It is unlikely that the prescribed rate will decrease beyond 1%. Setting up this loan now would lock in a historically low rate for the time that the loan is outstanding.

Please contact Sheryne Mecklai of the Manning Elliott Tax Team with any questions.

Mineral resource assets: Changes to amortization

The 2013 Budget introduced a phase-out of accelerated amortization of resource assets unless certain conditions are met (i.e. assets had been purchased as part of the development of a mine where the construction or engineering and design work (as evidenced in writing) was started before March 21, 2013). Generally, any resource asset acquisitions after March 20, 2013, should be reported as Class 41.2 assets, not Class 41 on the T2 corporate tax return.

Please contact [Dagmar Zanic](#) of the [Manning Elliott Tax Team](#) with any questions.

And more...

- **Bitcoins are foreign**

Digital currency is considered to be a specified foreign property and must be taken into account when assessing whether a taxpayer meets the \$100,000 threshold for filing Form T1135 Foreign Income Verification Statement.

- **CRA increasingly requires electronic filing**

The CRA continues in their quest to automate by reducing the threshold for mandatory electronic filing of prescribed information returns from 500 to 50 returns. Such returns include (but are not limited to):

- T4 Statement of Remuneration Paid
- T5 Statement of Investment Income
- NR4 Statement of Amounts Paid or Credited to Non-Residents of Canada

- **Beanie Babies can make you rich - just be sure to report the income!**

The creator of Beanie Babies, billionaire Ty Warner, pleaded guilty to one felony of count of tax evasion in October 2013 after reportedly failing to include at least \$24.4 million of income in his US tax returns. He was also charged with hiding more than \$100 million in offshore bank accounts, but luckily for him the federal prosecutors' request for prison time was rejected.

- **Is there a silver lining for this cloud tax?**

Chicago has started taxing streamed entertainment, such as Netflix. The 9% "cloud tax" should be added to the subscriber's bill by the provider. However, where the owner or operator of the service does not have a physical presence in Chicago, it will be the customer's responsibility to report and file the taxes with respect to their streaming subscriptions. The confusion this will cause will likely outweigh any possible silver lining.

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