



# AUTUMN UPDATE

November 2003

## CHAPLIN ONLINE; NEW AUDIT STANDARDS; DEATH and TAXES TAX SCAMS; MARIJUANA

### Chaplin goes webbish

Our website at [www.chaplinco.com](http://www.chaplinco.com) displays downloadable copies of our Update newsletters and an introduction to the firm and our services. Watch out for our Tax-Planning Checklists, which provide steps to take before December 31 to ease your tax burden; they will be available December 1st.

If you don't have access to the internet, please call us at 416 667 7060 and we'll be pleased to mail you a copy of whichever checklist[s] you like: owner-managers; employees; investors; parents/spouses; students; taxpayers with international connections.

### Death and taxes

2003 has been a tough year for us as we have suffered a number of losses amongst our own families. As each of us will be faced with issues when someone close dies, the following are some matters to attend to now in order to spare extra worry later:

#### Before death:

1. Prepare your will as well as medical and financial powers of attorney. **If any of these were made over 5 years ago, you should review them to ensure that they meet your current needs.**

2. Create a list of assets and liabilities - it is important to review the title of each of your assets, particularly your home, and to ensure that the beneficiaries are designated for insurance policies and retirement plans. The list should include the names of professionals (lawyers, insurance agents, stockbrokers and accountants) who may be needed; again this list needs to be reviewed and updated, we suggest annually.

3. See that some bank and brokerage accounts and safety deposit boxes are held as joint tenancy with rights of survivorship, in order to ensure that your heirs have access to monies immediately. Otherwise, they may not have access to funds until after the will is probated.

4. See that plans for the funeral and costs are taken care of.

5. Buy mortgage insurance to ensure that mortgage is paid off upon death.

6. Consider directing life-insurance proceeds to a trust for your beneficiaries, as such a trust can provide for ongoing income splitting, as well as take care of minors' special needs and support payments.

7. It is critical that your heirs know where your will and list of assets and liabilities are located. Although you may keep this information on a computer, you should also keep a paper copy as it is often easier to find.





## After death:

1. Contact your insurance adviser as soon as possible so that insurance claims can be made and insurance proceeds paid out quickly.
2. Apply for Canada Pension Plan death benefits, survivor pension and child benefits.
3. Ensure that retirement plans, such as RRSPs and RRIFs, are transferred on a tax-free basis to your spouse or common-law partner.
4. Call employer to find out about any amounts owing, such as salary, vacation pay or bonuses; enquire if a tax-free death benefit of up to \$10,000 can be paid.
5. Cancel any medical or disability insurance policies that are no longer needed.
6. Call accountant to look after tax filings due for deceased (generally due by April 30 following death)
7. The surviving spouse or common-law partner should review his/her own will in light of the changed circumstances.

## Auditors held to higher standards

Recently, the Ontario and other provincial institutes of chartered accountants issued a new **independence standard for auditors to take effect on January 1, 2004**. The objective is to provide a systematic, principles-based framework for analyzing independence in order **to ensure that a chartered accountant who provides auditing services does so with unimpaired professional judgement and objectivity, and can be seen to be doing so by a reasonable observer**. These independence and objectivity requirements are not new; what is new is the framework to be applied on each audit engagement. **We will, of course, advise you if this applies to your particular circumstances.**

**Legal notes:** Comments in this update are of a general nature; please check with us regarding your particular situation.

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## Tax interest rates

Overdue taxes, CPP and EI contributions	7%
Overpayments	5%
Taxable benefits on low-interest or interest-free loans	3%

These rates, which came into effect on October 1, 2003, represent a decrease of 1% from the rates for the third quarter and provide opportunities for family tax planning.



## Compassion, eh?

The cost of marijuana purchased for medical use from a medicinal marijuana compassion group does not qualify for the medical expenses credit; to qualify medicines must be acquired through a licensed pharmacist.

## Tax scams

**You should be very wary of any donation schemes;** Canada Customs and Revenue Agency [CCRA] has released warnings about these schemes which can involve batches of art, medical supplies or collectibles which are valued at several times their cost and promise substantial tax savings through charitable receipts. **CCRA can disallow these donations and impose penalties.** Ask the promoter for a copy of any advance tax rulings from CCRA or call us.

## Gifts

CCRA has broadened its policy on tax-free gifts that can be given to employees; **employers can now give two non-cash gifts to each employee for special occasions such as birthdays, marriages, Christmas and Hanukkah, as well as two non-cash awards. The total cost of the two gifts and/or awards, including taxes, cannot exceed \$500 per year, or the gifts become taxable.** The employer can deduct the cost of these gifts or awards.