2018 YEAR-END TAX PLANNING CHECKLIST

OWNER - MANAGERS

The following checklist provides tactics you should consider as part of your year-end tax planning. If you need further explanation, please contact Chaplin & Co., Chartered Accountants at 416 667 7060.

- ☐ Instalments - reduce instalments if you anticipate that the current year's taxable income will be less than the prior year's taxable income.

- ☐ Final tax balances - Pay final corporate income and capital tax balances within two months after year end (three months for certain Canadian-Controlled private Corporations).

- ☐ Salary/dividend mix - Determine the optimal salary/dividend mix for you and other family members for 2018 in light of the new Tax on Split Income (TOSI) rules that will effectively eliminate dividends paid to family members unless they work 20 hours per week continuously throughout the year

- ☐ Pay salary or bonus - rather than dividends if the corporation's combined Federal and Provincial rate exceeds 20% - generally when taxable income exceeds $500,000.
  - ☐ If the individual's tax rate is higher than the corporation's, retain in the corporation income on which the corporation pays tax, to allow personal tax to be deferred.

- ☐ Remuneration accruals - Accrue salary and bonuses before the year end of your business. Ensure that accrued amounts are paid within 180 days at the corporation's year-end.

- ☐ Employee gifts and awards - Consider the CRA's revised policies when formulating an employee gift and award program.

- ☐ Salaries to family members - Pay a reasonable salary to a lower-tax bracket spouse or child who provides services to your business. However, be aware of new TOSI rules.

- ☐ Corporate withdrawals - Make tax-effective withdrawals of cash from your corporation (e.g., by paying dividends, non-taxable capital dividends, or a return of capital).

- ☐ Depreciable assets - Accelerate purchase of depreciable assets.

- ☐ Reserves - Identify and claim any additional reserves for doubtful accounts receivable or inventory obsolescence.

- ☐ Dividends - Convert dividends to capital gains.

- ☐ Dispositions - Defer planned dispositions that will result in income until after year end.

- ☐ Costs of doing business - Compare costs of doing business in different jurisdictions.

- ☐ Sales to related businesses - Ensure that goods sold to related businesses are resold to third parties before year end.

- ☐ Capital gains election -
  - ☐ ensure that the company qualifies as a qualified small business corporation.
  - ☐ crystallize the capital gain now.
  - ☐ consider taking steps to have your spouse or children share in future appreciation to use their capital gains exemption.
  - ☐ determine whether you have a cumulative net investment loss (CNIL) amount which will affect any capital gains exemption claim.
  - ☐ if you have already used your exemptions, consider transferring private company shares to your RRSP if a cash contribution is not practical.
  - ☐ the exemption is $848,252 in 2018 and will increase to $866,912 in 2019.

- ☐ Capital gains rollover - Investment proceeds on the sale of eligible small business investments in other eligible small business investments.

- ☐ Inter-company charges - Ensure inter-company charges are reasonable given changes in the economy.

- ☐ Donations - Make charitable donations and political donations before year-end.

- ☐ Shareholder loans to your corporation - Have your corporation pay deductible interest on shareholder loans made to the corporation in order to reduce active business income to the $500,000 threshold. This threshold may be higher in some jurisdictions.

- ☐ Shareholder loans from your corporation - Repay shareholder loans from your corporation no later than one tax year after the amount is borrowed (exceptions apply).

- ☐ Fines and penalties - most government and court fines are not deductible.

- ☐ Professionals and sole proprietorships -
  - ☐ If you are operating a successful unincorporated business, consider whether incorporation of the business will provide additional commercial and tax benefits.
  - ☐ Review whether you should incorporate your professional business, if allowed by your licensing authority.