Taxes: Making sure you're compliant

Understanding your filing and remitting responsibilities as a taxpayer

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The Presenter

Matt is a Chartered Professional Accountant and Tax Partner with over 20 years of experience providing assurance, tax and advisory services to professionals and private corporations.

Matt provides specialized tax services to individuals, corporations and trusts. He has also provided tax services to private sector enterprises, including personal and corporate income tax planning, scientific research & experimental development (SR&ED) tax credit claims and succession and estate planning.

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Learning Objectives

After taking part in this webinar, participants will:

1. Understand their reporting and filing obligations with the various taxing authorities both federally and provincially and the timing of these obligations.
2. Be aware of the types of penalties and interest that can be assessed as well as the relief that can be granted by CRA.
3. Understand the difference between an employee and a subcontractor and the implications of each.

Why is this topic relevant for occupational therapists?

The webinar will focus on compliance requirements for association members. It will review various requirements such as payroll, income tax, employer health tax (EHT), harmonized sales tax (HST) and Workplace Safety and Insurance Board (WSIB). It will look at the timing of these filing obligations and the options that are available as well as the consequences of non-compliance.

Also covered will be the issue of classification of employees and subcontractors. It will identify why this is important and the methodology used by accountants and the Canada Revenue Agency (CRA) to make a determination.

Income Tax - Personal

- Personal income tax – due April 30th each year
- Self employed – due June 15th each year, but income tax owing is still due April 30th
- Instalment payable on a quarterly basis – previous year income taxes > $3,000
- CRA calculates instalments payable – discuss with your accountant if amounts are not appropriate

Income Tax - Corporate

- Can select any year-end date
- Professional corporations usually have December 31st
- Tax return is due 6 months after year-end
- Tax owing is due 3 months after year-end for a corporation with active income
- Instalments (monthly or quarterly) payable if previous year income taxes >$3,000
- CRA will not notify of instalment payment requirements – check with your accountant

Harmonized Sales Tax (HST)

- Generally, most occupational therapy services are exempt – no registration required
- Certain services or sales of certain products will be considered taxable sales
- Registration not required until **taxable** sales exceed $30,000 over four consecutive calendar quarters
- Voluntarily register at any time if you have taxable sales
- Specific questions regarding HST registration/requirements can be covered in Q&A

Workers' Compensation

- Ontario – Workplace Safety Insurance Board (WSIB)
- Rate for occupational therapists is same as physiotherapists ($.73/$100 of earnings)
- Earnings includes salary and dividends (if incorporated)
- Maximum earnings per person 2014 - $84,100
- Requirement to pay your contractor's premiums if they only work for you

Employer Health Tax (EHT) in Ontario

- Tax paid by employers when their total payroll exceeds $450,000 for a calendar year
- The exemption is shared by an associated group of corporations/partnerships
- Exemption is eliminated when total payroll exceeds $5,000,000
- Rate is 1.95% of payroll in excess of exemption
- Returns must be filed by March 15th of each year

Penalties

- Many Canadians fear the CRA due to their ability to assess penalties and interest
- Penalties generally apply to anything filed late – usually to the extent that there was a balance owing
- Amounts of penalties depend on type
  - Late filing – 5% of amount owing plus 1% of amount owing for each month late (max. 12 months)
  - Late filing (2nd offender) – double (10% and 2%)
  - Omission (failure to report certain income twice in 3-year period) – 20% of the income omitted
  - Late information returns (T4/T5/T5018/T1135) - $100 - $2,500

Interest

- Interest is charged at the prescribed rate – currently 5%
  - All amounts overdue
  - Instalment interest – if requirement to pay, you do not pay amounts per schedule and tax is owing at filing
  - If instalment interest > $1,000 an additional penalty can be charged as well
  - Penalty – interest is charged on-top of penalties
- Neither interest nor penalties are a deductible expense for tax purposes

Interest and Penalty Relief

- Penalty relief can be granted under the Voluntary Disclosure Program (VDP)
- To qualify for VDP, the submission must be
  - Voluntary – i.e., not the result of any action by CRA
  - Complete – include all years/periods that are late
  - All information must be at least one year past due
  - A penalty must apply
- Penalty **and** interest relief can be granted by making a Fairness Request – written request outlining facts/reasons that led to late filing/payments

Employee vs. Subcontractor – Why?

- Very important to determine status
- Classification can affect
  - Requirement for source deductions and reporting
  - Responsibility for payment of employment insurance (EI) and Canada Pension Plan (CPP) premiums
  - Responsibility for payment of WSIB premiums
  - Responsibility to register and collect HST
  - Availability of expenses to claim against personal income
  - Eligibility for EI benefits
  - Calculation of EHT

Employee vs. Subcontractor – How?

- Intent – first look to see what the parties intended (agreement)
- Look through – CRA will also consider the following
  - Control – how much does each party have
  - Tools/Equipment – who provides them
  - Risk – how much financial risk is assumed by worker
  - Integration – degree that worker is involved in entire organization's operations
- Should review agreements/arrangements with lawyer and accountant

Q & A – 15 min.

"A fine is a tax for doing wrong, a tax is a fine for doing good."
unknown

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