



THE NAVIGATOR

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TAXATION

Income Tax Filing Alert: Important Changes Beginning in 2016



Be aware of the changes that affect your 2016 income tax filing and beyond.

As you gather your 2016 tax data together for your CPA, take a few moments to read about the following changes and assess the impact they may have on you and your family's filing for 2016 and after.

Principal Residence

There has been a significant change in the CRA's policies regarding principal residency that must be followed by all taxpayers. Prior to 2016, there was a requirement to fill out form T2091 to designate your home as a principal residence. The form required you to designate the years in which the home was your principal residence. Although this form was required to be filed in the year of disposition, most individuals never filed the form because the resulting capital gain was often fully eliminated by claiming the principal residence exemption. Administratively, the CRA had waived this requirement to file if the exemption eliminated the gain.

Significant Rule Changes

For the taxation years that end on or after October 3, 2016 (e.g., the 2016 calendar year), if you sell your principal residence, you are required to report the sale and the resulting capital gain or loss on Schedule 3 of your T1. You are also required to file the form T2091 if you are claiming the principal residence exemption. These requirements are imposed regardless of whether or not the gain is fully exempt as a result of the designation.

A failure to file and disclose the information will have serious implications. Firstly, there is no limitation period (i.e., after which your returns are considered "statute-barred") on the CRA's ability to reassess in the future. Therefore, the deadline which would otherwise restrict the CRA's ability to re-open the tax return would not start unless the information had been fully disclosed in the year of disposition.

Secondly, the principal residence exemption itself will only be allowed if the sale and the designation of principal residence are reported on your income tax return. Should you realize subsequent to the year of sale and filing of your income tax return that you did not file the sale of your principal residence, **the CRA is not obligated to accept a late filing that designates the sale as a principal residence sale.** Even if the CRA



accepts the late filing, the taxpayer will be liable for penalties that are the lesser of \$8,000 or \$100 for each complete month from the original filing due date to the date the required information was received by the CRA in an acceptable format.

Since these rules will be effective for the 2016 calendar year, you should remember to report the sale of your principal residence if you had a disposition during the year.

Basic Personal Amount

The Federal Basic Personal Amount will increase to \$11,474 for 2016, up from \$11,327 in 2015. For 2017, the amount will be \$11,635.

Marginal rates remain the same in 2017.

Marginal Rates

There have been no changes in the overall federal marginal tax rates; however, the thresholds for taxable income have been changed as indicated in the comparison table below. Keep in mind that these rates do not include the provincial rate nor do they include the various credits and deductions that may reduce the overall income tax for which you may be liable.

2017 Taxable Income		Percentage Rate	2016 Taxable Income	
On the first	\$ 45,916	15.0 %	On the first	\$ 45,282
\$45,917 up to	91,831	20.5	\$45,283 up to	90,563
\$91,832 up to	142,353	26.0	90,564 up to	140,388
\$142,354 up to	202,800	29.0	140,389 up to	200,000
Over \$202,800		33.0	Over \$200,000s	

Other Changes

- The 15% children's fitness and arts tax credit, as well as the education and textbook tax credit, will be eliminated effective January 1, 2017. For 2016, the maximum Children's Fitness and Arts tax credit will be 50% of the previous allowable amounts. Unused textbook and education tax credits from previous years may be carried forward and applied to reduce future taxable income.
- Teachers and early childhood educators will be able to purchase up to \$1,000 of eligible school supplies for use in the classroom. From January 1, 2016, a 15% tax credit will be available on those purchases. For instance, if \$500 is spent, a tax credit of \$75 would become available to reduce taxable income. Teachers and early childhood educators should familiarize themselves with the allowable expenses and prepare a summary supported by the original receipts to assist in meeting Canada Revenue Agency's guidelines.
- Prior to January 1, 2016, if a couple was supporting a child under the age of 18, the couple was able to split income to reduce the overall family tax liability. Effective January 1, 2016, income splitting is no longer available.



- Northern residents will have their residency deduction increased for the 2016 taxation year. The northern residency deduction will increase from \$8.25 to \$11 per day (or from \$16.50 to \$22 per day for living in a self-maintained dwelling) if you lived in Zone A for at least six consecutive months. If you lived in Zone B, the intermediate area, the deduction will increase from \$4.125 to \$5.50. (\$8.25 to \$11 per day for living in a self-maintained dwelling). The zone for deductions is determined on a province-by-province basis. Thus, to ensure the appropriate tax deductions are available to you, consult the CRA website, click on your province's name, and search for your place of residence. Make sure your CPA is aware you resided in a zone that provided deductions for line 255 of the tax return.

Check with Your CPA for the Required Documents

There have been changes in personal tax issues in the 2016 year, but none are as important as the principal residence rules. If you have sold your principal residence in 2016, contact your CPA to find out what documentation is required to ensure you are meeting the CRA reporting requirements.

TECHNOLOGY

Road Warriors



Consider taking a few extra accessories when working offsite.

Working while on the road, whether at nearby job sites or when travelling to distant locations, usually means taking a smartphone, laptop or tablet.

The ability to work almost anywhere in the world is marvellous; however, when we are working at a hotel, jobsite, vendor or client location, or even at the cottage, we often wish we had the same conveniences we have at home.

Before taking your next trip, you may wish to consider adding a few of these travel essentials to ensure that, if your makeshift workstation is more like your home office, you will be less fraught with concern about your ability to complete the project.

Productivity

- For many, typing on the touch screens or keyboards provided on smartphones or laptops is inefficient and tiresome. Why not invest in a rechargeable portable keyboard that can be folded and placed into your briefcase? (Cost: approximately \$20)
- If you find your laptop's built-in touchpad or pointing stick frustrating to use, try a miniature (travel-sized) wireless or USB mouse to make dragging and dropping a lot easier. (Cost: approximately \$10)
- Check your devices and determine what kind of battery they use. If any of your devices use separate disposable batteries, always ensure you have some spare AA or AAA batteries in the event your wireless keyboard or mouse dies at an inopportune moment. (Cost: approximately \$2-5)
- If you frequently need to enter numbers on the go, punching one number at a time into the top row on a laptop can be frustrating. An external USB numeric keypad will make this task go faster, be more efficient and less frustrating than one-finger typing. (Cost: approximately \$10)

Always carry extra USB sticks to create backups or share data.



Communication and Storage

- When you are on the road, Internet connectivity may not always be available, and even when it is available, there can be restrictions such as speed or port limitations. Before heading out on your trip, make sure you have copies of all the necessary files with you. Do not rely on the Internet to back up to the cloud or to transfer data to your office computer. Always carry one or two extra USB sticks to create backups or share data. Always check the USB stick for viruses after it has been plugged into any other computer. (Cost: approximately \$10)
- If you are using Skype or another video or audio-conferencing app, have a high-quality set of headphones with a microphone to provide some confidentiality when addressing private issues. If possible, find a model that is compatible with all your devices, including your computer, mobile phone and tablet. (Cost: approximately \$30)

Ready for Business

- If you travel out of the office with any frequency, keep a dedicated power adaptor in your bag or briefcase. Grabbing your briefcase and heading out to a job site only to find that your battery is low and you have left the power cable at the office is not a good way to start a meeting or presentation. (Cost: approximately \$50-100)
- Changes in technology have created situations where devices are not always compatible with each other. It is best to have dongles to make sure you are covered for the most common ports that may not be built into your computer or device, such as VGA, HDMI and Ethernet. (Cost: approximately \$20-30)
- Older buildings were never designed to accommodate the proliferation of modern electronic needs and thus may not have electrical outlets close enough to be reached by your plug-in adapter. Consider a two-metre (six-foot) extension cord as part of your emergency kit. (Cost: approximately \$5)
- You would never think of plugging your laptop into a wall socket at the office without using a surge protector; yet, every time you plug in at another location, you are undoubtedly not using one. Perhaps it is time to carry a small and affordable wall-mount surge protector that will not only protect your computer or other device but can also be used as a USB charging station. Quality surge protectors have swivel mounts to allow more adaptability, LEDs that verify the unit is working and provide surge suppression, low clamping voltage, shutdown technology, and EMI/RFI noise reduction. (Cost: approximately \$15)
- Many new vehicles have built in USB ports that allow you to plug in adapters to charge or run your devices. For vehicles that do not come with built-in USB charging ports, you can still take advantage of this “free” power source with a converter that steps down the 12 Volt output to the input voltage required by your device. Newer adapters will allow up to 4 USB plug-ins to allow additional units to be used or charged. (Cost: approximately \$30)
- If your vehicle does not already have a power outlet, you can plug a power inverter into the cigarette-lighter port to convert the 12 volt DC power into a 120 watt AC outlet like the standard electrical outlets you have at home and at the office. You can operate and charge your computer, or any other electronics using the standard plug without having to buy vehicle adaptors for each device. Read the specs or go online to ensure output amperage is compatible with the more sensitive devices being charged through the USB port. The downside of these units is that your vehicle battery will run down quickly unless the vehicle is running all the time. (Cost: approximately \$60)



Start Filling Your Shopping Cart

The list of available technology to make life more bearable when you are working out of the office is almost endless. Putting together a travel kit of practical, inexpensive electronics can turn a potentially non-productive day filled with frustration and anxiety into a productive and successful venture — all for the low, low price of about \$420.

MANAGEMENT

Motivation



Being motivated and inspiring motivation are the keys to success.

Motivation, according to Business dictionary.com is the “Internal and external factors that stimulate desire and energy in people to be continuously interested and committed to a job, role or subject or to make an effort to achieve a goal. Motivation results from the interaction of both conscious and unconscious factors such as the:

- intensity of desire or need
- incentive or reward value of the goal
- expectations of the individual and of his or her peers.”

Keeping yourself motivated and keeping staff motivated is difficult, especially for owner-managers constantly sidetracked by issues that pull them away from their course of action.

Know Yourself — Know Your Reasons to Be Motivated

One of the first steps to maintaining motivation is to determine the reason to pursue a project.

Determine whether your motivation is perhaps sparked by a deeply rooted need to emulate your parents, a desire to reach a million dollars in sales, or to meet the needs of others by providing a high-quality service or product.

Whatever your reasons, the following are some tips to maintain the drive to reach your goals.

1. Treat your life as a project and yourself as the project manager. Break the project into long-term, medium-term and short-term projects. Over the long-term, you may want to sell your business for \$20 million at age 60, but in the next five years (medium term) you want to reach \$10 million in sales. In the short term (this year) you need to improve your operating margin to X%. As usual, Warren Buffett, chairman and CEO of Berkshire Hathaway and one of the world’s most successful investors, got it right: “I don’t look to jump over seven-foot bars — I look for one-foot bars that I can step over.”
2. Establish the steps needed to reach the goal. Break each step into identifiable stages. Within each stage outline and document the task needed to complete that specific stage of operation. At the end of each day, review the outline and determine the progress. Such an approach allows you to determine the progress of that stage and to “tweak” the task to move forward quickly. Successful completion of the task will provide you with the motivation to move onto your next goal.
3. Prepare yourself mentally for your day. When you awake, review what you plan to achieve that day. Outlining your goal motivates action and gets results.



4. Maintain a list of tasks to be done. Thus, when a major task hits a delay and you start to feel overwhelmed, you can look to your list and work on a simpler task that can be more easily completed. Completing each task, even a small one, will provide confidence that other tasks can be successfully completed. Even small successes can sustain motivation and prevent demoralization.
5. Pace yourself on all projects. Time frames that are too tight may lead to costly mistakes that will limit your ability to move forward. A measured pace ensures a better rate of success and the successes keep the flame of motivation lit.

You cannot achieve everything by yourself.

6. Remember: No matter how much you learn or how much you try, you cannot achieve everything by yourself. Understand both your mental and physical limitations and pick your projects and tasks accordingly. Struggling to reach unattainable goals demoralizes. Knowing your limitations frees you to engage others more knowledgeable and allows you to say “NO” to tasks above your competence level. Staying within your capabilities within your field of expertise allows you to concentrate on what you are good at, which in turn maintains your confidence level and allows you to keep motivated.
7. Be positive. Never say “I can’t”. Much of success is attributable to simple endurance. When you have self-doubts, talk to your spouse, a peer or an outside professional. Simply articulating your concerns often provides insight and renews confidence in your own ability.
8. Read how others overcame similar obstacles. Meet with others inside or outside your organization who inspire you to move forward. Positive reinforcement or constructive ideas for change are great motivators.
9. Motivation comes not only from within but from the enthusiasm and desires of others who share your dreams and goals. When you decide to take on a project, ensure your team is fully vested from the start. The mutually reinforcing drive, ideas, and solutions of a team will keep not only you motivated but will also maintain team motivation until the project is completed.
10. “Success” is a word every entrepreneur likes to hear, but “failure” is the word that often creeps into an owner-manager’s thought when projects go off the rails. Fear of failure and the accompanying financial loss is a strong motive to keep going. Failure motivates us to re-examine our process and make changes to move forward until we succeed.

Managing the Crests and Troughs

Motivation to succeed starts out as a tsunami when an idea is first born but tends to diminish to a ripple before it reaches the shore of success. Ensuring that enthusiasm is maintained throughout the life of a project or for your business means that as an entrepreneur, you must manage the crests and troughs of the wave to ensure that motivation keeps your staff moving forward toward a future that fulfills the needs of your employees, the needs of your business, and, of course, your own personal needs.



MANAGEMENT

Face to Face



Social media have their place, but do not forget to talk to each other face to face.

Social media are reducing the number of face-to-face conversations. “In person” encounters allow a person to speak while another responds spontaneously without resorting to the more formal structure of the written word.

Why do we seem to prefer Facebook/Twitter or emails rather than meeting with someone to discuss issues? The most obvious answer is that electronic media is more effective and saves us time. Psychologists tell us we find interacting with others through the computer is easier because a computer does not require us to become emotionally involved.

When to Meet Face to Face

Certainly, there are situations when communicating via social media is effective, such as when sending a quick inquiry to a colleague. But when owner-managers need to announce decisions that will have an emotional impact and bring employee reaction, face-to-face meetings are a must for the following reasons:

- Face-to-face communication has incredible advantages since you receive an immediate response. If, on the other hand, you text someone and they do not respond, uncertainty prevails.
- One-on-one proximity allows you to “read” the respondent’s reaction to the message. A shrug of the shoulders, a deep sigh, or an unexpected expletive are great indicators of the recipient’s acceptance or understanding of what has been said.
- People need to be able to express how they feel about a project, a change in venue or a performance review. Face-to-face meetings allow each party to add a level of interpretation to the message by providing and reading body language, eye contact, or voice intonations. The meaning of words alone can often be misinterpreted. Receiving a text saying, “The project is due next week.” sends a different message than someone who laughs and says “The project is due next week!” then rolls their eyes.

Talking face to face allows more effective negotiation.

- Talking face to face allows each party to negotiate more effectively by immediately understanding the obstacles and opportunities that may not be easily understood by simply reading a progress report or a job description.
- Communicating face to face provides each party a better opportunity to adjust their approach to ensure the end results are achieved. Interpreted another way, face-to-face interaction builds trust, creates understanding, and assists both parties to understand they share a mission for the project and the organization.



- Face-to-face meetings force interactions, which in turn create new ideas and approaches that are essential to success. Yahoo's CEO Marissa Mayer indicated in a memo:

Some of the best decisions and insights come from hallway and cafeteria discussions, meeting new people, and impromptu team meetings. Speed and quality are often sacrificed when we work from home. We need to be one Yahoo!, and that starts with physically being together.

Meeting through Skype is a means of communicating with remote jobsites. Surveys indicate employees like Skype because it allows them to "get more done" as they can handle one-on-one meetings without the distractions of social graces. However, such methods still disconnect the workers from each other and the company and as such it is important for management to instill the need to maintain one-on-one personal contact.

Communicating face to face embraces the seven most important elements of interpersonal communication by:

1. clarifying expectations and purpose
2. creating brief, unambiguous communication
3. focusing all parties on a purpose
4. setting a consistency of tone that allows individuals to understand the underlying pattern and seriousness of the message
5. addressing all issues without the need to wait for additional instructions
6. ensuring that all points relevant to both sides of the discussion are brought to the table and discussed
7. allowing both parties to measure the knowledge and competence of the other party.

Get Back to Personal Contact

Even though Twitter has lifted the 140 character limit on messages, both owner-managers and employees must recognize that regardless of the length of the message, projects must be discussed face to face to generate the best results possible for the company, the employee and its customers.

Disclaimer:

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