

December 2016

YEAR END PAYMENTS

As the year comes to an end, you will have many deadlines approaching at the same time. It has been a rough year for many businesses and you may have fallen behind on some of your obligations. Here are a few payments you could make now in order to save money at tax time.

Instalments

If you are self-employed, you likely are required to make quarterly instalment payments. Even though the last payment was due on December 15 and you are officially late, making your required payments as soon as you can will stop the installment interest accumulating.

Payroll remittances

If you are on a regular remittance schedule for your personal draws from your corporation, you may need to make up some of your payroll remittances that were short or missing during the year. You can make payments in your payroll account up until January 15 in order to have them count towards your 2016 draws.

Donations

At this time of year, people are often feeling generous and want to give to charitable causes. If you give money to a registered charity and you live in Alberta, you can get a tax credit of up to 50% of your donation. Any charitable gifts received before the end of the year can be claimed on your 2016 tax return or carried forward for up to 5 years. If you'd rather give to causes that you believe in instead of the government, now is a great time to do so.

Investments

Your registered investment accounts also have deadlines. Most people know that the RRSP deadline is extended to February 28, but your TFSA also has a deadline. Any funds you take out of your TFSA before December 31, can be put back in 2017, along with another \$5,500.

You may also want to consider selling some of your under-performing capital investments to crystallize losses in order to offset gains you may have incurred on other investments. Talk to your advisor to see if this is right for you.



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CLIENT PROFILE: Kyle Fagnan – Chestermere Heating & Cooling Ltd.

While deciding which of our clients to profile for our December newsletter, the answer quickly presented itself. Just days before having my daughter and her boyfriend arrive to stay with us for Christmas, our hot water heater gave notice that it was not long for this world. With the prospect of having 5 people in the house and no hot water, I knew something had to be done. I live out of town so I needed to find someone who was willing to make the drive, and whom I could trust to do the job quickly and correctly for a reasonable rate. Kyle and Chestermere Heating & Cooling Ltd. came to the rescue.

The youngest of 4 siblings, Kyle learned the HVAC trade and earned his journeyman ticket while working alongside them in the family business in Calgary for 14 years. In 2014, he was living in Chestermere, and fulfilling a local need by doing jobs on the side. Kyle realized that there was enough demand that he could branch off with an independent company and try to find his own business success. From those early days of working by himself in the evening and on weekends, the business has grown to now include an administrator, two additional full time journeymen, and several key subcontractors.



When asked why he has enjoyed this kind of growth & success, Kyle's response was immediate:

*“Provide better quality products & service,
by more qualified staff, at a more reasonable rate.”*

It sounds easy but it's definitely not. Many of Kyle's competitors will pad their bottom line by cutting corners on the quality of their parts & accessories, or they will hire unqualified labourers to do much of the work. Rest assured they are not passing these savings on to you. The installation team at Chestermere Heating & Cooling is always made up of two experienced journeymen who've seen nearly every situation, so that the customer can be confident that their job is going to get done right the first time and be done quickly.

I spoke to Kyle about what effect the downturn in the economy has had on his business. He said he was worried at the start of summer 2016. As air conditioner sales and service are a staple part of his summer business, and since A/C is somewhat a luxury item, Kyle was concerned that business would suffer. Instead, the business showed no signs of slowing down. In fact, a very busy summer led right into an even busier fall and winter season. The company's sales continue to grow, largely on the strength of referrals from satisfied customers.

When you operate with integrity, and make the satisfaction of your clients your number one priority, you can weather nearly any storm.



What makes Kyle get out of bed every morning is the personal satisfaction he gets from his job. When a client calls because a furnace or hot water heater fails, they are often desperate and in a panic. Knowing that the clients trust you with such a big ticket item, and something so important to them and their family, is very rewarding. Being able to ease their fears, and provide the solution that you promised is equally gratifying.

Chestermere Heating & Cooling installs & services furnaces, air conditioners, water heaters, & air filtration systems throughout Calgary & area, Chestermere, Strathmore, Langdon & all points in between. If you find yourself in need, give Kyle a call at (403) 272-9976. You will certainly be in good hands. www.iheatchestermere.com

Well, 2016 is finally coming to an end, with many Albertans thinking, “Good riddance!” It has certainly been a difficult year financially but fortunately, a much needed economic recovery is forecasted for 2017. We are looking forward to the new year with cautious optimism, while at the same time, trying to digest the latest tax changes soon to be in effect.

Alberta Carbon Levy

Starting on January 1, 2017, a new levy will be applied to all purchases of fossil fuels which produce greenhouse gas emissions (GGE) when burned. The current rate determined by the Alberta Government is based on \$20 per tonne of emitted GGE. This amount is set to increase on January 1, 2018 to \$30 per tonne.



WHAT DOES THIS REALLY MEAN TO YOU?

Since none of us are able to measure a tonne of emitted GGE, here is how this tax should impact your day to day life.

- Regular Fuel** Additional 4.5 cents/litre
- Diesel** Additional 5.4 cents/litre
- Propane** Additional 3.1 cents/litre
- Natural Gas** Additional \$130.29/year (based on an average of 129 gigajoules per year)

Our government has a rebate plan to make this this new tax more palatable that will depend on your family net income.

	Maximum Income	Maximum Rebate
Single	\$47,500	\$200
Couples (2 Adults)	\$95,000	\$300
Couples x 1 Dependent*	\$95,000	\$330
Couples x 2 Dependents*	\$95,000	\$360
Couples x 3 Dependents*	\$95,000	\$390
Couples x 4 Dependents*	\$95,000	\$420

**Single parents can claim this rebate with one child being considered a spouse plus up to four additional dependents.*

There will be a sliding scale in order to receive a partial rebate but the details have yet to be released.

To see how the carbon tax might specifically affect you and your family click on this calculator.



Personal Example

In order to get a more personal feel of the impact, we did a test case using one of our own employees and her family. This family would not qualify for a rebate and will pay an additional \$458.49 in taxes per year. This is just an average family - working, servicing a mortgage and bills, and now paying more tax. It is important to keep in mind, however, that this calculator uses estimations only and is solely based on the Government’s projected trickle-down effect. The truth is, no one knows how the retail and wholesale markets will react to the potential reduction to their bottom line.

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THE GOVERNMENT SHELL GAME

The Government projects that they will collect \$9.6 billion dollars which in part is intended to diversify our energy industry, create more jobs and improve access to new markets. All great in theory but we, like most taxpayers, are skeptical. We simply don't have a lot of faith in the spending habits of our bureaucracy. The Government of Alberta is playing a shell game again with our money. Taxing us all more as individuals, then giving back rebates to some, while at the same time cutting provincial

business taxes. If jobs come back to Alberta and new pipelines are built to reach tidewater, it will not be because of this carbon tax. These changes will be due to industry forces, an upswing in the oil market, and innovators & entrepreneurs finding new ways to do business.

WILL ANY TAX EVER ACTUALLY HELP THE ENVIRONMENT?

Our cynical side tells us that after all the administrative expenses and rebates, there will be an almost insignificant amount to actually apply to impacting climate change. Keep in mind that even a substantial reduction in GGEs in Alberta would be relatively inconsequential on a global scale. This is a worldwide problem that the world does not agree on. When so many countries choose to do nothing, what affect can our province have globally? It is a sobering thought, and it begs the question, should Alberta even try to help the environment, should we care? We believe the answer to be a resounding yes, of course! But our money would always be on entrepreneurs who are given the opportunity to innovate and create new technologies, not our Governmental agencies. Additional taxes have never been the answer to problems. Giving yet more money to a bloated bureaucratic system will not stop pollution, innovators will.

You should be forewarned that the federal government is also suggesting that a \$50/tonne carbon tax is in our future as well. At this point we have no further information about when or how this will be implemented or how it will work with the provincial carbon levy. We will certainly update you as it becomes available.

For more information, visit the provincial government's page on this topic.

<https://www.alberta.ca/climate-carbon-pricing.aspx#p184s4>

REFERRAL BONUS PROGRAM

We recently launched a referral program allowing existing clients to refer prospective corporate clients and get a \$100 gift card to a restaurant of their choosing.

Since last month, we have given away 4 more cards to The Keg and Boston Pizza.

Where can we send YOU to dinner next month?



Celebrity deaths – From musicians like David Bowie, Prince, George Michael, and Leonard Cohen; to actors like Gene Wilder, Florence Henderson, Carrie Fisher, and Alan Rickman; and athletes like Muhammad Ali and Arnold Palmer, the world lost many legends this year. Benjamin Franklin famously said that nothing in this world is certain except death and taxes. Let's hope 2017 brings much less of both.

Politics – With the American election, the Brexit vote in the UK, and the growing instability in the Middle East and other parts of the world, much news was focused on big political topics this year. Closer to home, Manitoba and Saskatchewan each had provincial elections electing fiscally conservative governments in contrast to Alberta's move to the left in 2015 when we elected the NDP. These events will affect your company and your taxes in very complicated ways but your focus has to always be on growing your business and using every legal tax-savings strategy possible to keep as much of your profits as you can.

Sports – After a record-breaking season, the Calgary Stampeders lost the Grey Cup in overtime, the Chicago Cubs broke a 108-year curse and finally won the World Series again, and Canadian women dominated at the Olympics. Whatever sporting events you plan on attending in 2017, remember if you take a client (or your accountant) you can write off 50% as a business deduction.

OTHER TAX CHANGES FOR 2017:

Small Business Corporate Tax Rate Reduced

Small business owners in Alberta can look forward to a provincial tax rate cut from 3% to 2% as of January 1, 2017 which will be the second lowest small business rate in the country. The Government of Alberta introduced this reduction as part of their "Climate Leadership Plan" to help businesses with the new cost of the carbon levy. Will it work the way they intend? That remains to be seen, but we view any reduction in tax as a positive stimulus for the economy.

Fitness and Arts Tax Credits Eliminated

In the past, taxpayers were able to claim \$1,000 in fitness fees and \$500 in arts program fees for their children. This resulted in an actual tax savings of approximately \$150 for fitness and \$75 for arts. These amounts were cut in half for 2016 and will no longer be available at all in 2017. Not that these savings were ever a realistic incentive to enroll your children in qualifying activities, but it was helpful to get a few dollars back in the end. Anyone who has had a child in hockey knows that those amounts are just a drop in the bucket, but again every dollar of tax reduction is appreciated.

University Credits Changed

In the 2016 Federal budget, the education and textbook credit has been cancelled as of January 1, 2017. Any credits carried forward from years prior to 2017 will remain available. To us, taking away this credit seems counter-intuitive. It discourages and creates an additional financial burden on those trying to improve themselves and become more significant tax contributors. To target students as a way of increasing tax revenue seems misguided at best, and punitive to those who need all the financial assistance they can get while going to school and servicing overwhelming student loans.



GET TO KNOW US – Erik Thielsen

In our previous newsletter, we profiled the founder of Pi Business Solutions Ltd., Teri Tetreault. This month's profile is of one of his partners, Erik Thielsen.

Erik became a partner in Pi in the fall of 2010 but his road to the accounting field was definitely one less travelled. He has held a variety of positions, from managing fast food restaurants, to running a computer software store, to owning an irrigation and landscape construction company that still exists today. It is this last venture that indirectly led him to Pi. When the inaugural season ended, he needed a way to pay the bills in the winter. Anyone who knows him, knows how much he hates the cold, so working in snow removal was out of the question. The opportunity to work seasonally for a company in the accounting industry presented itself, and seemed a much better option. Little did he know that this part time position would expand every year until there was little time left for the irrigation business. That company also happened to be where he met Teri, and the Pi dream began.



“Integrity is critical to me. It’s the reason we do what we do and we put the client’s needs above all else. Our reputation is on the line and we always need to do what’s right.”

Erik enjoys working closely with small business owners and has become a trusted advisor to many. As an entrepreneur himself, he has an innate understanding of the challenges and pressures of starting a new business, and ensuring its' continued growth and success. Pi has benefited greatly from the excellent people and management skills he brings to the table. Whether strategizing with clients, mentoring employees or good naturedly head butting with Teri, Erik is able to tap into his past experiences nearly every day. What makes Erik passionate about his job is the people.

“We take a great deal of pride in the relationships we’ve developed with our clients and staff. We truly care for, and have tremendous respect for each and every one of them.”

Erik has been married since 1990 to Heather and together they have a 22 year old daughter, Lyse and a 16 year old son, Jakob. Heather has worked for Pi for the past 4 years and has also become an integral part of the organization. While working with a spouse is challenging to say the least, it has ultimately strengthened their marriage. Those of you who work with a spouse know that it's an ever changing dynamic, but enjoyable nonetheless.

Outside of work, Erik enjoys playing darts every week in the winter. In the summer, he tries to golf as much as possible, participating in a weekly men's league. After each tax season, he takes part in an annual BC golf tournament which is well deserved and much appreciated. Erik is also a passionate sports fan in general. In particular, he follows the NHL and NFL and looks forward to the annual World Juniors hockey tournament. He enjoys camping with friends and taking the occasional trip down to his happy place in Palm Springs. He is a voracious reader and still holds onto to his dream of writing the next great murder mystery.

**Watch for our next issue coming out in February
when we will talk about payroll issues and filing your T4 slips,
feature another client, and get to know someone else from Pi.**

**If you have any questions you'd like us to answer in an upcoming newsletter,
email us at admin@pibusiness.ca**