

YEAR END TAX TIPS

For Business Owners

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If you are thinking about purchasing capital assets (i.e. equipment, computers, etc.), you may want to do so before the end of the corporation's taxation year. The reason to do this is you can take a capital cost deduction on the capital assets purchased for the current year. Please note that some capital assets are subject to a half year rule which means only half of the capital cost deduction can be taken this year however, a full year deduction can be taken in the next year.

Do you have intangible assets (i.e. client lists, goodwill, etc.) that you are thinking of selling in the near future? You may want to have the sale close before the end of calendar 2016. The reason for this is that the tax rules for intangible assets are changing effective January 1, 2017 making it more expensive for future sales of most intangible assets.

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Does your spouse or children do work for the business? If so, have you considered having them on payroll so that you can pay them a reasonable salary for the work they perform?

Do you have adult children that are attending post secondary education at a qualifying school, or not earning any income? You should consider using a family trust to split dividend income with the adult children as this could provide tax savings.

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Have you reviewed your operations to determine if the tax rule changes will cost you more? If your business does work and earns income from a related corporation, there are new rules that could apply. The new tax rules apply to corporations with year ends beginning after March 22, 2016 that generated the majority of their income from a related corporation. The tax rule changes could cause this income to be subject to a higher tax rate. There is an exemption where less than 10% of the corporation's income is generated from a related corporation.

If you have any questions, we would be happy to assist you. Please contact us at 1 866 549 8463



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Please note this information is for general information purposes and should you wish to act on any of the points, you should contact a professional accountant that is familiar with your specific fact situation.