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LLP

# FOUNDATIONS

IDEAS & TECHNIQUES TO BUILD YOUR SUCCESS

INDEX

privacy – where are we now? .....1–2

up close and personal .....2

you could have US tax issues .....3

Greater Nepean Chamber of Commerce — employee of the year .....4

dates and deadlines .....4

If you, a colleague, or friend are interested in receiving a copy of FOUNDATIONS by email, simply forward your email address to [elevi@srgg.com](mailto:elevi@srgg.com).

The primary purpose of *Foundations* is to provide you, our clients and friends, with timely and useful advice and information on a tri-annual basis (December, June and September). In the months ahead, we will be bringing you helpful tips for saving taxes, growing your business, managing and investing your money wisely and planning for your financial future.

On behalf of the partners and staff of Scott, Rankin & Gardiner, SRGG Solutions Inc. and SRGG Valuations Inc., we extend warm wishes to you and your family throughout this holiday season.



CHARTERED ACCOUNTANTS  
SUCCESS ARCHITECTS

## privacy – where are we now?

*By Lynda Carter, CA*

Has your organization written its privacy policy?

As the first anniversary of the Personal Information and Electronic Data Act (PIPEDA) quickly approaches, it's time to evaluate your progress in complying with the Act.

**Has your organization:**

1. determined what personal information you collect, use, retain or disclose?
2. appointed a Privacy Officer?
3. reviewed current privacy practices to determine whether they meet the PIPEDA standards?
4. developed new privacy policies where required to be in compliance with PIPEDA and provided training related to these policies to your employees?
5. developed a privacy policy to be distributed and displayed to clients and potential clients?
6. compared its policy to the 10 principals?
  - i. Accountability
  - ii. Identifying purposes
  - iii. Consent
  - iv. Limiting collection

- v. Limiting use, disclosure, and retention
- vi. Accuracy
- vii. Safeguards
- viii. Openness
- ix. Individual access
- x. Challenging compliance

7. developed monitoring techniques to ensure continuing compliance with PIPEDA?

The provisions of PIPEDA do not apply to corporate or business contact information nor do they apply to personal information that has been aggregated or made anonymous and can not be attributable to any one individual. However, more and more companies that deal solely with other companies are developing privacy policies as well and posting them on their websites. These entities have recognized the value a privacy policy can be to them; both as a trust mechanism for their clients and to protect them legally.

Perhaps PIPEDA compliance has not been your focus this year. Perhaps you are still unsure whether your business “really needs” a policy. If you have

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## privacy – where are we now? continued from page 1

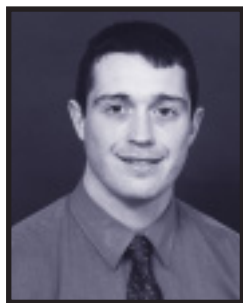
employees and/or have clients who are individuals, you need a privacy policy.

The Privacy Commission of Canada received 4,206 complaints this year from Canadian consumers who were concerned that their privacy was not being protected. Public awareness of PIPEDA is growing. Now is the time to ensure compliance.

As your professional advisors, we at SR&G can assist you in developing your privacy policy and help you implement it successfully.

Please contact Lynda Carter at 596-2767 ext. 237, [lcarter@srgg.com](mailto:lcarter@srgg.com) or our Privacy Officer Ryan Dawe ext. 282, [rdawe@srgg.com](mailto:rdawe@srgg.com) to discuss any concerns and questions you might have.

*Lynda Carter is a partner at Scott, Rankin & Gardiner. During the past year, Lynda's practice has grown significantly. Her many clients include small and mid-sized owner-managed companies and non-profit charities, partners in professional firms and – not-for-profit community organizations.*



## up close and personal . . .

with **Kevin Toop**

Kevin Toop is one of the newest Chartered Accountants at Scott, Rankin & Gardiner.

Kevin joined the firm in August 1999 after completing his Bachelor of Business Administration with an accounting major at Bishop's University. He was admitted to CA membership in November 2003, after passing his Uniform Final Examination on his first attempt.

"My decision to join SRG was an easy one. I was immediately impressed with the level of professional service provided by the firm along with the quality of the staff. The wide range of services provided by the

firm has allowed me gain invaluable experience to better service our diverse client base. I look forward to further developing my professional skills and providing exemplary service to our clients."

An avid sports enthusiast, Kevin was a member of the Bishop's University "Gaiters" football team. Currently, he is involved in various recreational sports and martial arts and recently became the Treasurer for the Ottawa Dragon Boat Race Festival.

Recently, Kevin and his fiancée Jen announced their engagement and wedding plans are now underway. They look forward to building a future in Almonte.

# you could have US tax issues!

*By Caren MacLeod, CGA*

If you spend a significant amount of time in the United States, own rental property in the US, do business in the US, or are a US citizen or “Green Card” holder, then you need to be sure you’re onside with any required US filings. While compliance often does not result in US taxes owing and may simply consist of filing a single form penalties for non-compliance are severe.

Are you a snowbird? You must keep track of the number of days you spend in the US (including travel days). The US Internal Revenue Service (IRS) will consider you a US resident if you meet the “substantial presence test”, which is a formula calculated based on the number of days you were in the US in the current year, the preceding year and the second preceding year. Unlike the 183-day misnomer, if you spend, on average, 4 months per year or more in the US then you may meet the test and be deemed a US resident.

You can avoid being considered a US resident by claiming the “closer connection exception”. This requires the filing of US Form 8840 to establish that your ties to Canada are closer than those to the US. Such ties include permanent home, family, personal belongings, banking, and participation in social, religious or professional organizations. If you spent more than 183 days in the US in the current year or if you have applied for a Green Card (permanent resident status in the US) then you cannot claim the closer connection exception.

It is possible to be a resident of both Canada and the US – a dual resident. Under these circumstances, we must turn to the “tie-breaker” rules in the Canada-US Tax Convention (treaty) to determine who has ultimate jurisdiction to tax you (i.e. which country you are, in fact, a resident of). If the rules result in Canadian residency, then a US tax return must be filed to report US-source income, while a Canadian return must be filed to report world-wide income. If the rules result in US residency, then the opposite is necessary. Foreign tax credits are used to the extent possible to provide relief from double taxation.

Perhaps you own US real property that you rent out. It is important to elect, in a timely manner, to be taxed as though the income is effectively connected with a US trade or business. Without the proper election, the tenants are obliged to withhold 30% of the gross rent and remit it to the IRS. By making the appropriate election, you can file a US return reporting gross income and

deducting expenses to end up paying tax at the marginal rate on the net income – a far better scenario than 30% of gross income.

If you are a US citizen or Green Card holder residing in Canada you are still required to file a US tax return to report your world-wide income. As a Canadian resident you are also required to file a Canadian tax return to report your world-wide income. Again, foreign tax credits are used to the extent possible to provide relief from double taxation. It is also imperative to file your US return in order to not lose the right to claim a “foreign earned income exclusion” and to make certain elections.

Regardless of your filing status, it is important to file when required and to claim any and all treaty exemptions that are available to you, such as electing to defer taxation of any income or gains accrued in a retirement plan, such as an RRSP.

The US also has Estate Tax issues that should be considered. US estate tax arises on the death of an individual and is applied at graduated rates to the fair market value of the individual’s taxable estate. If you are a non-resident, then the estate tax applies only to the value of property in the US. A US citizen or US resident must pay estate tax on their world-wide estate.

Currently US estate taxes are being phased out – the tax rate is being reduced while the exemption amounts are being increased. By 2010, there will be no estate tax; however that may change. Under US legislation, there is a “sunset clause” which essentially means these changes will not apply after December 31, 2010. So, unless further steps are taken, the repeal of the estate tax will last for only one year – 2010. In 2011, the system will revert back to the rules that applied before this phase-out started.

In general, US forms and returns are due April 15 (vs. April 30 in Canada). For US citizens residing outside the US, there is an automatic two-month extension. For non-citizens, it may be possible to request a filing extension. For everyone, regardless of extensions, any tax owing is still due April 15 and subject to interest if not paid on time.

The bottom line is that many people don’t realize they have filing obligations with the US. You may be at risk for severe penalties and lose the ability to rely on tax benefits and treaty protection. Contact your SRG advisor to discuss your situation and ensure you’re onside.

# Elizabeth Levi – Greater Nepean Chamber of Commerce – employee of the year

As the clients and contacts of Scott, Rankin & Gardiner, many of you have had the opportunity to benefit from the outstanding client service provided by our office manager, Elizabeth Levi. Liz is a tremendous asset to our office, our staff, and our clients. It is our great pleasure to announce that Liz was awarded the Employee of the Year award by the Greater Nepean Chamber of Commerce on October 22, 2004.

Liz started with our office in early 1997 as temporary help for tax season and has been here ever since. It was obvious from the start that her dedication, commitment and incredible work ethic would be irreplaceable.

In her time with us, she has organized the office management side of our practice to the highest level of efficiency. Our professional staff have very little need to engage in non-client applied work, thanks in no small

part to the systems developed and monitored by Liz. This has been a huge undertaking, requiring many overtime hours. Liz has also taken the time, much of it on her own, to learn the administrative aspects of various software packages. In this manner she can support the IT staff in assisting the professional staff with desktop issues. She is also in charge of the E-filing of tax returns and compilation of financial statements packages for clients.

Quite simply, Liz wants to be able to help people, no matter what the problem.

Liz is always two steps ahead of the rest of us on details from organizing the Christmas party to coordinating professional development for staff to ordering flowers for clients.

We could not replace the work Liz does with two people (or six). She is truly an outstanding employee.

Please join with us in recognizing her invaluable contribution to our firm.

Brian, Doug, Lyman and Lynda – Partners, on behalf of the entire office of Scott, Rankin & Gardiner.



## dates and deadlines

### corporations

- Taxes are due either two or three months after the year end depending on the type of corporation and / or the nature of the income.
- Interest on taxes is calculated from earlier dates depending on the company's requirement to make instalments and type(s) of income.

### personal

- Persons with self employment income and their spouses have until June 15, 2004 to file their income tax return. However, if any tax balance is owing, it is due April 30, 2004 and is subject to interest.
- Income tax instalments for 2004 are due on the 15th of each of March, June, September and December.

- March 1, 2005 will be the last day for contributing to an RRSP to claim as a contribution on your 2004 tax return.

### GST

- Due dates for GST returns vary depending on whether you are required to file monthly, quarterly or annually.



**SCOTT RANKIN & GARDINER LLP**  
CHARTERED ACCOUNTANTS • SUCCESS ARCHITECTS

Suite 207, 2650 Queensview Drive Ottawa K2B 8H6 Ph: (613) 596-2767 Fax: (613) 596-2775 E-mail: info@srgg.com Web: www.srgg.com

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