

SCOTT
RANKIN
&
GARDINER
LLP

FOUNDATIONS

IDEAS & TECHNIQUES TO BUILD YOUR SUCCESS

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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.

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.



CHARTERED ACCOUNTANTS
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relay for life

As many of you will know, SRG sponsored the Information Booth at this year's Canadian Cancer Relay for Life. Additionally the firm entered a 12 person team to "run" the relay. It was a big job. The Information Booth required attention from about 11:00AM on Friday morning to 8:00AM the next day. The relay team aptly named the SRG Turtles and Hares, successfully completed the 12 hours, completing some 230 laps. Not exactly world record pace, but not bad for a bunch of desk jockeys.

A highlight, by itself worth the price of admission, was bearing witness to partner Lyman Gardiner in a turtle suit. He may have a future as a team mascot! He was ably assisted by Brenda Osborn, who carried off the part of the hare.

The Relay team raised \$8,520. Adding the firm sponsorship pushed us close to the \$20,000 mark. We could not have done this without the support of our many clients and associates who gave time, money and in the case of Interactive International Nutrition Inc., 600 Power Bars for hungry runners!

Many thanks to Liz Levi, without whom we could not have hoped to organize this major undertaking.

Additional thanks to Kelly Rankin and Gosia Prazda, grade 11 Sacred Heart High School students, who staffed the Booth and made delicious popcorn for all.

Most importantly the event netted \$691,000 for cancer research, a truly outstanding achievement and a testament to the caring and compassion of the Ottawa community.



late payment remittances

Prior to changes announced in June 2003, the penalty structure for employers who submitted their payroll remittances a few days late were quite onerous.

As an employer, you are responsible for deducting and remittance Canada Pension Plan (CPP), Employment Insurance (EI) premiums and income tax from amounts you pay to your employees along with your share of these withholdings to the Receiver General. In Quebec, employers must remit provincial deductions and contributions to the Quebec Pension Plan (WPP) to the Minister of Revenue of Quebec.

For the most part, employers voluntarily pay their payroll remittances on schedule. However if they were just a few days late, the previous flat penalty rate of 10% was viewed to be overly punitive.

penalties now graduated

As of June 2003, Canada Customs and Revenue Agency (CCRA) administratively replaced the flat penalty rate with a system of graduated penalty rates for late remittances. In response to ongoing discussions with employers and associations such as the Canadian Payroll Association, the CCRA revised the penalty structure to focus on good performance while deterring employers who chronically remit late.

The current penalties for remitting later are:

- 3% for remittances that are late 3 days or less
- 5% for remittances that are 4 or 5 days late
- 7% for remittances that are 6 or 7 days late, and
- 10% for remittances that are 8 or more days late.

failure to remit or pay

However, the penalties for failing to deduct or withhold have not changed. An employer who fails to remit or pay as and when required may be subject to a penalty of 10%. A 20% penalty applies where the failure to remit is made knowingly or under circumstances amounting to gross negligence.

director's liability

If a for-profit or not-for-profit corporation fails to deduct, withhold, remit or pay amounts held in trust for the Receiver General (CPP, EI, income tax and GST/HST), the CCRA may also hold the directors of

the company at the time of the failure personally liable to pay the amount due, including penalties and interest.

payment must be received by the due date

A remittance is not considered to have been paid until such time as the Receiver General receives it. If you mail your remittances, be sure to post them long enough in advance to ensure the Receiver General receives them by their due date. If you make your remittances at a financial institution, they are considered received on the date that the funds are electronically transferred to CCRA.

If you use an automated teller machine (ATM) to make your remittances, be sure to allow time for the financial institution to process the payment. While the financial institution debits your account as at the date of your transaction of the next day, the CCRA does not view an ATM receipt as proof of its having received the payment by the due date.

If you are concerned about the processing time, you can make your payments directly at a Tax Centre. Whether you make your payment at a financial institution, an ATM, or at a Tax Centre, the CCRA must receive it on the date that it is due.

If you are a regular remitter, generally you must remit your deductions on or before the 15th day of the month following the month that you made them. If the 15th is a Saturday or Sunday or a statutory holiday, your remittance is due on the next business day. For corporations that are liable quarterly remitting, payment must be received on or before the 15th day of the month immediately following the end of each quarter.

Threshold 1 and 2 remitters (that is those employers who had an average monthly remittance two years ago equal to or more than \$15,000 and less than \$50,000 and those who had an average monthly remittance two years ago of \$50,000 or more) have their own payment date schedules. Note that Threshold 2 remitters must make their remittances at a financial institution.

monitor payments carefully

It is important to monitor the company's payroll remittances and GST/HST payments carefully to ensure the company and its directors

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are not liable for late penalties and interest. Your contact at Scott, Rankin & Gardiner can help you review your accounting system to ensure the company makes its remittances by the due date.

You can print or download more information about the dates for remitting deductions, the required forms and some helpful publications by visiting the business section of the CCRA website at www.ccra.gc.ca or

you can obtain this information by visiting your local tax services office. The website also provides the address of Tax Centres for making your payments.

managing your computer systems

Are your employees aware of your company's policies for the use of company desktop and mobile computers, software and other company equipment? Does your company have up-to-date records of all company hardware, software applications, versions and licensing agreements? Who maintains these records and how frequently are they reviewed and updated?

While computers enable us work faster and smarter, their widespread use also creates certain risks, including risks of security to information and equipment and potential legal liability. Establishing clear company policies on computer usage and keeping careful records of your hardware and software are good business practices for ensuring your company systems are continuously available. These measures also help you guard the privacy and confidentiality of your company's competitive information and the data entrusted to your by customers and employees.

company policies and guidelines

In order to maximize the benefits and minimize the risks associated with the use of computer networks and the Internet, every company should establish policies and guidelines for all users. There should also be periodically reviewed and updated to reflect changes in systems and processes.

Generally, a company's computer policies address:

- use of hardware (desktops, laptops, and peripherals) and software.
- access to, and use of, the Internet and email.
- the viewing, and accessing and downloading of text, image, video, sound and software from the Internet.

If your company does not already have these policies in place, there are many books and Internet resources that can help you develop clear company policies and guidelines for computer usage.

Make sure every employee is aware of the importance of the company's computer policies and guidelines, and ensure all employees comply.

system administrator

While it is every employee's responsibility to comply with the company's policies, it is important to assign the authority for reviewing, managing, purchasing and installing new hardware and software to an appropriate individual. As the system administrator, this person should be the only person authorized to:

- install or remove software, make software changes, and add computers and peripherals to the company system.
- maintain application change controls, has the ability to change a program is also the ability to create and alter data.

computer records

The systems administrator's responsibilities should include maintaining log records for every computer used in the business, including the make, year, model and serial number as well as the details of the software programs and updates that are installed on each computer.

Keeping a computer log for each computer and regular updating this information can help your computer:

- monitor all software currently used by the company, including registrations, licensing agreements and versions.
- budget for upgrading equipment and programs.

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- determine if programs are no longer required and should be uninstalled.
- ensure that all computers have the same versions of communication software, virus scanner, and other tools.
- create opportunities to discuss requirements with individual employees.
- help reduce the risks by monitoring computer to ensure unauthorized games or the programs are not installed on company systems.
- maintain records of software fixes and patches and equipment repairs or upgrades, such as installing more RAM on a computer or replacing a keyboard or mouse.

software

The installation of unauthorized programs is a particularly serious risk to your operations and systems security as they could corrupt or change data or applications.

Unauthorized programs could also be a source of debilitating worms or viruses. If your system is contaminated with malicious software, your operations could be severely damaged. While an employee may think that installing a game program is a minor violation, every violation of the company's software policy is potentially a major risk to the company's operations.

Make sure all employees understand the importance of following company procedures and approvals for the purchasing, downloading or installing or upgrading of software applications.

The ready availability of many software programs over the Internet makes the downloading of trial versions of products or time-limited versions (called "crippleware") tempting and easy. However, if the software downloaded over the Internet is not properly registered, your company may be in

violation of software licenses, a situation that could put your company at risk of penalties and loss of reputation. These risks, along with the risk of malicious viruses, are just as applicable if employees install unauthorized programs that they have brought into the office on CD-ROM.

Consider penalties for installing software that is not procured through the company's approved procedures.

protect your company's data and computer systems

Make sure every employee is fully aware of the importance of complying with the company's policies and guidelines for using company computers. Appoint a systems administrator who is responsible for maintaining careful records on your computer systems and applications and ensuring compliance with the company's computer policies.

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.



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