

SCOTT  
RANKIN  
&  
GARDINER  
LLP

# FOUNDATIONS

IDEAS & TECHNIQUES TO BUILD YOUR SUCCESS

## INDEX

Ontario home property  
tax relief for seniors.....1-2

maximizing government  
retirement benefits .....3-4

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.

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  
SUCCESS ARCHITECTS

## Ontario home property tax relief for seniors

Are you at least 65 years of age? Did you pay property tax or rent in 2003? If you answered yes to both of these questions, you may be entitled to a property tax rebate. Effective July 1, 2003, seniors who rent or own their home may be eligible for a reimbursement of the residential education property taxes that they pay.

Let's examine this in detail in terms of the 5W's ...

### who and where

To be eligible to receive the tax credit payment, you have to:

- be 65 or older on December 31 of the year;
- maintain a principal residence in Ontario during the year; and
- pay property taxes or rent on your principal residence.

The tax credit applies only to the senior's principal residence. A principal residence is a housing unit (e.g. house, apartment, condominium, or mobile home) in Ontario which you own or rent, and occupy during the year as your primary place of residence. You can have more than one principal residence, for example if you move during the year;

however, you cannot claim the education property tax or rent paid on a second residence if you claimed the education property tax or rent paid on your principal residence for the same period.

In the case of married couples or common-law partners, only one tax credit can be claimed by each eligible senior household.

### what

The Ontario Home Property Tax Credit for Seniors is an annual tax credit available to eligible Ontario seniors to reimburse them for the amount of the residential education property taxes paid on their principal residence.

Senior homeowners will receive a tax credit equal to the actual amount of their education property tax. Senior tenants will receive a tax credit based on a percentage of their rent which reflects the equivalent education property tax amount for their principal residence. Rent is defined as the amount shown in your lease agreement; it does not include charges for board (e.g. meals, cleaning, and laundry) or payments to relatives/friends who are not reporting the payments as rental income on their income tax returns.

continued on next page

## Ontario home property tax relief for seniors continued from page 1

### when

For 2003, the tax credit will be for the period July 1 to December 31. Starting in 2004, the credit will be based on the entire year.

### why

Without making any intended political plug, Ernie Eves, Ontario's Premier, said "Ontario's seniors spent their lives working hard, raising families and building the strong province we enjoy today. We owe it to them to ensure they enjoy a secure future and a fulfilling lifestyle". "More than 1.5 million of Ontario's 12 million residents are aged 65 or older and many live on a fixed retirement income". This credit is "to assist with rising costs and help many seniors remain in their own homes".

### how

This is not an automatic payment. The Ontario Ministry of Finance is in the midst of sending applications to eligible senior households. You must complete the annual application in which you'll provide information including the address of your principal residence(s), the number of months you lived at each address, and the amount of education property tax or rent you paid in the year (for 2003 only for the period July 1 to December 31; starting in 2004 it will be for the full year).

If you do not receive a preprinted application form by October 7, you should call the Ministry of Finance's toll-free number 1-877-533-2188. You'll be required to provide certain personal information (e.g. full name, mailing address, and social insurance number) and you'll be asked to provide certified photocopies of documents in order to verify your eligibility (e.g. proof of age).

If you return the application promptly and all the required information has been provided, you can expect a payment as early as December 2003.

You will need to complete an application form annually. Each year you will be sent a preprinted application.

You do not have to attach your property tax bill or rent receipts to your application; however, you should keep them on file in case the Ministry asks to see them.

The application will ask you to provide information for 'direct deposit'. The Ministry recommends direct deposit in order to ensure you receive your credit on a timely basis and to prevent your cheque from getting lost or stolen or being delayed due to postal disruption. You can choose payment by cheque by not providing the necessary direct deposit information on the application.

Your application must be filed within two years after the end of the tax year. For example, for 2003 the application must be filed by December 31, 2005. After the Ministry processes your tax credit application, you'll receive a Notice of Entitlement showing the amount of your tax credit or the reason for your ineligibility.

### other tidbits

Although your tax credit is not taxable as income, it must be taken into account when you claim the Ontario Property Tax Credit on your income tax return. The amount of property tax or rent you claim for the Ontario Property Tax Credit must be reduced by the amount of the rebate. Eligible seniors will still benefit from both programs.

Your tax credit will not affect your other government benefits or cheques.

In the case of married couples or common-law partners, only one person is required to meet the age requirement for eligibility (65 or older). If both the applicant and his/her cohabiting spouse or common-law partner are 65 years of age or older, you may designate who will receive the tax credit payment.

If you have not paid all your education property tax or rent for the period July 1 to December 31, 2003 at the time you file the application, you can still claim these amounts provided they are paid in full by December 31, 2003. The Minister may request information from the appropriate Municipal Property Assessment Corporation with respect to your claim.

This program is not subject to an income test or maximum payment. The program is designed to provide relief to eligible seniors regardless of their income position.

This program will not result in a reduction of your municipal property tax bill. Rather, it is a refund of a portion of that paid bill.

Finally, when a senior dies, the estate is eligible to claim a tax credit on behalf of the deceased.

It is important for you to complete the application form as soon as possible when you receive it. If you have any questions or need assistance, please contact Scott, Rankin & Gardiner LLP, Chartered Accountants.

# maximizing government retirement benefits

If you are retired or approaching retirement, like most Canadians you are likely thinking about how you can maximize your disposable income. In addition to your retirement savings and any private pension plans you have, you may receive two sources of income from Government of Canada – the Old Age Security (OAS) and the Canada Pension Plan (CPP).

Understanding the applicable rules for OAS and CPP/QPP benefits and the impact on your tax position for your coming or current retirement years can help you make the best planning decisions and maximize your tax savings.

## old age security

Financed from the Federal government general tax revenues, the OAS is a monthly benefit that is available to most Canadians 65 years of age or over. You must be a Canadian citizen or a legal resident of Canada to apply for this benefit.

Your employment history is not a factor in determining your eligibility but rather the amount of the pension relates to how long you have lived in Canada. If, after reaching the age of 18, you have lived in Canada for periods that total at least 40 years, you qualify for a full OAS pension. You may also qualify for a full pension if you were born before July 1, 1952 and meet certain residency requirements.

If you do not meet these requirements for the full OAS, you may qualify for a partial pension. The partial pension is earned at the rate of 1/40<sup>th</sup> of the full monthly pension for each year you have lived in Canada after your 18<sup>th</sup> birthday.

Currently, the maximum monthly OAS is \$461.55. The amount is adjusted in January, April, July and October of each year when there are increases in the cost of living. Of course, the pension is subject to federal and provincial income tax. If your annual income is more than \$57,879, the OAS is subject to a clawback on an increasing scale. What this means is that pensioners with high incomes must repay part, or all, of their benefit through the tax system. At an annual income of \$94,530 the OAS is completely recovered.

Depending on their financial circumstances, low-income pensioners may choose to:

- Receive the full OAS benefit each month, without having taxes withheld at source, or
- Have income tax withheld from the monthly OAS payment instead of having to make quarterly tax installments on this amount.

## Canada pension plan

With very few exceptions, anyone over the age of 18 who earns a salary must pay into the Canada Pension Plan (CPP) or Quebec

Pension Plan (QPP). You and your employer each pay half of the contributions. If you are self-employed, you pay both portions.

Your CPP benefits on retirement are based on your earnings and contributions. While the CPP operates throughout most of Canada, the province of Quebec has its own similar program, the QPP. Both plans work together to ensure that all contributors are protected.

It is important to remember that CPP/QPP calculations include both how much and how long you have contributed. Generally, the more you contribute to CPP/QPP during your working years, the higher the benefit will be because you will have built up pension credits.

The total span of time during your life when you may contribute is called your contributory period, which is used to calculate your entitlement to the amount of any pension benefit. If you have been contributing the maximum level, you will receive the maximum benefits. However, to maximize your pension benefits, some part of your contributory period can be dropped out of the calculation. For example, 15% of your lowest earning years is not included in the calculation. If you receive a CPP disability pension, the time during which you receive this benefit is also not included.

Currently, the maximum monthly amount receivable by a taxpayer is \$801.25. CPP is structured to replace about 25% of the earned income on which premiums are paid.

While CPP benefits are designed to be paid starting at age 65, if you are not working or have a low income, you can apply for a retirement pension as early as age 60. In this case, your retirement pension is reduced by 0.5% for each month after age 65.

Alternatively, if you are still working at age 65, you can elect to continue to contribute to the CPP until you are age 70, at which time you start receiving your pension. In this case, your benefits are increased by 0.5% for each month after age 65. Your contact at Scott, Rankin & Gardiner LLP can assist you in determining the best time to start taking your CPP benefits.

Also make sure that you review your earnings and contributions on your Statement of Contributions that is sent to you periodically. The statement shows, by year, the total amount of your CPP/QPP contributions and your “pensionable earnings” on which they are based. If you are over age 30, it also estimates what your pension or benefit would be if you were eligible now. This statement can be valuable tool for understanding the retirement income you have available in combination with any other pension plans or retirement savings you may have.

If you want to receive an updated statement, contact the Human Resources Canada Centre or Revenue Quebec nearest you.

## maximizing government retirement benefits continued from page 3

### CPP pension sharing

If you and/or your spouse/common-law partner are already receiving CPP retirement benefits, you may apply to share your CPP pension benefits on the portion of the benefit earned during your time together. The Quebec Pension Plan also has a provision for pension sharing but with different eligibility requirements. For some couple, pension sharing may result in tax savings.

To qualify for CPP pension sharing, you must both be at least 60 year of age, be together (not separated or divorced) and have applied, or already be receiving, a CPP retirement pension. If only one is a CPP contributor, you can share that one pension. The overall benefits paid do not increase or decrease with pension sharing.

Pension sharing is particularly beneficial if one spouse/common-law partner has never earned income and is therefore not eligible to receive CPP. If, for instance, the contributor received the maximum of \$801 a month, he or she may be able to assign up to 50% of the CPP entitlement to his or her spouse/common-law partner. The assignment may prevent the taxpayer from moving into a higher tax bracket.

Pension sharing may also result in tax savings where one spouse/common-law partner has earned a higher income and therefore receives a higher CPP amount. The higher income earner can assign a portion of his or her CPP to the lower CPP recipient.

If your marriage or common-law relationship end or either partner dies, the pension-sharing arrangement will end. It will also end if both of you request that it be cancelled.

While sharing your pension may mean possible tax saving, it could affect your tax position if you currently claim the spouse/common-law partner deduction. If you and your spouse/common-law partner are considering pension sharing, be sure to talk to your contact at Scott, Rankin & Gardiner LLP to determine if this is a valuable strategy for reducing your income tax.

### CPP credit splitting on separation or divorce

The Canada Pension Plan recognizes that in a legal marriage or common-law relationship, both of the spouses/common-law partners share in the building of their assets and entitlements, including their CPP pension credits. When a relationship ends, a couple

can divide the CPP pension credits they have built up during the time they lived together. This division is called "credit splitting".

Generally, the credits of one person (the lower earner) are increased and the credits of the other (the higher earner) are reduced by the same amount. Credits can be split even if one spouse or common-law partner did not pay into the CPP.

If you and your spouse/common-law partner have been contributing to only the Quebec Pension Plan and neither of you have ever worked outside of the province of Quebec, the above information is not applicable. Contact Revenue Quebec for the applicable information on QPP credit splitting.

### talk to your chartered accountant

Be sure to consult with your chartered accountant before making decisions about your retirement planning. Your contact at Scott, Rankin & Gardiner LLP can help you plan for, and manage, your retirement income secure in the knowledge that you have addressed the tax liability issues to best provide your future.

## 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 installments and type(s) of income.

### personal

- Persons with self employment income and their spouses have until June 15, 2003, to file their income tax return. However, if any tax balance is owing, it is due April 30, 2003 and is subject to interest.
- Income tax installments for 2003 are due on the 15th of each of March, June, September and December.

- March 1, 2004 will be the last day for contributing to an RRSP to claim as a contribution on your 2003 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

FOUNDATIONS is published three times a year by Scott Rankin & Gardiner LLP, Chartered Accountants & Success Architects. The commentary contained in FOUNDATIONS is not intended, nor should it be relied upon, to replace specific professional advice. We recommend that readers consult their professional advisors regarding any matter addressed in this publication. Some items reprinted with permission of the Canadian Institute of Chartered Accountants.