Lam Lo Nishio, Chartered Accountants

City Square, West Tower, 488 - 555 W. 12th Ave., Vancouver, B.C. Canada V5Z 3X7
Tel: 604-872-8883 Fax: 604-872-8889 Web: www.lamlonishio.ca

Michael T. Y. Lam	Direct line: 604-872-8206	E-mail: mike@lamlonishio.ca
Bernard Y. H. Lo	604-872-8539	bernard@lamlonishio.ca
Don T. Nishio	604-876-8893	don@lamlonishio.ca

We are committed to ***working with you*** to:

- improve your business operations
- grow your business
- improve your business life
- optimize your taxes
- give you peace of mind
- save you time

We ***enthusiastically*** offer you the following services:

- business start-up
- business acquisition
- cash flow budgeting
- business advice
- financial statements
- corporate tax / planning
- information & accounting systems (Certified ***Quickbooks*** Advisors)
- bookkeeping
- payroll tax
- GST / PST
- investment in real estate
- personal tax / planning
- estate planning
- in English, Cantonese, Japanese, Mandarin
- in most cases, with set fees

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ATTENTION READERS

Please also visit our website at **www.lamlonishio.ca** . Previous issues of our newsletter are available on the website. Thank you.

GREAT LEVERAGE POINT

Understanding The True Purpose of Any Advertisement

The real purpose of any advertisement is simply to get a response.

Notice that we didn't say "to make a sale", or "to make an impression", or "to keep your name before the public". We said, "to get a response".

Consider a poster at Manchester airport in England. It's a poster 6 meters long and 2 meters high. It is big.
It proclaims in big letters:

KPMG

means business

(By the way, we understand that KPMG is aware of the following comments and does not dispute any of them)

Let's imagine that a business person walking by the sign gets excited at the prospect of 4 letters she's never seen before meaning "business." And let's suppose she really wants to immediately talk to KPMG.

Problem! There's no phone number! Do you see the point?

Each KPMG Partner in their office knows how much the "advertisement" costs (remember, measure everything that moves). Do they know how many responses they get from the advertisement? **Of course they don't.**

The only reason they have the advertisement is because someone, somewhere said, "you've got to keep your name before the public."

Whenever someone says something like that to you, remind them of leverage point 3 - the **sole purpose of an advertisement is to get a response.**

When you understand that, you won't make "the KPMG mistake." You won't attempt to keep your name before the public. You won't run "institutional" advertisements. You'll replace them with advertisements that get responses.

Let's use the hapless KPMG as another example.

In 1996 in New Zealand, there was an expensive print advertisement that said:

KPMG - more than a name, they're letters of intent.

The advertisement went on (with very few words) to explain that Peat Marwick was changing their name to KPMG and that meant something (I'm not sure what it meant ... but it meant something). So it was a statement to the world that they were changing their name. There was no phone number, no response device.

But, suppose someone had reminded them about this Leverage Point - ***the purpose of an advertisement is to get a response***. Maybe then their advertisement **would have** turned out like the one below:

(Example "improved" advertisement)

In the first 3 months of this year, KPMG helped XX businesses add $XX million to their bottom lines.

Now KPMG is ready to do the same for you. Our free booklet shows you how.

See the name? ***KPMG.*** It may mean little to you right now. Consider this: we have helped our selected clients add millions of dollars to their bottom lines by helping them see the right issues and then working with them to make substantial differences.

KPMG is now one of the world's leading advisers to business in financial, operational, information technology and human resource issues. More importantly, we can help you.

We show you how in a new booklet called "Making an even better success". We'll send you our booklet at our cost so you can discover for yourself how we might best help you.

Simply complete the coupon below and fax or mail it to us, or call 604-876-8893.

Underneath would be a coupon showing a picture of the free booklet with space for the responder to write in name, address, phone number and so on.

Now they've got a response (not a sale, but a response). And now they can work with that person (or more likely - people) who've responded to create a sale. It makes sense, doesn't it?

With this direct response type of advertising, you can measure (there we go again) the value, profitability and performance of virtually any advertisement because it produces something you can track, analyze and compute.

Ask this simple question: "How many responses do you get from your advertisements?" If you can't answer (and most companies can't), we'd like to talk to you about measurement.

PERSONAL TAX

MEDICAL EXPENSES - TUTORING SERVICES

In a May 15, 2007 ***Tax Court*** of Canada case, the taxpayer's ***two sons*** suffered from ***learning disabilities*** and were ***home-schooled*** through a program provided by the North Island Distance Education School (NIDES). In addition, a ***private tutor*** was hired to ***facilitate*** and ***supplement*** the distance learning and special needs education packages and provide supervision required because of the children's disabilities. The Canada Revenue Agency ***(CRA) disallowed*** the medical expense for the tutoring costs of $52,840.

Taxpayer Wins!

The Court found that these tutoring services were eligible ***medical expenses***.
The ***Court*** noted that this provision should be ***interpreted compassionately*** in favour of the taxpayer.

MEDICAL EXPENSE - DEPENDANT PARENT

In a May 7, 2007 ***External Technical Interpretation***, CRA notes that a taxpayer may claim a ***medical expense*** incurred in respect of a dependant parent.
CRA notes that it is possible for someone to be ***dependent*** on ***more than one person***. Accordingly, it is possible that more than one person may claim a portion of an allowable credit.

MEDICAL EXPENSE - TRAVEL INSURANCE

In a June 7, 2007 ***External Technical Interpretation***, CRA notes that the cost to acquire certain ***medical travel insurance policies*** can ***qualify*** as a ***medical expense*** if paid as a premium, contribution or other consideration to a Private Health Services Plan.

TUITION FEE TAX CREDIT - DISTANCE LEARNING

In a May 9, 2007 ***Technical Interpretation***, CRA notes that a student enrolled at a university ***outside Canada*** and taking ***courses over the Internet*** may be able to ***claim a tuition tax credit*** for the tuition fees provided that the student is able to demonstrate that their attendance via the ***Internet*** constituted "***full-time attendance***".

CHILDREN'S FITNESS TAX CREDIT

In a June 11, 2007 ***Technical Interpretation***, CRA notes that for ***children's camp fees*** to qualify for the ***fitness tax credit*** in 2007, the camp must have a ***five-day duration*** with more than 50% of the program time devoted to physical activity - up to a maximum of ***$500***.

EMPLOYMENT INCOME

OVERTIME MEAL ALLOWANCE

In a May 15, 2007 ***External Technical Interpretation***, CRA notes that it has an ***administrative policy*** that an ***overtime meal allowance*** will ***not*** be ***taxable*** if:

1. the employee works ***three or more hours*** of overtime after his/her scheduled hours of work;
2 the overtime is ***infrequent*** and ***occasional*** (less than three times a week); and
3. in the case of an ***allowance***, the employee ***purchases a meal*** during or immediately following the overtime period.

PROFESSIONAL MEMBERSHIP DUES

In a June 11, 2007 ***External Technical Interpretation***, CRA notes that the payment of ***professional membership fees*** by an employer on behalf of employees is ***not*** a ***taxable benefit*** if the employer is the ***primary beneficiary***. When the professional association is related to an ***employee's duties***, and membership is a ***requirement*** of employment, the ***employer*** is likely the ***primary beneficiary***.
However, ***even when*** membership is ***not a condition of employment***, the question of primary beneficiary must still be resolved.

EMPLOYEE OR SELF-EMPLOYED - RC4110

New ***CRA*** Guide ***RC4110*** includes information on determining ***employer/employee*** versus ***independent contractor*** status. This is important because of the ***significant trend*** for employers to engage ***independent contractors***, as opposed to employees, to save on payroll costs such as Employment Insurance (***EI***), Canada Pension Plan (***CPP***), and vacation pay. Recipients initially may be in favour of this status to ***avoid source deductions*** and to access ***deductions*** available to self-employed people but, this ***may change*** if they are ***laid off*** and they wish to ***claim EI***.

Problems

There is significant ***down-side*** to a business that engages ***independent contractors*** who are subsequently determined by CRA to be ***employees***. CRA may ***assess*** the payor for CPP and EI causing significant financial hardship to the business. Also, certain ***expenses*** of the recipient may be ***disallowed***. Therefore, it is essential to ensure that the relationship meets these CRA Guidelines.

BUSINESS/PROPERTY INCOME

CONDOMINIUM RENTAL LOSSES

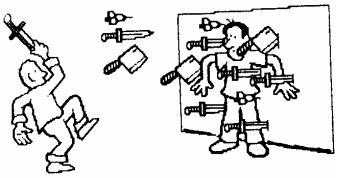
In a March 2, 2007 ***Tax Court*** of Canada case, the taxpayer incurred ***rental losses*** on a ***luxury condominium property*** in Whistler, British Columbia of $16,247, $37,156 and $27,177 in the years 2001, 2002 and 2003.

Taxpayer Loses

The Court ***disallowed*** a ***deduction*** for the ***losses*** and noted that:

1. The taxpayer and his family had ***significant personal use*** of the condominium for recreational purposes. Therefore, the taxpayer must show a ***commercial manner*** for it to be considered a ***source of income***.
2. There was ***little evidence*** respecting the ability to show a ***profit***.

The property was purchased for $1.3 million and financed with a $900,000 mortgage. The Appellant recognized that he would have had to ***reduce the interest expense*** to make a profit but, had been unable to do so.



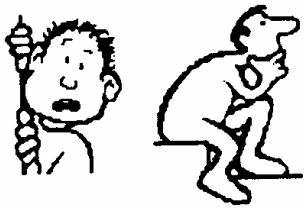
No analysis was done by the Appellant with respect to the property's potential to earn a profit other than a "back-of-the-envelope kind of thing".

OWNER-MANAGER REMUNERATION

DIRECTOR LIABILITY

Where a corporation ***fails to remit payroll deductions*** or ***GST/HST***, the ***directors*** are ***jointly and severally liable*** to pay that amount and, interest and penalties related thereto.
However, a director is ***not liable*** if he/she exercises the ***degree of care, diligence and skill*** to prevent the failure that a reasonably prudent person would have exercised in comparable circumstances.

Also, ***no action*** to recover any amounts payable by a director may be made by CRA ***more than two years after*** the director last ceased to be a director of the corporation.
In a January 19, 2007 ***Tax Court*** of Canada case, Mr. C was ***one of five directors*** in a corporation which had ***not remitted payroll deductions***. ***He was assessed*** with personal liability for the ***unremitted deductions***.



In a May 23, 2007 ***Tax Court*** of Canada case, the taxpayer was ***one of two directors*** in a housing development corporation. The ***taxpayer***, Mr. H, was responsible for the ***operations side*** of the business. The ***other director***, Mr. O, was responsible for the ***financial dealings***.
The corporation did not make its ***GST/HST remittances*** and ***CRA assessed*** Mr. H personally for the ***unremitted amounts***.

Taxpayer Wins!

The Court noted that given Mr. H's ***involvement*** in the company had ***nothing*** to do with the ***financial aspects*** of the operation, Mr. H did all that could be expected of him with respect to ensuring the GST/HST was paid.

INTERNATIONAL

U.S. ESTATE TAX ON U.S. PROPERTY

A ***Canadian citizen/resident*** who dies is subject to ***U.S. Estate Tax*** on ***U.S. situs assets***, subject to a tax credit of $13,000 which applies on $60,000 of U.S. situs assets. Also, a ***prorated exemption*** is calculated by multiplying ***$2 million*** by the Canadian person's ***U.S. situs assets*** divided by the value of the ***worldwide assets***.
In addition, a ***marital exemption*** is allowed equal to this ***prorated exemption***.

ENGAGED IN A TRADE OR BUSINESS IN THE U.S.

Canadian businesses engaged in a ***trade or business*** in the ***U.S.*** must file a ***U.S. Federal Income Tax Return***. If it is uncertain whether you are engaged in a U.S. business it may be advisable to file a "***protective***" U.S. Income Return showing ***zero tax liability*** on business income.
If you are engaged in a U.S. business but you do not have a "***permanent establishment***" in the U.S. there may be no U.S. Federal Income Tax liability but you still ***must file*** a ***U.S. Income Tax Return*** to take advantage of this Tax Treaty claim.

ESTATE PLANNING

BELL CANADA ENTERPRISES INC. (BCE) - SHARE SALE

Under the proposed buyout of ***BCE shares*** by the ***private-equity group*** lead by the Ontario Teachers' Pension Plan, expected in 2008, there will be ***substantial capital gains*** for most ***BCE shareholders*** who held the shares for a period of time, assuming they have ***not*** been held in registered plans such as ***RRSPs or RRIFs***.

Options

1. Consider ***donating*** the ***BCE shares*** to a charity prior to the sale and obtain a donation ***receipt*** for the ***fair market value*** of the shares and ***not*** have to report the ***capital gain***.
2. ***Sell*** the ***BCE shares*** in ***2007*** and ***sell other securities*** which have a ***loss*** to offset against the capital gain.
3. Use ***capital losses*** carried forward from ***prior years*** to ***offset*** the ***capital gains***.
4. ***Do nothing*** and pay tax on the capital gain.

JOINT OWNERSHIP

In a May 3, 2007 ***Supreme Court of Canada*** case, a ***father*** had a ***joint bank account*** with his ***daughter*** when he died. Certain ***bequests*** were left to the daughter, her husband and her children. The ***residue*** was to be divided ***equally*** between the ***daughter*** and her ***husband***. The Will did not mention the joint bank account.

The ***daughter redeemed*** and kept the balance in the joint accounts on the basis of a ***right of survivorship***. The daughter later divorced her husband and the ***husband claimed*** that he was ***entitled*** to part of the ***joint bank account*** on the basis that it was ***meant to be*** part of the ***residue*** of the estate.

Daughter Wins

The Court dismissed the husband's appeal but noted that the ***onus*** is on the ***transferee*** (the ***daughter***) to demonstrate that a ***gift*** was ***intended***. It falls on the party challenging the transfer (***husband***) to ***rebut*** the presumption of the gift. In this case, the ***evidence*** clearly ***demonstrated*** the ***intention*** on the part of the father that the balance left in the ***joint accounts*** was to go to the ***daughter*** alone on his death through survivorship.

Since it is ***common nowadays*** for ***aging parents*** to transfer assets into ***joint accounts*** with their ***adult children*** to have that child assist them in ***managing*** their financial affairs, it will fall to the ***surviving joint account holder*** to ***prove*** that the ***transferor intended*** to ***gift*** the right of survivorship to whatever assets are left in the account to the survivor. The evidence may include the wording used in the bank documents, the control and use of the funds in the account, the granting of a Power of Attorney and the tax treatment of the joint accounts.

Caution

This is a ***tricky area***. Specialized ***legal advice*** is needed.

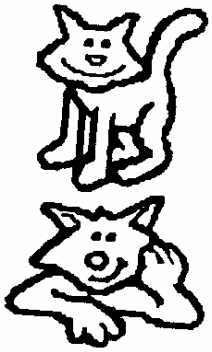
GST

NEW HOUSING REBATE

In a March 24, 2005 ***Tax Court*** of Canada case, the taxpayer claimed a ***new housing rebate*** for a ***renovation of a condominium***. CRA disallowed the rebate on the basis that it was not "a substantial renovation".

Taxpayer Wins!

The Court found that it was a ***substantial renovation*** and noted that:



1. The two bedrooms became one large room, the bathroom was modified, the room divisions were moved, and the kitchen was redone.
2. All the walls required touch-ups because of a water leak, the bathroom on the mezzanine was redone, the electrical fixtures were replaced by recessed lighting, and the heaters or electric baseboards were changed.

IMPORTED GOODS

For information on claiming an ***Input Tax Credit*** for GST on ***imported goods*** see CRA ***Guide P-125R***, June 1, 2007.

SMALL SUPPLIERS

"***Small suppliers***" are ***not*** required to ***register for GST***, but may wish to ***voluntarily*** do so in order to claim ***input tax credits***.

A person is a "***small supplier***" if ***taxable supplies*** in the four preceding calendar quarters do ***not exceed $30,000***. The $30,000 includes revenue from ***associated persons***. For example, a ***person*** is ***associated*** with a ***corporation*** if the corporation is ***controlled*** by the person.

This means that if ***Mr. A*** owns ***51%*** of the shares of ***Company A*** and Company A has taxable supplies of over $30,000, Mr. A ***must register*** even if he has ***only $1*** of taxable supplies because he and an ***associated corporation*** has more than $30,000 of taxable supplies.

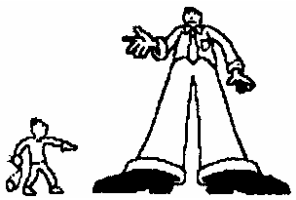
WEB TIPS

EVITE.COM

This tool is perfect for both ***inviting and receiving organized responses*** when ***coordinating events***. One starts off by selecting the type of event being planned from the drop-down list on the home page. From there you fill out pertinent information including items such as ***date***, ***time***, ***location***, and ***email addresses*** of invitees.

Once completed, an email is sent to all invitees. Invitees can then click on the invitation received and ***select whether they will attend or not*** and may also send additional comments. The inviter will then have access to a ***running list of all responses*** and additional comments.

ODD NEWS LINKS



To add that ***extra spark to your day***, check out the following ***"odd" news sites***:

www.reuters.com: click on "oddly enough" near the bottom of the centre section.

http://news.yahoo.com/: click on "odd news" near the bottom of the centre section.

www.oddnews.org

www.newsoftheodd.com

www.stunning-stuff.com/

www.verystrangenews.com/

www.theonion.com

DID YOU KNOW...

INDIVIDUAL PENSION PLANS

Under certain circumstances, ***Individual Pension Plans*** for ***owner-managers*** of ***corporations*** may offer ***significant increases*** in ***tax deferred retirement assets***, rather than simply utilizing the RRSP option.

The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions in a commentary such as this, a further review should be done. Every effort has been made to ensure the accuracy of the information contained in this commentary. However, because of the nature of the subject, no person or firm involved in the distribution or preparation of this commentary accepts any