



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

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We *enthusiastically* offer you the following services:

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

NEWSLETTER (November 2007)

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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

Building Unique Core Differentiators (UCD's) - Focus on Them and Articulate Them Constantly

You're hungry. All around you are fast food outlets effectively screaming "come and eat here." Then, you notice a sandwich bar that you've never seen before. On the window you see a big sign:

Passionate about food

Elsewhere on the window, you see a large sign which says:

At *PRET A MANGER*, we are passionate about *food*, the pleasure it brings and the importance it plays in all our lives.

After years of practice and research, we have developed a range of sandwiches, salads, cakes and desserts which are tasty, healthy, homemade, value for money and served quickly.

The majority of our recipes are unique to *PRET A MANGER* and freshly prepared each morning in our shops. We use only free range eggs, fresh herbs and we bake our own pastries and bread. We insist on quality *you* can trust.

When you buy, you get a sandwich bag that has exactly the same message on the outside, but proceeded with:

Sinclair Beecham and I opened our first *PRET A MANGER* in 1986. We have never veered from our aim of providing the best for our customers. Our food may be "fast," but the selection of ingredients and quality of preparation is anything but.

If you would like to speak to me or one of my colleagues regarding anything to do with *PRET A MANGER*, please feel free to call us at 123-456-7890. Thank you. Julian Metcalfe.

Question: Would you like to run a business like Julian and Sinclair, or would you prefer Joe and Mary's sandwich bar selling hot dogs for \$3.50 like everyone else?

What the *PRET A MANGER* owners have done is **take something essentially ordinary and made it unique**. What they've done is to **develop, articulate and focus on what we call their Unique Core Differentiators** (or UCD for short).

Follow this logical sequence:

- People **buy differences** they perceive
- Therefore, we **must differentiate** (or at least give the perception that we're different)
- That difference must be at the very **core of the company** and flow into everything we do
- That gives us a constant **uniqueness** - Unique Core Differentiators (UCD's)

Your UCD is that "special-ness" about your product or service which compels people to buy from you instead of from your competitors. As we've said, it must be at the core of your business and your clients. And it must be articulated at very opportunity.

The reality is that **most companies have never articulated or even thought about their UCD**. They expect people to buy from them simply because they're in the marketplace.

They simply say "Buy from us." But they don't give the potential customer a clear and compelling reason why they should buy from them. When you determine your UCD, you have a far greater chance of building a much better business.

But here's a **critically important point - the UCD does not have to be unique**.

Before you say, "now you've totally lost me", consider this and note that it's critical to understand. You may not have anything that is totally unique. But **if you are the first one to articulate a difference**, (even though others have the same product or service), **you'll stand out in the marketplace as if you are unique**, simply because you've been the first to articulate it.

Is *PRET A MANGER* the only company in the world that is passionate about food, that uses free range eggs, fresh ingredients and so on? Of course not. But they were the first to articulate it and make it part of their very core.

In some cases, you may already have a strong UCD, but don't know it.

A classic example of “**pre-emptive advertising**” is the Schlitz Beer story. In the 1920’s, Claude Hopkins, known today as the father of modern advertising, was called in to help boost Schlitz Beer’s sales. Upon his recommendation, Schlitz built an advertising campaign based on the theme of how their beer was made. They educated people about the pure artesian well water they used, about all the steps of filtration, the quality control, etc. The fact is, all the beer was made the same way, but by being the first to tell the story, or articulate the process, they “owned” it. Schlitz pre-empted the competition and strengthened its UCD.

How to Find It

Now we know what it is, the key question is how do we find it for ourselves.

We implied before that the problem is that business owners have never sat down and said, “What distinguishes my company from my competitors? Am I more expensive or less expensive? Do I provide more service, a better value, a better guarantee, give two when you buy three, or three when you buy two, and so on?”

Consider this question: “**Why should I buy from you?**” We would love to hear your answer!

Summary

You must implement a UCD even though this is difficult for many businesses. Don’t concern yourself with brevity. **PRET A MANGER** shows it well. “Passionate about food” is the shorthand version. The words on the bag take it further. And a visit to their stores completes the picture.

A UCD has the power to focus you and your team. It has the power to get you to focus on your business in ways that you’ve never dreamed of.

Whatever it is - get it.

YEAR-END TAX PLANNING

1. If the following **expenditures** are made by **individuals** by **December 31, 2007** they will be eligible for 2007 tax deductions: moving expenses, child care expenses, safety deposit box fees, charitable donations, political contributions, medical expenses, and alimony.
2. **2007 eligible Registered Retirement Savings Plan (RRSP) contribution** amounts are noted on the 2006 **personal income tax return assessment notices**. You have until

February 29, 2008 to make tax deductible RRSP contributions for the 2007 year.

Consider contributing to a **spousal RRSP** to achieve income splitting in the future.

3. The 2007 Budget changed the **RRSP conversion age** from **69 to age 71** for 2007. **Special rules** apply to persons age 69 or 70 who have already converted their RRSPs to an annuity or a Registered Retirement Income Fund.

4. If you own a business, consider paying a **reasonable salary** to family members for services rendered to the business.

5. An individual whose **2007 net income** exceeds **\$63,511** will lose all, or part, of their **old age security**.

Senior citizens will begin to lose their income tax **age credit** if net income exceeds **\$30,936**.

Contact your professional advisors for assistance in **managing** 2007 personal income.

6. Consider purchasing assets eligible for **capital cost allowance** before the year-end.
7. If you had taxable capital gains in the **year**, or any of the **preceding three years**, consider selling capital properties with an **underlying capital loss** prior to the year-end. This capital loss may be offset against the capital gains.

8. **Registered Education Savings Plan (RESP)**

A **Canada Education Savings Grant (CESG)** for RESP contributions will be permitted equal to 20% of annual contributions for children (maximum \$500 per child per year).

The **\$4,000** annual RESP **contribution** limit has been **eliminated** and the **lifetime** limit has been increased to **\$50,000** from \$42,000.

9. **Health and dental premiums for the self-employed**

Individuals will be allowed to **deduct** amounts payable in respect of the year for **Private Health Service Plan** coverage in computing **business income** provided they meet certain criteria.

10. **Tax on Split Income**

The Income Tax Act applies the **maximum marginal tax rate** to certain **passive** income of **individuals** under the **age of 18**. Therefore, consider **minimizing** this type of income in **2007**.



11. A **refund of Employment Insurance** paid for non-arm's length employees **may** be available upon application to CRA.
12. Taxpayers that receive "**eligible**" dividends from private and public corporations will have a significantly lower tax rate on the dividends. **Notification** from the corporation to the shareholder is required. See 80(2) - #2.
13. Eligible **public transit passes** will be entitled to a tax credit.
14. A **\$500 fitness tax credit** for children under 16 enrolled in certain organized sports will be available commencing in 2007.

2007 REMUNERATION

Some *general guidelines* to follow in *remunerating the owner* of a *Canadian-controlled private corporation* earning "*active business income*" include:

1. **Bonusing down** active business earnings in excess of the **annual business limit** may reduce the **overall tax**. However, leaving corporate **active business income** over this amount presents a **tax deferral**. The **disadvantage** of the additional tax on dividends has been significantly **reduced** or **reversed** with the new **lower tax rates** on "**eligible**" dividends.

Professional advice is needed in this area.

2. **Notification** must be made to the shareholders when an "**eligible**" dividend is paid - usually in the form of a **letter dated** on the date of the **dividend declaration**. If all **shareholders** are **directors**, the **notification** may be made in the **Directors' Minutes**.

Please contact your **professional advisor** for advice before paying an **eligible** or **ineligible** dividend.

3. Elect to pay out tax-free "**capital dividend account**" dividends.
4. Consider paying dividends to obtain a refund of "**refundable dividend tax on hand**".
5. Corporate earnings in excess of personal requirements could be left in the company to obtain a **tax deferral**. The effect on the "**Qualified Small Business Corporation**" status should be reviewed before selling the shares.
6. **Dividends**, as opposed to salaries, will reduce an individual's **cumulative net investment loss** balance thereby providing greater access to the **capital gain exemption**.
7. Excessive **personal income** affects receipts subject to **clawbacks**, such as **old age security**, the **age credit**, **child tax benefits**, and **GST credits**.

8. Salary payments require **source deductions** to be remitted to Canada Revenue Agency (CRA) on a timely basis.
9. Individuals that wish to contribute to the Canada Pension Plan or a Registered Retirement Savings Plan may require a **salary** to create "**earned income**".
10. **Salaries** paid to family members must be **reasonable**.
11. Some provinces have "**payroll taxes**" thereby increasing the costs of paying salaries versus dividends.

PERSONAL TAX RETURNS

SCHOLARSHIP/FELLOWSHIP EXEMPTION

In a May 1, 2007 *External Technical Interpretation*, CRA notes that the Income Tax Act **fully exempts** income received as a "**scholarship, fellowship or bursary**" where the income is connected to the individual's enrollment at a **designated education institution**.



For a **university outside Canada** to be a "**designated educational institution**" it must be "a university... at which the individual... was enrolled in a course, of **not less than thirteen consecutive weeks** duration, leading to a degree".

ESTATE PLANNING

PENSION SPLITTING

The Income Tax Act permits **spouses** (or common-law **partners**) to **split** "**eligible pension income**" commencing in 2007.

Advantages include **shifting income** to a lower tax bracket spouse, reducing or eliminating the "clawback" of **Old Age Security**, reducing or eliminating the "clawback" of the **age amount credit** and, additional access to the **\$2,000 pension credit**.

CANADA PENSION PLAN (CPP)

COLLECTED EARLY

To qualify for **CPP early** the person must be at least **age 60** and either have stopped working or **earned less** than the current monthly maximum CPP benefit in the month the **pension begins** and the **prior month**.

For example, if a person turned 60 in November, 2007, the first CPP cheque could come in December, the month after you turn 60. (Service Canada recommends that you **apply for** your pension **six months before** you wish the CPP to begin.) In this example, the taxpayer could go back to work in January, 2008 and, CPP would not apply on any of the future earnings.

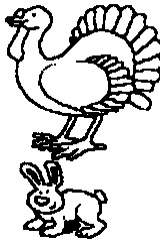


When taking CPP early the amounts are reduced by *one-half* of *1% per month*. For example, by taking the CPP five years early the CPP payments would be *30% less* than that which would have been received at age 65 (6% per year times 5 years = 30%).

GST

AGRICULTURE AND FISHING

In *GST/HST Memoranda Series 4.4*, CRA provides detailed information on the tax status of *agricultural and fishing* supplies including administrative guidelines.



DENTISTS - CROWNS, BRIDGES AND DENTURES

In a French *Tax Court* of Canada case, the taxpayer *dentist* claimed GST *Input Tax Credits* of \$14,900, of which CRA allowed \$2,195. The *issue* was whether that portion of the Appellant's dental practice that was attributable to the supply of *crowns, bridges and dentures* was a zero-rated, exempt or taxable supply. If zero-rated or taxable, the Appellant was entitled to Input Tax Credits (ITCs) in respect thereof. If *exempt*, no ITCs were available. The *tax status* and *allocation methods* were *analyzed* in this French case.

Taxpayer Loses

The taxpayer's *appeal* was *dismissed*.

INPUT TAX CREDITS

In a June 11, 2007 *Federal Court of Appeal* case, the Court *disallowed* the *Input*

Tax Credits claimed by the taxpayer who had paid GST to a number of suppliers which, for various reasons, did *not* have *valid GST Registration Numbers*.

Even though it may *not be practical* to confirm the GST/HST Registration with CRA on *all purchases*, it would be *prudent* to confirm the numbers on more *material, potentially uncertain*, items. This confirmation may be done through a search on the *CRA website* (<http://www.cra-arc.gc.ca/eservices/tax/business/gsthstregistry/menu-e.html>).



WEB TIPS

SMALL BUSINESS FINANCE TIPS

If you are interested in learning more about *financing, investing or improving efficiency within small business*, check out:

<http://www.smallbusinessfinancetips.com/>

Although it is not specifically for Canadian businesses, this site still contains a highly applicable set of *tips and descriptions*. In addition, the content is primarily written by authors who practice in accounting. Therefore, the information is presented in terms consistent with our practices and processes.

Sections include:

Finance Software, Business Loans, Building Credit, Cashflow Solutions, Controlling cash, Business Financing, Bookkeeping, Business Plans, and Useful

Resources.

Each section gives a *quick description* of the topic, it *highlights the pertinent factors*, gives some *good tips* and then *provides links to additional resources*. For example, in the Business Plans section, a link to several templates is provided.

DID YOU KNOW...

ADMINISTRATIVE MONETARY PENALTY SYSTEM (AMPS)

The Canada Border Services Agency (*CBSA*) applies the *AMPS* which is a *civil penalty* designed to encourage *compliance* with Customs legislation.

A recent *CBSA* development notes that effective *January 31, 2007*, additional *AMPS* penalties are to be applied to directed self-corrections, at the conclusion of a compliance verification review or monitoring activity, where it was found an *importer* has previous "*Reason to Believe*" of the error. The approach defines the "*Reason to Believe*" *criterion* not on what the importer can reasonably be assumed to have known but on the assumption that the *importer ought to have known* it was making an error.



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