



Economic Outlook

This summer, the Bank of Canada boldly announced that the recession was over. The lag effects of the recession may, however, linger for many months to come. While we have seen signs of recovery, as in the local real estate market, no one knows for sure where things will go. Will the 2010 Olympics and fiscal stimulus programs have a positive medium-term effect on the B.C. economy? Only time will tell.

Pandemic Planning

Consider the 1998 ice storm in Quebec, the 2003 Northeast Ontario power outage, 9/11, Y2K, SARS, or the current H1N1 flu pandemic. A Business Continuity Plan is an essential element of your business strategy and operating procedures. Consider, among other things, how you will operate in the event of significant employee absences. Do you have policies for a flexible worksite including tele-commuting or staggered shifts? Do you have policies to prevent the spread of the flu at work? Do you share best practices with other businesses in your community? Be prepared.

In a time of crisis we all have the potential to morph up to a new level and do things we never thought possible.

Stuart Wilde

HST Harmonization – Coming Soon

By now you have heard of BC's controversial HST harmonization plan whereby the province's PST will be replaced by the new HST effective July 1, 2010. To get ready for the change, your business will need to adjust its accounting operations and systems. Although most businesses will benefit from the change, there are some that will face an increase in their tax burden. You must plan for the change now as the new HST regime will have an impact on your business' 2010 cash flow.

Transitional rules have been announced to ensure an orderly transition to the new system. These rules are a streamlined version of the transitional rules used in three Atlantic provinces during their 1997 HST changeover. In addition to the phase-in transitional rules, there are phase out rules for the PST, designed to complement the transitional rules for application of the HST.

The transitional rules can impact contracts entered into where transactions straddle the implementation period. It is important to have policies and procedures in place to determine the correct amount of PST or HST to be paid and to ensure that billings properly calculate sales tax.

Additional rules and guidance will be published well before the implementation of the new tax.

Take Advantage of Low Interest Rates

The CRA's prescribed interest rate for taxable benefits is currently at 1%, the lowest rate allowable under current legislation. This provides you and your family with tax savings opportunities through the use of an employee home purchase loan. To take advantage of this low rate you need to act by December 31, 2009 as federal prescribed rates are updated quarterly and a higher rate may come into effect starting January 1, 2010.

The loan must be used to purchase a home for the employee or relatives of the employee, or to repay a loan that was used for that purpose. The interest rate used to calculate the taxable benefit to the employee (currently 1%) will be effective for 5 years, at which point the loan will be considered a new loan and the prescribed rate at that time will come into effect. These arrangements should only be undertaken with appropriate professional advice as interest payment terms and other factors must be properly structured.



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