



# In Touch *with* Tax

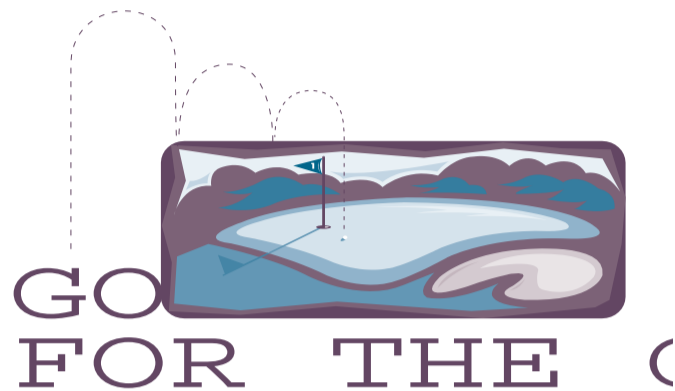
December 1997

## Personal Tax Commentary 1997-1998



What's Inside...

<b>FOREword</b>	2	<b>Pension Income</b>	21	Limited Partnerships	36
<b>Tax Deferral Plans</b>	4	<b>(Future) Senior Benefits</b>	22	Mutual Fund Limited Partnership	36
Registered Retirement Savings Plan (RRSP)	4	<b>Deductions, Credits, And Other Strokes</b>	22	Canadian Films	36
Contribution Limits and More	4	<b>How Tax is Computed</b>	22	Real Estate Investments	37
Carryforward of Unused Contribution Room	5	<b>Deductions</b>	22	Resource Properties	37
Excess RRSP Contributions	6	Interest Expense	22	Government Sponsored Shelters	37
RRSP Rollovers	6	Alimony and Maintenance Payments	23	Computer Software Arrangements	37
Withdrawals	7	Child Care Expenses	23	Life Insurance	37
Homebuyer's Guide to RRSPs	7	Moving Expenses	24	<b>Alternative Minimum Tax (AMT)</b>	38
Planning Points	8	Miscellaneous Deductions	25	<b>Tax Instalments, Penalties And Related Matters</b>	39
<b>Registered Retirement Income Fund (RRIF)</b>	9	<b>Non-Refundable Tax Credits</b>	26	<b>Death Of A Taxpayer And Estate Planning</b>	40
<b>Registered Pension Plan (RPP)</b>	9	Pension Income Credit	26	<b>Emigration From Canada</b>	43
<b>Individual Pension Plan (IPP)</b>	10	Medical Expenses	26	<b>Foreign Reporting</b>	44
<b>Registered Education Savings Plan (RESP)</b>	10	Charitable Donations	27	<b>Taxation Of Non-Residents</b>	44
<b>Capital Transactions</b>	10	Personal Tax Credits	27	What is Residency?	44
Capital Gains and Losses	10	Disability Tax Credit	28	Who is Taxable?	44
Utilization of Capital Losses	11	Spousal (and Other) Transfers of Unused Credits	28	Special Election Rules	45
Reserves	11	Political Contributions	28	<b>Relevant U.S. Tax Issues For Canadians</b>	45
Allowable Business Investment Loss (ABIL)	12	Tuition Fees and Related Matters	28	U.S. Filing Requirements	46
<b>Capital Gains Exemption</b>	12	Foreign Tax Credit	29	U.S. Estate Taxes	46
Filing a Late Election for the \$100,000 Exemption and Other Opportunities	13	<b>Old Age Security (OAS) "Clawback"</b>	29	U.S. Taxes on Sale of U.S. Property	47
The \$500,000 Exemption - The Basics	13	Child Tax Benefit	30	<b>The Goods And Services Tax (GST)</b>	47
Small Business Corporation (SBC)	14	Forward Averaging	30	Employees	48
Some Exemption Planning Ideas	14	<b>Self-Employed Individuals</b>	30	Self Employed Individuals	49
Cumulative Net Investment Loss (CNIL)	15	Fiscal Year-End	31	Partners	50
Principal Residence	16	Business Meals and Entertainment Expenses	31	Other Matters	50
<b>Investment Income</b>	17	Office in Home	32	<b>The 19th Hole</b>	51
Taxation of Dividends	17	Automobile Expenses	32		
Interest Income	18	Income and Expense Recognition	32		
Related Matters	18	Payroll Taxes	33		
<b>Income Splitting</b>	18	<b>Incorporation - Is It The Answer?</b>	33		
Rules	18	Limited Liability	33		
Spouses and Related Minors	19	Taxation of Corporations	33		
Other Related Individuals	19	Some Other Pros and Cons	34		
Other Miscellaneous Notes	20	<b>Losses</b>	35		
Planning Opportunities	20	<b>Tax Sheltered Investments</b>	35		



### **FOREword**

Hi, I'm Tiger Bucks, head professional of the GCSE Tax Academy situated down here in sunny Florida. In the next hour or so, we at GCSE hope to give you Canadian Snowbirds some excellent tax instruction so that you can hone up your game during these cold winter months so that you'll be ready to fly come springtime when that nasty snow disappears. Here at GCSE we pride ourselves on the finest tax instruction that money can buy.

All of our instructors are qualified professionals who have spent many years on the tour and have worked endless hours improving their game. Our goal at GCSE is to take our years of experience and training to help you realize your maximum potential from this great game of tax.

We understand that tax is a multi-faceted game that can be extremely complicated at times and is sure to frustrate even the most professional of tax-players. Therefore, at GCSE we continue to stress the importance of strong fundamentals as the basis for a solid game plan.

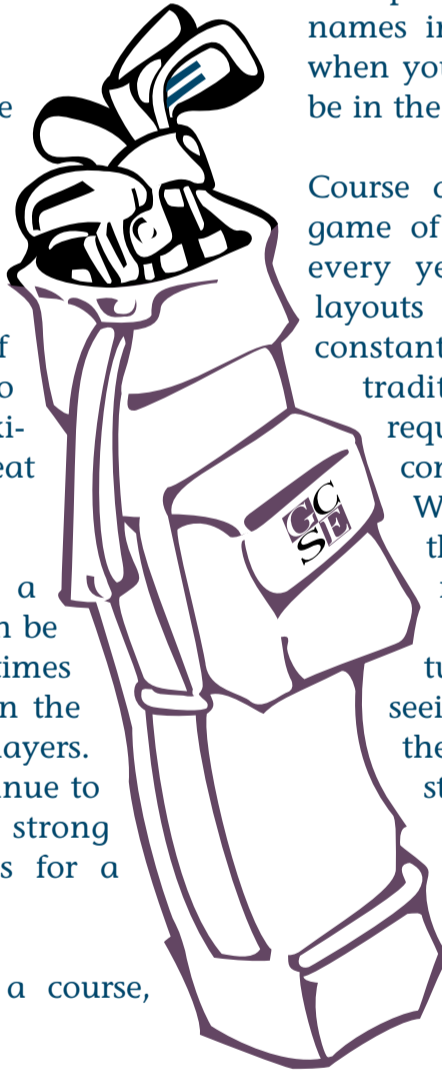
Before you even step on a course,

these basics should be ingrained in such a manner that they become routine. Your tax plan is not unlike your golf swing. The simpler you make it, the more likely that it will be effective.

At GCSE, we realize that tax is one of the fastest growing games in the country. That's why we've expended great resources to stay on top of our game. There are lot of great names in tax, and we like to think that when you think of those names, GCSE will be in the **forefront** of your mind.

Course designers have clearly made the game of tax more challenging each and every year. The introduction of course layouts for taxes like GST and EHT and constant changes to the design of the traditional income tax style courses requires the professionals at GCSE to continually evolve their game plan. We'll work to ensure you stay out of the "traps". Other tax instructors might try to sell you a specific tax gimmick or gadget. You cannot turn on the television today without seeing some professional advertising the latest device guaranteed to take strokes off your tax bill. We at GCSE believe that none of these "tricks" can replace the sound fundamentals of a good tax plan.

Quality tax instruction shouldn't



*the* **19th** *hole*

Hi, I'm Tiger Bucks welcoming you back to the GCSE Tax Academy. We've got another gorgeous day down here in sunny Florida and I'm sure you're just itching to try at least one or two of our taxtip pointers out at the range. In the last several hours, we've focused on all of the basic parts of your tax game. We've "putted" around with some capital gains strategies and taken some "drives" at income splitting ideas. Our instruction focused on both your long and short game, since many of our tips can be utilized currently while some require additional time before they can be instituted. All of our tips, however, are designed to shave strokes off your tax bill so that you can derive more enjoyment from this great game of tax.

We at GCSE invite you to visit our **Great Clubhouse** to meet our professionals and catch their **Swinging Enthusiasm** about tax (i.e. saving it, not paying it). We've spent years developing our sound approach to the game of tax. All of our instructional manuals, videos and related equipment have been painstakingly prepared with the personal care and attention we look to provide to all our valued members. We don't take a "grip it and rip it" approach to the game of tax planning. A finely developed tax game requires years of practice and experience. Not all tax-players are created equal. Some players like to hit the long ball. Other players rely more on finesse. At GCSE we tailor our swing strategies to the individual tax-player. One swing does not fit all.

The game of tax is constantly changing and evolving. Today's strategies may not be good for tomorrow. The equipment required to meet these new challenges must also change. Tax is an addictive game. It gets into your blood. However, it is a game governed by a wide array of rules. It's important to follow the rules and stay within your game.

Not everyone can get a "hole in one". However at GCSE, we'll help you play the "fairway" and "Go for the Green".

Now, if only golf was this easy!

**This scorecard reflects a typical round between revenue canada and GCSE.**

HOLE	1	2	3	4	5	6	7	8	9	OUT	10	11	12	13	14	15	16	17	18	IN	TOTAL	HDCP	NET
<b>BLUE</b>	404	487	174	390	364	421	170	540	421	3371	571	429	394	401	190	409	582	196	431	3606	6977		
<b>WHITE</b>	372	469	159	364	341	408	155	527	402	3197	528	393	374	379	179	391	534	181	424	3375	6572		
<b>HANDICAP</b>	12	2	16	6	17	5	18	10	9		1	7	13	8	14	11	3	15	4				
<b>Revenue</b>	7	8	4	6	6	7	13	6	5	62	8	8	8	8	5	6	6	6	5	60	122		
<i>Canada</i>	4	4	3	4	3	4	2	5	4	33	3	4	3	4	3	4	4	3	3	31	64		
<i>GCSE</i>	4	5	3	4	4	4	3	5	4	36	5	4	4	4	3	4	5	3	4	36	72		
<b>PAR</b>										33													
<b>YELLOW</b>	311	408	120	341	310	362	140	452	367	2811	500	367	353	359	137	368	499	167	382	3152	5963		
(+ OR -)																							
Fairway in Reg.																							
Green in reg.																							
# of Putts																							

**GCSE RULES GOVERN ALL PLAY**  
 FREE DROP – no closer to hole – from all cart paths, service roads and staked trees. See back page for other local rules.  
 Please repair all marks on greens, rake bunkers and replace divots.

SCORER: \_\_\_\_\_  
 ATTESTED: \_\_\_\_\_  
 DATE: \_\_\_\_\_



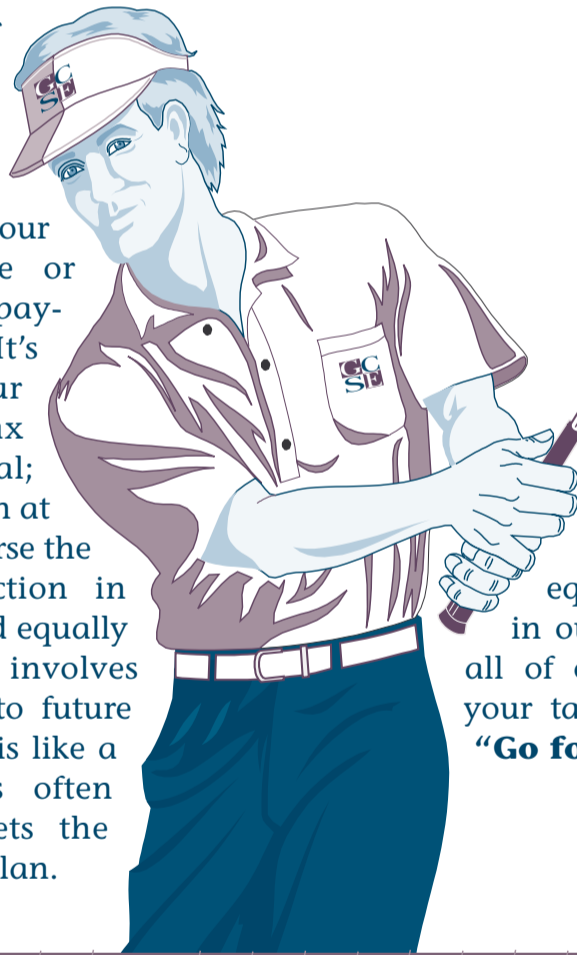


occur just once a year. In order to get the best distance for your buck, you should visit your GCSE club pro more than once a year. Your tax plan is something that needs constant tinkering. There are many elements to the tax game. They all require practice. In order to develop a well rounded game, it is vital that all of the facets of your tax game be worked on throughout the year, not just at year end. As they say, practice makes perfect.

In the next number of pages, we'll be providing you with a tax manual of various tips and strategies to improve your game and "chip" away at your taxes. All of our plans cater to "duffers" and "low handicappers" alike. While we're proud of our "Tax Tips" approach to training, we don't want you to lose sight of the fact that these tips do not replace your regular visit to your club pro. Be sure to visit your club pro at GCSE to straighten out your taxes.

At GCSE, we can't overemphasize the importance of strong fundamentals. We focus our tax planning instruction on two primary strategic objectives. The first objective involves structuring your tax swing to reduce or perhaps "slice" the payment of taxes. It's important that your approach to your tax swing be economical; don't try to do too much at one time (unless of course the swing is to a reduction in taxes). Our second, and equally important objective, involves trying to defer taxes to future years. Deferring taxes is like a good backswing. It's often overlooked, but it sets the tempo for a good tax plan.

Our "Tax Tips" manual



is designed primarily to assist you in your game for the 1998 season, but also contains some tips for 1997. The pros at GCSE have spent countless hours preparing this manual to meet the high standards of our members. We also want to alert our members to our excellent line of videos and equipment advertised elsewhere in our publications. We hope that all of our products help you lower your tax handicap so that you can **"Go for the Green"**.