

Cash Management: Ensuring cash comes in faster than it goes out!

“Increase top line growth - grow revenues year over year!” A key priority for many businesses is focusing on increasing the top line. What many business owners forget is that even the most successful companies run into significant problems if they do not actively manage and forecast the timing of their cash flows. In fact, the largest obstacle to organic growth is dealing with the resulting payables to fund that growth. Mismanagement of cash flows has significant implications not only for the health and viability of the business, but it also negatively impacts the company’s valuation for future equity infusions and possibly puts its credit covenants at risk. A simple example will explain this point.

Your company is growing. You are signing contracts with new clients with payment terms of 75 days. However, your input costs need to be paid in 30 days and this is not negotiable. Your clients are effectively asking you to finance their payment terms - now your company is without the cash for 45 days. When your business is growing, this impact is multiplied.

Winter 2015

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Cash Flow Funding Options

There are many solutions to managing your cash flows or working capital effectively, all of which come with positive and negative impacts to the business and the business owner. These solutions may include, but are not limited to:

Shareholder loans or equity injections	If available, this might be a quick access to capital, however, the opportunity costs of not investing these amounts elsewhere need to be thoroughly evaluated.
Asset-based lenders	Increasingly, banks are turning to asset-based financing to offer real working capital solutions to their client-base, often at very attractive rates. A careful review of the terms and covenants with your legal counsel and financial advisor are critical.
Transaction Based Lending	Lenders are also now turning to transaction based financing, including financing of a large inventory or supply purchase.
Short-term line of credit	While simple to understand and readily available, business operating loans come with terms, covenants and often guarantees.

Benefits to Actively Monitoring Your Cash Flow

Monitoring your working capital position is critical. This can be as simple as modeling historical and forecasted cash flows to determine future cash needs. Further, bankers are much more likely to agree on favourable terms if a working capital infusion request is met with detailed monthly cash flow projections, copies of signed contracts and a formal presentation of business projections. All too often businesses wait until it is too late. Periodic reviews and forecasts of your expected cash flow requirements can help manage growth and prevent surprises. ■■■

Apprenticeship Tax Credits

It is no new fact that Canada is in the midst of a skilled tradespersons shortage which is expected to grow due to the aging workforce. As the decline in skilled tradespersons will negatively impact the economic growth of the country, both Federal and Provincial levels of government are offering financial incentives to employers who hire apprentices. The Federal Apprenticeship Job Creation Tax Credit (“AJCTC”) and the Ontario Apprenticeship Training Tax Credit (“ATTC”) aim to offset an employer’s cost of hiring and training new tradespersons that have entered into Apprenticeship Contracts.

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Apprenticeship Job Creation Tax Credit

The AJCTC is a Federal non-refundable tax credit available to any business, incorporated or not, that hires an eligible apprentice. The AJCTC is calculated as 10% of the eligible salaries and wages paid to an eligible apprentice. Eligible expenses are limited to the salaries and wages paid to the eligible apprentice. This does not include bonuses, taxable benefits or certain unpaid remuneration. The maximum credit an employer can receive is \$2,000 per year for each apprentice during the first 48 months that an Apprenticeship Contract has been registered under an apprenticeship program. Although the tax credit is not refundable, it can be carried back to the 3 previous tax years, or carried forward 20 tax years in order to minimize a past or future tax liability.

What qualifies as an eligible apprentice?

An eligible apprentice is someone who is working in a prescribed trade within the first 48 months of their Apprenticeship Contract. An Apprenticeship Contract is an agreement between an apprentice and employer stipulating that the apprentice will be undertaking an apprenticeship in a particular trade. This contract must be registered with the federal or provincial government under an apprenticeship program designed to certify or license individuals in the trade, such as the Red Seal organization. There are currently 57 prescribed trades listed by the Red Seal organization, which certifies and promotes the trade's workforce in Canada. For a complete list of eligible apprenticeship trades as well as more information regarding registering an apprenticeship contract, visit the Red Seal Program at www.red-seal.ca.

Apprenticeship Training Tax Credit

The ATTC is a supplementary credit to the Federal AJCTC that was introduced as a temporary credit in the 2004 Ontario budget and has since been amended as a permanent program.

The ATTC is available to businesses, incorporated or not, that are subject to Ontario income tax through a permanent establishment in the province and have incurred eligible expenses with respect to training apprentices in a qualified skilled trade. The credit is available during the first 48 months of an apprenticeship program and is determined by the salaries and wages paid to an apprentice. The ATTC credit has a \$10,000 maximum per year for each eligible apprentice. If the total claimed credits exceed a business's tax liability, a refund will be issued.

Unlike the Federal AJCTC, the Provincial tax credits are based on the claimant's payroll costs in the previous year as follows:

Business Payroll Costs	Rate of Claim
Payroll cost exceeds \$600,000 in previous year	35% of eligible expenses
Small business with payroll costs below \$400,000 in previous year	45% of eligible expenses
In between \$400,000 and \$600,000 threshold in previous year	Gradually reduced rate from 45% to 35% based on payroll amount

Eligible expenditures for the purposes of the Provincial program are more encompassing than its Federal counterpart as claimants are allowed to include salaries and wages, bonuses, unpaid remuneration and taxable benefits paid to an apprentice in a qualified skilled trade, as well as any fees paid to employment agencies. Any government assistance received in respect of the apprentice will directly reduce the amount of eligible expenses. It is important to note that if the claimant is currently applying for the Co-operative Education Tax Credit, the same expenditures cannot also be applied for purposes of the ATTC.

What is a qualified skilled trade?

Qualified skilled trades have been designated by the Minister of Finance and are categorized as follows:

- Service trades such as an Electronic Service Technician;
- Motive Power trades such as an Automotive Service Technician;
- Construction trades such as Cement Finishers; and
- Industrial trades such as a Tool and Gauge Inspector.

For a complete listing of qualified skilled trades, visit www.fin.gov.on.ca.

The start date of a qualifying apprenticeship begins on the date that an Apprenticeship Contract is registered with the Ministry of Training, Colleges and Universities. Employers should maintain this Apprenticeship Contract as well as current payroll records to support their refundable tax credit claim.

Retroactive application

Corporations and unincorporated businesses may file adjustments to a tax return for tax years that are within their normal reassessment period. This would allow claimants to apply for both the Federal and Provincial apprenticeship tax credits on a retroactive basis. ■■■

EI and CPP Premium Rates for 2015

Employment Insurance (“EI”)

The Employment Insurance Commission has announced that the EI premium rates for 2015 will not increase from 2014. EI premiums for employees will remain at \$1.88 for every \$100 of earnings in 2015. In addition, the employer rate will remain at \$2.63 for every \$100 of earnings in 2015, with the maximum insurable earnings increasing from \$48,600 to \$49,500 for 2015.

The maximum yearly employee premium, not including Quebec, is \$930.60 for 2015 (\$913.38 - 2014), while the maximum annual employer premium, not including Quebec, is \$1,302.84 (\$1,279.15 - 2014).

Canada Pension Plan (“CPP”)

The maximum pensionable earnings under the Canada Pension Plan for 2015 will be \$53,600 - up from \$52,500 in 2014. The basic exemption amount for 2015 remains \$3,500. Individuals who earn less than that amount do not need to contribute to the CPP. Contributors who earn more than \$53,600 in 2015 are not required or permitted to make additional contributions to the CPP.

The employee and employer contribution rates for 2015 will remain at 4.95% and the self-employed contribution rate will remain at 9.9%. The maximum employer and employee contributions to the plan will be \$2,479.95 each, and the maximum self-employed contribution will be \$4,959.90. The maximums in 2014 were \$2,425.50 and \$4,851.00, respectively.

As there is a growing concern as to the adequacy of funding to meet the pension needs of a retiring and aging Canadian population, there is speculation that the Canada Revenue Agency may introduce additional CPP contribution requirements from higher income earners in the near future. Further discussion on these proposals is expected. ■■■

New Tax Measures Benefitting Families

The Federal government has recently announced significant new measures that will benefit Canadian families. The new measures include:

The Family Tax Cut, a federal tax credit that will allow a higher-income spouse to transfer up to \$50,000 of taxable income to a spouse in a lower tax bracket. Effective 2014, the credit will provide tax relief, with a cap of \$2,000 per year, for couples with children under the age of 18.

The Universal Child Care Benefit (UCCB) will increase as of January 1, 2015, from \$100 per month to \$160 per month for each child under the age of six. In a year, parents will receive up to \$1,920 per child.

As of January 1, 2015 the UCCB will be expanded so that parents will now receive a benefit of \$60 per month for children aged six through 17. In a year, parents will receive up to \$720 per child.

Effective for the 2015 tax year, the maximum amounts that can be claimed for child care expense will increase to \$8,000 from \$7,000 for children under age seven, to \$5,000 from \$4,000 for children aged seven through 16, and to \$11,000 from \$10,000 for children who are eligible for the Disability Tax Credit.

The Children’s Fitness Tax Credit (CFTC) will be doubled and made refundable. The maximum amount of expenses that may be claimed will be doubled from its current limit of \$500 to \$1,000 for the 2014 and subsequent tax years.

Families can claim the Family Tax Cut in the spring of 2015 when they file their 2014 tax returns. They will begin to receive payments under the enhanced UCCB in July 2015. The July UCCB payment will include up to six months of benefits to cover the period from January through June 2015. The enhanced UCCB will replace the existing Tax Child Credit for the 2015 and subsequent taxation years. ■■■

Woman’s Business Enterprise Canada

Women’s Business Enterprise Canada (“WBE”) is a not-for-profit organization that supports and assists female-owned businesses in expanding their customer base and entering domestic and international supply chains. As of July 2014, WBE welcomed the City of Toronto as its first municipality and newest corporate member that is supporting the organizations efforts to increase supplier diversity.

How does WBE Canada do this?

WBE provides certifications to organizations that are at least 51% owned, managed and controlled by females. The application process provides members with credibility and recognition as a supporter of female-owned businesses, and exposure through WBE media initiatives. A WBE certification is marketing tool that distinguishes female-owned organizations and facilitates connections and opportunities, in both the public and private sectors, with vendors that are seeking the benefits of working with diverse and innovative suppliers.

What does WBE do?

Partnered with the Canadian government, female business centers and various female communities, WBE facilitates networking opportunities for members with a focus on developing supplier diversity, providing access to corporate supply chains, and highlighting the value to be found in female-owned businesses. WBE also administers educational and training workshops, conferences, and webinars that provide the tools necessary for female-owned organizations to bid successfully on large procurement contracts, maintain a competitive edge in their specific market, and inspire sustainable economic growth. ■■■

Client's Corner - Eventive Marketing Inc.



Eventive Marketing Inc. is an event management company with experience, creativity and global resources to provide clients' with a Total Event Solution. Situated in Markham, Ontario, Eventive Marketing has offered corporate event services and experiences domestically and internationally for over fifteen years. Eventive Marketing produces and manages, conferences, meetings, product launches, incentive travel programs, roadshows, advisory board meetings and a variety of special events.

Recognized as one of the Top 100 Female Entrepreneurs in Canada by Chatelaine, Eventive Marketing is led by event management veteran, Amanda Stewart. She is supported by a multicultural and trilingual team, which comprises of product development, operations, communications, administration and finance. Eventive Marketing has developed customized programs for their clients in various industries including, Financial, Insurance, Pharmaceutical, Consulting and Automotive.

To learn more about Eventive Marketing Inc. and the services they offer, visit www.eventivemarketing.ca.

Eventive Marketing Inc. 145 Royal Crest Court, Suite 45 | Markham, ONT L3R 9Z4 | Tel: 905-471-8853

News Bits

Promotions - We are pleased to announce the following recent promotions within our team:

Dave Cutler

Dave has been promoted to Manager. Dave joined the firm in 2007 as an Analyst and has worked his way to Manager during his tenure. He is a trusted advisor for many of the firm's clients and will continue to strengthen those relationships and build new ones in his elevated role.

Eric Ngai

Eric has been promoted to Supervisor. He had joined the firm as a Staff Accountant in October 2010 after previously working with us through his co-op terms through the University of Waterloo. Eric has been involved in many aspects of the firm and is an excellent resource for our clients.

Christopher LaRose-Myers

Christopher has also been promoted to Supervisor. Christopher LaRose-Myers joined the firm in October 2012 as a Senior Accountant. Christopher's experience prior to joining W&P entailed several years supporting owner-managed clients as an Accountant.

Antonio Calabria

Antonio Calabria has been promoted to Tax Specialist. Antonio started with the firm in September 2011 as an Analyst. He graduated from the Schulich School of Business, York University, with his Bachelor of Business Administration and successfully passed the UFE shortly thereafter. He has developed in both the accounting and tax areas of the firm and will continue his focus in the tax specialty area and taking the In Depth Tax Program.

Michael Covello

Michael has been promoted to Staff Accountant. Michael joined the firm's accounting group in May 2012 as an Analyst. Michael graduated from the Richard Ivey School of Business at the University of Western Ontario with a Bachelor of Honours Business Administration. Michael has recently successfully passed the CPA Uniform Evaluation and is on his way to completing his requirements for the CPA designation.

New Team Members - We are proud to announce the following new additions to our team

Chris Jones

Chris Jones joined the accounting team of Williams & Partners as an Accounting Manager. Chris brings a broad base of technical and business experience to our clients. Chris has a deep understanding of accounting, business valuation, corporate finance, financial advisory consulting services, litigation support and corporate governance. Chris is a graduate of the Ivey School of Business, University of Western Ontario. He is a Chartered Professional Accountant, Chartered Business Valuator, Canadian Investment Manager and holds the Chartered Financial Analyst designation. Chris looks forward to working with our clients and continuing his career in Public Accounting!

Darcy Eveleigh

Darcy has joined our accounting group as an Analyst. Darcy recently graduated from Wilfrid University with a Bachelor of Business Administration. Darcy is joining our team having previously worked with us as a co-op student. Darcy is currently pursuing the process to complete his CPA designation.

Damian Alksnis

Damian has joined our Forensic Team in our Vancouver office as a Forensic Accountant. Damian has over 15 years of forensic accounting experience assuming a partner role at another firm in the Toronto area. He is a Certified Management Accountant (CMA) and also holds expertise in litigation support, insurance and investigations.

Winter 2015 Planner	February 28th	Deadline for filing T4's and T5's for 2014
	March 2nd	2014 RRSP contribution deadline
	March 31st	Deadline for filing T3 - Trust Returns; NR4 Returns
	March 31st	Deadline for filing WSIB Returns
	April 1st	Deadline to qualify for personal tax return "Early Bird Draw"

CONTACT US

You can reach us by phone at **416.969.8166** or on-line at www.williamsandpartners.com.

NOTICE

Williams & Partners distributes tax tips on a regular basis via email to our clients. If you wish to be on our email distribution list for tax tips, please contact Jackie Pincente at 416.969.8166 ext. 235, or by email to jackie.pincente@wpfa.ca.

DISCLAIMER: The material contained in this newsletter has been produced by Williams & Partners, Chartered Professional Accountants LLP to provide information for our clients and associates. Additional information should be obtained before any action is taken on the basis of material contained herein.