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Top 10 Year-End Tax Planning Strategies For Small Business Owner

As we approach the end of 2014, it is the time to review your tax-saving opportunities before December 31. The following information may assist you in the review process. Please consult a qualified tax advisor or contact me before you implement any tax planning strategies mentioned in this newsletter.

Dividends
The dividend gross-up for eligible dividends is 38%. The corresponding dividend tax credit is reduced to 15.02% of the grossed-up dividend (or 20.73% of the actual dividend). The dividend gross-up for non-eligible dividends is reduced to 18% from 25% in 2013. The corresponding dividend tax credit is reduced to 11.017% of the grossed-up dividend (or 13% of the actual dividend).

Estate Planning
If you haven't updated your will and life insurance during the year, it is the time to review the taxes your estate will be burdened with upon your death.

Owner-Manager Remuneration
The right mix of salaries and dividends to the owner manager will ensure taxes are minimized. Income splitting may also be possible if a spouse or family member provides services for which the individual can be paid a reasonable salary.

Defer a Bonus
If you are going to receive a bonus for 2014, you may want to defer the bonus until January of 2015. That way, you will defer paying income taxes on the bonus for a full year.

Interest Deductibility
In order to deduct loan interest when computing your income, the loan must have been borrowed for the purpose of earning income from a business or property. If you are currently paying interest that is not deductible, contact us to discuss the possibility of reorganizing your affairs to make the interest deductible.

Purchasing Assets
If you are self employed or own a business and are planning to buy certain assets for your business, you may want to consider purchasing them before year-end.

Review Your Personal Use of Employer-Provided Automobiles
A taxable benefit called a "standby charge" applies to an individual who uses a company owned automobile for personal purposes.

Trust Income Allocations
Income not allocated from a trust to an income beneficiary is taxed at the highest marginal personal tax rate (45.8% in B.C.) in the trust. In order to allocate the income from a trust to a beneficiary in 2014, the income must be paid or payable to the beneficiary on or before December 31st.

Individual Pension Plan
If your company is incorporated and has significant income, you can consider establishing a retirement savings plan for yourself.

Last but not Least
You should remember to pay all fees or business expenses if deductible by December 31, 2014 in order to deduct them on your 2014 tax returns.