

## Business Advisory Letter

### Editorial

#### The Changing Face of Oxford County

How about this for an astute observation: Oxford County is changing. With that blatantly obvious fact on the table, let's look at some of the impact these changes will have on our lives and livelihoods.

One of the largest single events in Woodstock's history was the announcement by Toyota that their newest Canadian assembly plant will locate here. The economic impact of this, scaled according to our realities, will be enormous. While the 1,300 direct manufacturing jobs are significant, the multiplier effect will make that job number closer to 3 or 4 thousand. By simple rules of economics, the regional money supply will increase dramatically as the demand for goods and services follows on the heels of this great earning power.

On the business front, companies complimentary to the automotive industry will look to locate around Woodstock. Proximity is a competitive advantage in a "just-in-time" environment, and spiraling transportation costs can certainly shrink a company's sphere of feasible locations. Woodstock and Oxford have done a fine job of compiling industrial development land, but more will be needed. Land owners close to Woodstock will be the beneficiaries.

With the influx of high paying automotive supply companies, skilled labour will become an issue for our existing industries. Pay scales all around the region will feel some upward pressure, and skilled people may not be available at any price. This bodes well for our young people who have the aptitude for the skilled trades. Industry and local government will need to continue to expand their training initiatives to meet the demand.

Land is becoming a very attractive commodity in our region. Right now land speculation is at a feverish pace. Land plots in Oxford with residential or industrial development potential are being snapped up and resold, with each transaction raising the bar. Competition for development land will continue to increase, while competition in the building industry will also escalate as the developers and trades people flock towards the action. Speculation fever will eventually subside because the actual pace of development always lags the prophecies. Regardless of these short term

aberrations, there will be a residential and industrial boom here for some years to come.

It appears agricultural land will continue to hold its value. Within the agriculture industry established farmers are fueling the demand for land. Nutrient management legislation, and the simple doctrine of economies of scale, ensures land will not soon be out of fashion. Outside the ag sector, however, Bay Street investors, over exposed to the financial markets, now see Southern Ontario farm land as a solid long term hold. The normal demand for land makes this asset class a strong hedge against inflation, and may even provide some speculative upside. Add to this the compounding effect of the outside demand, and farmers will find expansion expensive. Unfortunately, commodity prices will not likely keep pace. Here in the Food Basket of Canada we will face some challenges as the colour of our rural landscape changes to an urban hue.

Faced with an increasing residential and industrial population, Oxford County's infrastructure will be capacity challenged. Roadways, sewage systems, water sources, policing, health care, emergency services; all will be hard pressed to keep up with the demand that our growth will bring. Residents and business owners will need to be patient as our representatives and municipal employees evolve along the path to urbanization. As it is with any enterprise, cash-flowing growth can be a taxing experience. Good fiscal management will be important.

Undoubtedly, our way of life in Oxford will change now that we are on the radar scope of the big players. Woodstock will cross the boundary between large town and small city. The rural hamlets and villages of Oxford will meet new people with new ideas, who will bring new enthusiasm with them. We will be more crowded and it will be more expensive to live here. But we will, hopefully, have more opportunity to prosper. "May you live in interesting times" is the well-wishers' call that is coming true for the people of Oxford. ♦

*Brent VanParys*

#### IN THIS ISSUE

Editorial: The Changing Face of Oxford County . . . . .	1
In the Firm . . . . .	2
Taxation: Federal Budget Highlights . . . . .	2
Taxation: Car Expenses . . . . .	3
Management: You Deserve It . . . . .	3
Money Saver: Extended Health Care Benefits. . . . .	4

### ***VMSW continues to be active in the community***

Jean Shippey assumed her new role as the president of the Woodstock District Chamber of Commerce in June 2005. One of her first duties was to attend the official announcement of Toyota choosing Woodstock as home for its new assembly plant.

Garry Honcoop is an active member of the Woodstock General Hospital Fundraising Committee which has so far raised \$8 million to help with construction costs.

### ***The staff at VMSW continue to improve their skills with ongoing training and development programs.***

Lee Littlejohns and Megan Hiepleh successfully passed the Ontario School of Accountancy in June 2005. They now move on to write the Uniform Final Exam in September in their quest to become chartered accountants. Good luck Lee and Megan!

Jessica Losier and Brent VanParys attended the Association for Accounting Marketing Conference in Orlando, Florida. The Association for Accounting Marketing (AAM) is the only trade association of its kind providing resources and support to over 600 members throughout North America engaged in the marketing of accounting firms.

Mary McMurchy successfully completed her latest course in bookkeeping and is working towards obtaining her Bookkeeping Certificate.

Kathleen Pottruff and Peggy Rayner have recently joined the bookkeeping team at VMSW.

### ***We Spent the Night Together***

The staff of VanParys Micacchi Shippey & Warnick and Oxford Technology Group participated in the Woodstock Cancer Relay on June 17-18, walking all night long in support of this worthy cause.

The Woodstock Cancer Relay raised \$227,000, and a record \$11 million was raised in communities across Ontario for cancer research and community services for those affected by cancer.

### ***It's Not About Bowling...It's About Kids.***

On February 25<sup>th</sup>, 2005 the staff of VanParys Micacchi Shippey & Warnick burned up the lanes at the Big Brothers Bowl-a-thon, raising the most money in the Professional Services Category.

Overall the Woodstock Big Brothers Raised \$35,000. Thank you to everyone who supported Big Brothers, and a special thanks to all who came out and bowled!

*For more great articles - visit the Resources section of our website at [www.vmswca.com](http://www.vmswca.com)*



## **Taxation** **Federal Budget Highlights**

The Federal Budget of February 23, 2005 included a number of tax changes, many of which will take effect mostly over the next several years - assuming of course that the Liberal government stays in power or that the next government decides to continue with these proposals.

*The most significant changes are described below.*

- There will be small increases in the basic personal credit and the spousal credit. As of 2009, the basic personal credit will effectively exempt tax on the first \$10,000 of income (for 2005, the figure is \$8,148).
- Allowable "caregiver" medical expenses for a dependent relative will increase from \$5,000 to \$10,000 per dependent.
- The medical expense credit will be restricted to eliminate claims for hot tubs, hardwood flooring and other generic purchases that increase the value of the home.
- Adoption expenses will be allowed for federal credit, for up to \$10,000 of expenses per successful adoption. The credit is 16% of the amount paid.
- The child disability benefit will be increased from \$1,681 to \$2,000. RESP for disabled students will be allowed to run for a maximum 30 years rather than the usual 25.
- RRSP contribution limits will increase from the current \$16,500 for 2005 to \$18,000 (2006), \$19,000 (2007), \$20,000 (2008), \$21,000 (2009) and \$22,000 (2010), after which they will be indexed to inflation.
- The foreign property limit has been eliminated, for RRSPs, pension funds and other deferred retirement plans. Thus, you no longer need to limit your RRSP to 30% foreign content.
- RRSPs (and other deferred plans) will now be able to invest in gold and silver bullion and certificates.
- Members of the agriculture cooperatives will be able to defer paying tax on patronage dividends that are paid to them in the form of eligible shares.♦



## Taxation Car Expenses

At the end of 2004, the Department of Finance made its traditional annual announcement about the automobile amounts for the coming taxation year. These amounts set out the 2005 limits for the purchase, lease and financing costs of passenger vehicles used for business or employment purposes and the deduction limits for the per kilometre car allowances paid to employees for the use of their vehicles. The announcement also sets the amount for the 2005 taxable benefit for the operating costs in connection with the personal use of an employer's vehicle.

Most cars, some pick-up trucks, and vans that seat up to eight passengers and one driver are considered passenger vehicles.

Deductible expenses include licence and registration fees, payments for fuel, insurance, interest for financing, leasing costs, capital cost allowance (CCA), maintenance, and repairs. If you use your car for both business or employment and personal use, the expenses are prorated according to your use of the vehicle for business or employment purposes. There are further restrictions on the deductions for CCA, interest and leases for passenger vehicles owned by a company or used for business purposes.

### ***Personal Use of a Company-owned Vehicle***

If you are an employee and your employer provides you with a vehicle, the taxable benefit for your personal use of the car is generally the total of two amounts: a standby charge for the year and an operating cost benefit for the year.

The taxable benefit for the operating costs relating to your personal use of the vehicle is 20 cents/kilometre. If you are employed principally in selling or leasing automobiles, the taxable benefit for your personal use of the vehicle is 17 cents/kilometre.

If, as the owner/manager of an incorporated business, you use a car belonging to the corporation, or a person related to the corporation, you are also required to include a standby charge in your income. The value of this taxable benefit is calculated the same way it is calculated for other employees. The formula is 2% per month times the original cost of the automobile including GST, or two-thirds of the monthly lease cost, including taxes but excluding insurance.

*To continue this article, visit the Resources section of our website at [www.vmswca.com](http://www.vmswca.com)*



## Management You Deserve It

Owner/managers are constantly working to build their company, to keep clients and employees happy and, of course, ensure a profit at the end of the day. The large majority of owner/managers are successful at these tasks but fail to see that the most important reason for being self-employed is to ensure the future well being of themselves and their family.

Entrepreneurs are often so consumed with the need for success and growth within the business that they forget the old adage: Don't put all your eggs in one basket. Owner/managers who have survived the critical first five years of growing a business owe it to themselves to review their business and their goals with a view towards rewarding themselves for the hard work and success that they have achieved.

### ***Reward Your Success***

Have you put all of your future in your business or do you have personal working capital outside the business' bank account for riding out a downturn or worse? If your business is incorporated, consider raising your salary to accumulate personal savings.

Far too often, the rewards of working are simply left to the end of the year to see what the profits are going to be.

Consider the salary that would be expected if a third party did your job. Revisit your billing practices and pay yourself on a regular basis. Set a goal to put away the equivalent of at least six months' earnings in personal savings or investments.

Of course, also consider stepping up your RRSP contributions to reduce the impact of income taxes on any additional draw or salary. At the same time, if you are not at the maximum, additional income will increase your RRSP contribution level.

### ***Secure Your Position***

The profit figure at the end of the year is a welcomed indicator of a successful business. Many times, the owner/manager reinvests the profits back into the business with asset acquisitions, the expansion of premises or the addition of a new product line. Using profits to take care of the future is admirable, but consider curtailing the impulse to invest all the profits back into the business and reward yourself with a bonus or dividend payments.

*To continue this article, visit the Resources section of our website at [www.vmswca.com](http://www.vmswca.com)*



## Money Saver Extended Health Care Benefits

An attractive benefits package with extended coverage for dental, vision, pharmaceutical and other health care services that are not covered by our public health care system gives employees an incentive to join and stay with a company.

A group health plan can be costly for the small business with few employees, but there are ways you can lower (or at least control costs) while maximizing the benefits for yourself and your employees.

### ***Shop Around***

Make sure you are getting the best package and service at a competitive price. Put out tenders for comparison quotes from insurance companies for your health, dental, disability, critical illness, life insurance and/or employee benefit plans. Be sure to analyze the quotes you receive as not all packages are the same. If a quote does provide the same coverage and quality of service for a reduced premium, your current agent may be able to provide a competitive quote.

### ***Find the Right Broker***

The right broker can save your company a lot of money on health insurance plans. On one hand, brokers work for the insurance companies by selling you a product on which they make a commission. On the other hand, they work for you by finding the best possible coverage for the least amount of money.

Your broker should be knowledgeable about costs, limitations of the coverage, maximum per year coverage, as well as the tax implications to your company and its employees. In that employees often want to include family members on their coverage, it is important for the agent to be able to provide specific coverage limits for the employer and perhaps additional coverage options available to, and payable by, employees.

### ***Fine Tune the Coverage***

The more options there are on the table for coverage, the higher the cost. Thus, if the plan calls for dental, extended hospital and a drug plan, it may be possible to negotiate with the insurer, through the broker as to dollar or percentage limits for coverage, specific care packages or shared costs with employees.

The objective of this exercise is to prevent insurance premium costs from escalating. Certainly you will need the cooperation of your broker to determine what is best for the bottom line and your employees.

### ***Join a Pool***

There is definitely an advantage to being a small fish in a big pool when it comes to health insurance coverage. Purchasing within a pool allows smaller businesses to join together and purchase health insurance and thereby spread the risk and the cost of the insurance coverage.

A number of associations such as the local chamber of commerce or automobile clubs offer members the opportunity to purchase medical insurance as part of a pool of members. As with any insurance offering, carefully review the coverage that is provided. It may be prudent to determine which insurance company is carrying coverage for the association or club and the stability of the insurer.

### ***Contract a Consultant***

Aside from the cost of the insurance, handling medical claims and any issues that arise can be time-consuming and costly. It may be advantageous to consider having an independent consultant process your employees' claims and liaise with the insurance company. If you already have an employee benefits plan, a consultant can review it and recommend changes to improve the value as well as help you find the right product at the right price.

*To continue this article, visit the Resources section of our website at [www.vmswca.com](http://www.vmswca.com)*



432 Simcoe St.  
P.O. Box 67  
Woodstock, ON  
N4S 7W5

Phone (519) 539-6109  
Fax (519) 421-1339  
Toll Free: 1-877-539-6109

8 Stover St. N  
Norwich, ON  
N0J 1P0

Phone (519) 863-3126  
Fax (519) 863-3756  
Toll Free: 1-866-863-3126

45 King St. W  
P.O. Box 36  
Ingersoll, ON  
N5C 3K1

Phone (519) 485-2350  
Fax (519) 425-2416  
Toll Free: 1-888-485-2350

[info@vmswca.com](mailto:info@vmswca.com)  
[www.vmswca.com](http://www.vmswca.com)