

BUSINESS & MONEY

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DOLLARS & SENSE

More things that can get you audited

Last week, I discussed six things that the tax man looks for in your tax return to hit you with an audit. This week, due to lots of feedback from you, I thought I would cover the other four things that can get you into trouble, plus number five and six are repeats from last week.

They seemed to garner a lot of interest, so I thought I would repeat them again this week. Again, these tips are from the 2005 Mackenzie Mutual Fund Tax Guide. You should be squeaky clean when it comes to these items on your tax return.



Bob Thompson

Once again, this week, I have added a couple of Quotes of the Week at the end of the column, for all of you that don't care about tax stuff.

1. Installments

Problems with installment payments continue. In many cases, the payment is credited to the calendar year in which it is made, rather than to a prior year to which the taxpayer has requested payment

be directed. The result is an unexpected shortfall in respect of a particular year and a credit for another year.

2. Disability tax credit

Eligibility for the disability tax credit is very strictly defined by the tax legislation. Supporting documentation from a medical professional is critical.

3. Rollovers from deceased individuals

The income tax on registered accounts (RRSPs, RRIFs) held by a deceased individual can be deferred when a surviving spouse is the beneficiary. The amount is generally reported with an offsetting deduction. Although this transaction is fairly routine, it is invariably questioned.

4. Business expenses with a personal element

It is important to segregate personal expenses from legitimate business expenses, as only the latter are deductible for tax purposes. There have been many questions from the tax authorities when a particular expense combines a business component with an element of personal benefit – for example, when a spouse is invited on a business trip or when accurate mileage records are not maintained for an automobile with personal and business uses.

5. Carrying charges

Expenses incurred to earn investment income, such as interest and management fees, are frequently challenged, even when the amounts are fairly modest. It is critical to retain supporting documentation and ensure that personal expenses are not intermingled with tax-deductible items. New draft legislation in relation to interest deductibility may keep this topic near the top of our list for a while.

6. Charitable donations

Large donations (in excess of \$25,000) and donations of property in kind continue to attract scrutiny. This attention is likely the result of the multitude of "structured" or "leveraged" donation schemes developed over the last few years prior to the recent introduction of legislation to shut them down. There is a perception that charitable donation tax credits have

Please see **MORE** on 18

SMALL BUSINESS CORNER

Embracing change in your business workplace

Do you tolerate change or do you seek change? Do you make changes for the sake of making changes because you get adrenaline rushes from changes? Are you making changes because of an awareness of changes that will support the vision you have of yourself and your organization or business? Are you making changes because you are responding to the needs of your customers, clients or staff? How well have you incorporated the input of those who will be affected by changes you plan to make? And have you communicated your plan to make changes or have you just directed the change?

In a rapidly changing world, stresses are from many sources and participating in change can result in a stressful experience or a rewarding one-your choice. This choice stems from a perspective of resisting

or fearing the change or embracing and enjoying the possibilities of change. Particularly in businesses where more is expected with less resource, changes are necessary for these businesses to remain operational and to thrive. Embracing the change in the spirit of team effort will lead to happier and more successful results for all. A great book about effectively dealing with change is written by Spencer Johnson; it is titled *Who Moved My Cheese* and is well worth reading. Characters are used to illustrate the results



Gloria Tom Wing Staudt

of those who resist and fear change and those who anticipate, monitor, adapt, and are ready to enjoy change.

Some supporting and limiting factors when changes occur in business include:

You see the big picture and involve staff versus giving the directive for it to happen without offering much explanation

You see staff as valuable assets and assign roles based on their strengths & the needs of the workplace versus by assigning responsibilities based on seniority or personality

You see your staff as contributing to make innovative changes that develop the people, as well as the business versus seeing them as just lucky to keep their positions

Please see **CHANGE** on 18

Bailey Jung says increasing concerns about identity theft and corporate security keep his mobile document shredding service busy in Burnaby's business parks.
MARIO BARTEL/NEWSLEADER

It's no secret, privacy protection a growing area for businesses

BY MICHAEL MCQUILLAN
NewsLeader

If you're in business, there's a good chance privacy protection is a concern. Ever since the federal and B.C. governments enacted privacy protection legislation, it's as vital as paying taxes.

Accidentally releasing confidential information of employees or clients, and companies can be hit with fines and bad press.

"Companies have to be concerned about sensitive information falling into the wrong hands," said Bailey Jung, who owns Silver Bullet Shredding. "Dumpster diving has become widespread. There's been a number of privacy breaches in the last year. It's created an awareness and need for companies to become concerned."

Silver Bullet Shredding and other firms are keeping themselves busy these days destroy-

ing documents that contain confidential information. Jung's business involves driving his truck to companies and shredding the paper onsite.

Rather than pick up the documents and take it elsewhere to be shredded, "Businesses want it done onsite," said Jung, who has clients all over the Lower Mainland.

"More and more do because that way they can watch the process."

His clients include law firms and accountants, as well as retail operations and those who offer other services. Businesses and organizations are correct about being concerned with privacy protection, said Jung.

Identity theft is one of the largest growing types of crime in Canada and the United States. Worldwide statistics for last year show that as many as 9.9

million people were victims of identity theft. The cost of the crime is estimated at \$48 billion for companies and \$5 billion for individuals last year, according to the National Association of Information Destruction (NAID).

Identity thieves typically build up a profile of a victim using pieces of information. Things like a social insurance number and a date of birth can allow the thief to take over someone's identity. Once they do that they can have mail redirected, take over bank accounts, make purchases and apply for loans and credit cards.

Every so often police discover individuals and gangs involved in the crime. They use computers, colour photocopy machines and other technology to replicate personal identification.

To combat the crime, the federal government passed new privacy laws in 2004 under the

Personal Information Protection and Electronic Documents Act. In this province we have the British Columbia Personal Information Protection Act.

Both pieces of legislation make it mandatory for businesses to follow rules about the collection, use and disclosure of personal information. Companies must also establish guidelines on how personal information is safeguarded and destroyed.

The provincial government also established the Integrated Technological Crime Unit to investigate identity theft and other types of cyber-crime.

Jung sees document shredding and other forms of privacy protection as a growing industry. "Companies are beginning to understand the importance of it. There's a growing demand."

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