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FORESIGHT

CONTEMPORARY IDEAS FOR BUSINESS MANAGEMENT SPRING/SUMMER 2025

Ontario Made Manufacturing Investment Tax Credit

The Ontario made manufacturing investment tax credit was passed alongside Ontario 85 bill on May 18, 2023. It is a refundable investment tax credit designed to support manufacturers in Ontario. Eligible Canadian-controlled private corporations (CCPCs) can receive a 10% tax credit on qualifying investments in manufacturing and processing (M&P) property, up to a maximum $2 million per year. For investments of up to $20 million annually, corporations can claim this credit to reduce their tax liability and reinvest in their business.

Qualification Criteria: Does your corporation qualify?

The corporation must meet ALL the following criteria to claim the credit:

1. Be a CCPC throughout the tax year;
2. Have a permanent establishment in Ontario, actively carrying on business throughout the year;
3. Not be exempt from Ontario corporate tax during the year

Eligible vs Ineligible Purchases

For corporations to qualify for the credit they must ensure that purchases are NOT excluded property as these properties are considered ineligible for the tax credit claim. From a general standpoint, M&P properties purchased from a third party are considered eligible. Provided below is a more detailed outlook of the M&P property purchases that are customarily considered acceptable:

There are two main classes of investment purchases that qualify for claim of this credit. These include capital cost allowances (CCA) classes 1 and 53. Below is a detailed look of the requirements for each class:

<u>Class 1</u>

1. Includes buildings that become available for use after March 22, 2023.
2. Consists of buildings that are primarily used (at least 90% of the floor space) for manufacturing or processing purposes at the end of the year. The credit may also apply to buildings under construction or undergoing renovations, provided they meet the manufacturing use requirement.
3. The building must also be eligible for an additional 6% CCA claim.
    - To satisfy this requirement the corporation must make an election under regulation 1101(5b.1) of the Federal Income Tax Act.

<u>Class 53</u>

1. Includes machinery and equipment that became available for use after March 22, 2023.
2. Machinery and equipment that are used in Ontario for manufacturing or processing of

the goods for lease or sale.

3. Property that the corporation leases in the ordinary course of business that is used primarily for manufacturing or processing of goods for lease or sale will also qualify.

Ineligible Claims & Excluded Property

A claim will be deemed ineligible if the expenditure was acquired by the following means:

1. If there is an existing contract with a non-arm's length individual or partnership at the time of acquisition.
2. For the case of amalgamation, if the predecessor corporation was deemed as a non-qualifying corporation prior to amalgamation.

An M&P property will be deemed an excluded property and will be ineligible to claim the Ontario made manufacturing investment credit if one of the following criteria are met:

1. If at any time during the properties existence the property was owned by a non-arm's length party or purchased from a non-arm's length party.
2. If the credit was previously claimed by an associated corporation or the qualifying corporation.
3. If the reason for holding the property was for a leasehold interest by an associated corporation or the qualifying corporation.
4. If the property was leased to a non-profit organization or a registered charity or any other property that is considered exempt from paying tax under section 149 of the Federal Income Tax Act.
5. If the M&P property was purchased from a seller who has a right or option to either lease or acquire a portion or all the property.
6. If the corporation that qualifies for the exemption provides a buyer with an option or right to purchase the property.
7. If the property was transferred following an election from a Class 1 asset to a Class 2 or 12.

How To Claim the Credit

Corporations must file Schedule 572 with their corporate income tax return to claim the Ontario Made Manufacturing Investment Tax Credit. It is essential to file within 6 months after the end of the corporation's tax year to ensure eligibility. Late filings may result in the credit being denied.

How The Credit Is Calculated

The credit is calculated as 10% of the total eligible expenditures for the year, up to a maximum of $2 million. If a corporation (or group of associated corporations) makes qualifying investments exceeding $20 million, the total credit claimed is still capped at $2 million annually.

Example:

A manufacturing corporation invests $12 million in a new manufacturing facility and $8 million in machinery during the year, for a total investment of $20 million. The corporation can claim a 10% credit on the total qualifying expenditures, resulting in a $2 million tax credit.

If this corporation is associated with another company, the total credit of $2 million must be shared between them, and the total qualifying expenditures (up to $20 million) must be allocated across both companies.

Key Takeways

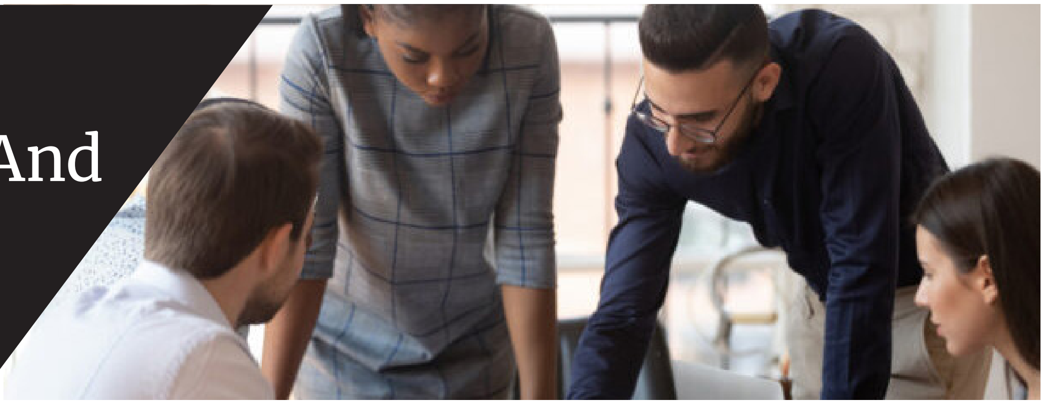
The Ontario Made Manufacturing Investment Tax Credit provides a significant opportunity for manufacturing businesses or reduce their tax burden on qualifying investments in Ontario. With a refundable tax credit of up to $2 million annually, this incentive can help corporations reinvest in their operations. While there is no immediate deadline for the credit, the Ontario government plans to review the review the program in three years, which may lead to future changes.

Below are key considerations to keep in mind when applying for the Ontario made manufacturing investment tax credit:

1. The investment limit will be prorated for short taxation years.
2. The amount of the $20 million expenditure limit must be allocated among all associated corporations.
3. The total claim for the credit is 10% of the amount of eligible qualifying investments for a maximum of up to $2 million dollars per year.

The Ontario Made Manufacturing Investment Tax Credit is considered a government inducement, subsidy or grant. Therefore, the resulting refund would be considered taxable income and would need to be reported in the year it is received. For more detailed advice on how your business can benefit from this credit, please contact one of our trusted advisors.

Article written by: Michael Cubelic & Mark Gonzales



Creating a Respectful (And Compliant!) Workplace

Few people would disagree that every workplace should be free from violence and harassment of any kind. Everyone should be able to work in a safe and healthy work environment. Workplace harassment can also take place virtually, using information and communications technology. Sometimes it can be outright obvious, but other times it can be more subtle. It is the effect of the comment or action on the recipient that is most important.

The Occupational Health and Safety Act (OHSA) has set out the roles and responsibilities of employers with respect to Workplace Violence and Harassment and it is important to note that the fallout to an organization can be significant when violence or harassment concerns are not addressed.

Since 2010 and 2016, Bill 168 (violence and harassment) and Bill 132 (sexual harassment) within the OHSA have been in place to help guide employers and protect employees.

There's never a bad time for some reminders on what these important pieces of legislation entail! Although you are likely familiar with Bills 168 and 132, as you are thinking about your HR strategy into 2025, you will want to consider whether you are meeting your compliance obligations.

Did you know?

- Employers are required to work with their Health and Safety Committee or Representative to develop and implement a Workplace Violence and Harassment program. This program includes your policy and employee training.
- Your policy must be reviewed at least once a year and must express the employer's commitment to addressing Workplace Violence and Harassment.
- Your policy must clearly state that the employer will conduct an investigation of harassment complaints without penalizing those who report harassment. It is recommended, and the Ministry of Labour can compel, that employers hire a third-party investigator to investigate and produce a report on a complaint of workplace harassment.
- You must ensure that all employees complete Workplace Violence and Harassment training. Our recommendation is that this is completed during your onboarding process and on a yearly basis.
- Risk assessments should be frequently conducted by employers and all training components must be updated to reflect any policy changes.

Why is this important to you?

- It is the law; organizations of all shapes and sizes are legally required to comply – no one is exempt! Although organizations with under 5 employees do not require a formal policy, they are still required to comply with every other component of the legislation.
- A conviction of an offence under the OHSA may result in costly fines up to $2,000,000 for corporations, up to $1,500,000 for directors and officers (and/or up to 12 months imprisonment), up to $500,000 (and/or up to 12-months imprisonment) for all other persons.
- Left unchecked, harassment in the workplace can lead to additional or indirect costs. These can include:
    - Increased absenteeism
    - Increased costs, such as WSIB and disability / sick leaves
    - Decreased productivity, quality, and efficiency leading to lower customer satisfaction and potential brand impact
    - Turnover
    - Poor employee morale and low employee engagement
    - Legal or outsourced costs for litigation claims

How can DJB HR help?

Our team of HR Professionals and Certified Investigators can help to ensure that you are meeting your obligations related to Workplace Violence and Harassment.

Be proactive, not reactive. Building your Workplace Violence and Harassment program does not need to be difficult, but it is important that you have something in place.

We can support your organization in the following ways related to Workplace Violence and Harassment:

- Conducting workplace investigations
- Policy development
- Workplace risk assessments
- Compliance training and education
- Training related to creating respectful workplaces
- Review of overall legislative compliance

Want to learn more about what you've read? Need assistance in getting your Workplace Violence and Harassment program up to speed? Just want to chat about HR?

Contact djbhr@djb.com to connect with one of our HR Professionals to discuss your HR needs.

Special Needs Planning

Recall your last vacation? How much time did you spend planning where you were going, how were you going to get there, and what activities you would enjoy once you arrived? Sadly, most people spend more time vacation planning than they do financial planning.

A financial plan is the roadmap for your future and the strategy for your family's security. It is important for every adult, but it's particularly important if you have dependants, and even more so if one or more of those dependants are disabled. When you are planning for a disabled dependant, you need to factor in the additional needs and time the financial resources must last for a disabled dependant, along with the healthcare needs and associated costs, managing support needs, dealing with government agencies, and a myriad of other concerns.

Most financial plans will recommend using Registered Retirement Savings Plans, Tax-Free Savings Accounts, Insurance, and Wills along with Powers of Attorney to help achieve goals and protect lifestyle.

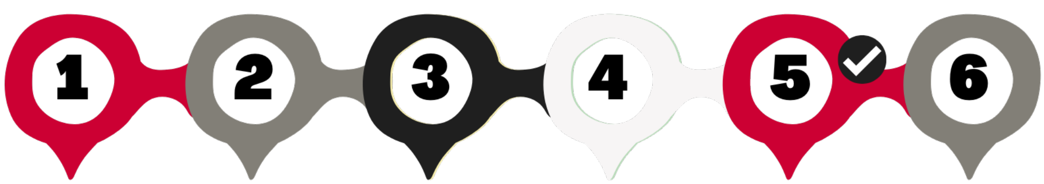
However, those requiring Special Needs Planning will likely benefit from having a Life Plan Guide, a special trust referred to as a Henson Trust, Registered Disability Savings Plans, Ontario Disability Support Planning, along with other special investment and insurance options to protect and support loved ones. In addition to the financial planning needs, there are also long-term care planning needs.

- Who will look after my child when I die or if I become incapacitated?
- Where will they live?
- Who will take them to their doctor and therapy appointments?
- How will they pay their bills?
- My whole life has been about looking after my child, but I have other goals that I would like to achieve; how can I do both?

These questions can be overwhelming. Consider building a network of people to provide support for your disabled dependant while you are still healthy and involved is critical. Disabled dependants often rely heavily on their care providers. If their sole care provider is Mom or Dad and they are suddenly out of the picture, it can be devastating for them. Parents should consider aligning themselves with professionals who have experience in dealing with special needs planning, such as Accountants, Lawyers, Certified Financial Planners, Trust Officers, Counsellors, Support Workers, Caregivers and Doctors, as well as Associations, Support Groups and other related networks.

The best advice for families with special needs dependants is to choose a qualified, trusted team of professionals. The financial planning process is similar regardless of whether you have disabled dependants or not.

Develop and implement a comprehensive financial plan and long-term care strategy without delay. Contact us today, we can help!



Establish your goals

Determine your current financial position

Analyze your information to determine any shortfalls

Create solutions to overcome the shortfalls and enable you to reach your goals

Take action to implement your plan

Review it on a regular basis to ensure you are still on track

Valuing Economic Loss for Realtors in the Current Realty Market

In calculating the economic loss for an employed, or self-employed individual, we typically compare the person's pre-accident potential earnings (being what they would likely have earned had the accident not occurred) to their expected post-accident actual earnings (being what they will likely now be able to earn, if anything, given the injuries they suffered in the accident).

Under relatively normal and stable economic conditions, the potential earnings are often estimated based on what the person was earning at the time of the accident, or perhaps based on an inflation-adjusted average of their pre-accident earnings. However, given the large fluctuations in real estate markets over the last few years, determining the potential and expected actual earnings for real estate agents/ brokers, has become more complex and difficult to determine.

Earnings of real estate agents are typically based on commissions on the sale price of the residential and commercial units sold. Over the past few years, the sales prices of real estate have increased dramatically. The resulting commissions on those property sales have also increased dramatically. Therefore, real estate agents are typically earning much more per home/unit sold now, than they did before these increases.

A real estate agent injured in an accident likely can't work to the same extent as they could before their accident. Therefore, they have likely suffered a loss due to the accident because they are selling fewer homes than they were before the accident. However, because their commission income per home/unit sale is now much higher, their income may not have actually decreased, even though they are selling fewer homes. That is, had they not been injured in the accident, they likely would have sold more homes/units than they did in their injured state, and thus, they have suffered a loss, even though they may have earned as much, or more, income than they did prior to their accident.

To add to the complexity, real estate agents have also experienced somewhat inconsistent sales volumes with the interest rate increases that began in March 2022, and remained at higher levels until the recent decreases in the middle of 2024. Other external factors may also apply, with the number of homes sold throughout the Golden Horseshoe area fluctuating significantly over the last few years. For example, the annual number of residential sales in the Hamilton area increased by about 8% in 2020, and almost 14% in 2021, before decreasing sharply by about 33% in 2022, and a further 15% in 2023. Based on this, it would likely not be reasonable to assume that any specific real estate agent's sales would have remained constant throughout this period. Rather, it is likely that their number of sales would have fluctuated somewhat consistent with the market. We need to consider these fluctuations in estimating the person's potential earnings.

Based on the above, when estimating a real estate agent's potential earnings during this period, we would want to consider both the change in real estate prices (and thus commission income) and the fluctuations in the market. We can then compare this to the actual number of units sold, and income earned, by the real estate agent to estimate the loss suffered due to their injuries.

Ultimately, calculating the value of lost employment or self-employment income for economic loss purposes is a complicated issue, with each case presenting its own set of unique challenges. Our Financial Services Advisory Team (FSAT) has significant experience preparing these calculations. If you have any questions or require assistance with a calculation, please contact a member of our team.

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The Advantages and Pitfalls of Donation Receipting for Charities

One of the greatest benefits of a not-for-profit organization being categorized as a registered charity is its ability to issue official donation receipts. Potential donors are more inclined to donate because they are able to claim the donated amount as a credit on their personal income tax return thus increasing the opportunity of these organizations in soliciting funds.

This benefit however comes with administrative time and responsibility to ensure that the official receipts issued are complete and accurate. There are many rules and guidelines that the Canada Revenue Agency (CRA) has with respect to donation receipting that must be followed in addition to the specifics of what has to be included on the receipt itself.

The starting point is determining if the donation qualifies as a gift eligible to be receipted as an official charitable donation. A gift is the voluntary transfer of property without consideration. In other words, it must be freely given, with no advantage received by the donor and consist of property. As a result of this definition, CRA specifically excludes donation receipts for the gift of services. If a supplier of a service wants to donate their time, skill, or expertise and get a donation credit for it they must issue an invoice to the charity for the service provided, be paid by the charity and then donate funds back to the organization. Without this payment and contribution exchange, no donation receipt should be provided.

After confirming that the gift qualifies the next determination is the value of the gift. This may be straightforward for most cash donations but what about non-cash gifts? The value is determined based on the fair market value of the property or goods however making this determination could be as easy as doing a search to determine what the product or good would sell for, or may have to involve other professionals to provide an appraisal.

Finally, the last step is considering if there was any advantage provided to the donor and the value of that advantage. This step is often needed for fundraising events such as dinners or golf tournaments. For example, if a charity charges $250 to attend their annual golf tournament, which includes a round of golf, dinner, and prize, the golfer is obviously getting something for the money paid. If the value of the golf, dinner, and prize is $200 then the eligible gift would be $50 being the amount that is in excess of the value that the golfer received.

If you need assistance in determining whether the benefits of donation receipting outweigh the administrative time and responsibility for your business, or have additional questions about CRA's guidelines related to donation receipting, one of our Not-for-Profit Professionals would be happy to assist.