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Apprenticeships

With a boomer population rapidly approaching their retirement years, the latest hot-button issue in many industries is the looming shortage of skilled trades in the coming years. Many sectors are already facing a critical shortage of skilled trades workers.

As government, industry and educational institutions scramble to fill the gap by encouraging more young people to enter the trades, businesses are being supported by recent tax measures that can help defray the costs of their apprenticeship training programs.

Financial Support for Apprenticeship Training

If your business hires "eligible" apprentices, you may be able to claim a federal tax credit on their wages and salaries.

The apprenticeship job creation tax credit (AJCTC) is a non-refundable tax credit equal to 10% of the eligible salaries and wages payable to an eligible apprentice in respect of employment after May 1, 2006. The maximum credit is $2,000 per year for each eligible apprentice based on a salary of at least $20,000. Special rules apply to ensure that the $2,000 limit is allocated to only one employer in a related group.

In addition, your province or territory may also offer additional per apprentice tax credits over the period of the apprenticeship.

Eligible Apprentices

For purposes of the AJCTC, an eligible apprentice is someone who is working in a "prescribed trade" in the first two years of their apprenticeship contract. This contract must be registered with a federal, provincial or territorial government under an apprenticeship program designed to certify or license individuals in the trade.

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Prescribed Trades

A prescribed trade includes those listed as "Red Seal Trades", which currently includes 49 eligible apprenticeships, but may include additional trades the government feels should qualify for the credit. To access a listing of the trades that are designated Red Seal for each province and territory, visit the website of the Interprovincial Standards Red Seal Program at www.red-seal.ca.

The site details the essential skills that the apprentice is required to obtain under each apprentice program, for example automotive painter, carpenter, cook, electronics technician, industrial electrician, etc. These profiles can help you determine whether existing openings within the business will be able to provide the requisite training for a budding apprentice. For companies that currently have apprenticeships in place, the profiles may also be helpful for determining the success and progress of the apprentices.

The site also provides several helpful resources, such as information about national standards and trade certification, a link to the AJCTC program and links to the provincial and territorial apprenticeship branch offices.

Claiming the AJCTC

Employers may claim the credit on their income tax returns, using either the Form T2038 (IND) — *Investment Tax Credit (Individuals)* or Form T2SCH 31 — *Investment Tax Credit – Corporations*.

Note:

- The apprentice must be registered with either a federal, provincial or territorial government or the input tax credit (ITC) will not be allowed.
- The allowable tax credit is 10% of the eligible salary or wage paid to the apprentice to a maximum of $2,000.
- If the tax filer does not have enough taxes payable to deduct the AJCTC in full, any unused credits may be carried back three years and carried forward 20 years.
- The employee may also be entitled to an Apprenticeship Incentive Grant of $1,000 per year to a maximum of $2,000.

Building a Skilled Workforce

Apprentices trained within your organization who then become qualified journeypersons can help ensure you have the skilled labour you need to replace those who will be retiring. Consider also that "homegrown" journeypersons are often a better fit within the organization and thus may be more productive than an externally-trained journeyperson. ■

MONEYSAVER

The Break-in

It's 11 o'clock Tuesday evening, the telephone rings and the police or your security company informs you that your business has been broken into. You hurry to your business thinking the worst and are greeted by the police who escort you into your premises to assess the losses and damage.

Each week, events such as this occur numerous times across the country, regardless of the security in place.

Termed "smash and grab" incidents, the perpetrators break through doors and windows and loot the place, grabbing anything that is portable and has street value. In the short span of time from when the alarm goes off and the police are notified, the thieves throw computers, monitors, telephones and other valuables into a waiting car or van, usually escaping before the police arrive.

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The equipment can be replaced and the damaged premises cleaned and repaired. Hopefully you have adequate insurance coverage. But the true cost of dealing with the aftermath while trying to reconstruct systems to keep your business afloat may be far more than you could imagine.

Here are some tips that can help you take steps to check your security measures as well as in a worst case scenario, lessen the impact of a break-in incident.

The Alarm System

When activated, your alarm system should not only be loud but also automatically contact the alarm company. Motion sensors on doors and windows can also help deter a break-in.

Property and Equipment

All doors should be equipped with deadbolts or other solid lock systems. Your local locksmith can help you determine the most effective means of protecting all entrances with locks or other restraining devices. If in doubt as to the impact on safety requirements, contact your local fire department.

Secure all computers, monitors and other high-end portable equipment to desks or work benches with cables and locks to make it more difficult to remove these items.

Make sure all filing cabinets are locked at the end of each day to prevent thieves pulling out drawers and pitching files in search of valuables. Also consider securing cabinets to the wall to reduce the risk of further vandalism. Make sure the keys to all locked cabinets are either off site or well hidden in the premises.

Business Insurance

Review your insurance coverage annually and update the coverage when you purchase new equipment.

Determine whether your coverage is sufficient for items such as:

- Theft/temporary location
- Valuable records
- Tools and equipment
- Signs
- Clean-up
- Business interruption.

If your business leases space, review your landlord-tenant agreement to determine your specific responsibilities. Typically, the landlord will be responsible for all exterior doors, windows and original leasehold improvements. As a tenant, your business could be responsible for damages to any changes to the original leasehold improvements. Be sure to review these terms with your insurance agent and keep copies of your insurance policy and lease agreement off site.

Contact Numbers

Be prepared by having these telephone numbers stored in your cell phone or Blackberry:

- Police
- Insurance company
- Key employees
- Glass replacement shop
- Locksmith
- Suppliers of essential tools, equipment, computers, etc.
- Programmers and technicians for getting business equipment operational.

Business Records and Application Programs

Good records will expedite the recovery process.

- Take pictures of all capital assets and the premises. When you make improvements, take new pictures. Store a CD of these pictures off site so they are readily available if you have to make a claim.
- Scan invoices to create a record of descriptions, serial and model numbers and store these on the CD with the pictures.
- Back up, back up, and back up all critical data.
- Consider not only backing up at the end of each day, but also keeping copies off site.
- Investigate off-site storage to which you can download data files on a daily basis.
- Keep records of software serial numbers, version number and contact telephone numbers. Store a back-up copy of all applications off site.

At the Crime Scene

In the event of a break-in, make sure you:

- Record the names and badge numbers of the police who attend as well as the incident number. Your insurance company will require this information.
- Determine the details that the police require about the stolen property and complete the list as quickly as possible to enhance the possibility of recovery.
- Contact your insurance agent and your landlord as soon as possible.
- Change locks and security codes.
- Take pictures of the entire area. These will not only be helpful for the insurance company but may also help you recall all items that were stolen.
- Try to have the adjuster at the scene as quickly as possible. Once the adjuster has assessed the damages, you can then start to get the area back into working condition. If you are in leased premises, your landlord's adjuster may also need to review the damage.

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Your adjuster may advise who to hire to clean up the damages to floors, carpets, walls, entrances and windows. It is important to get the work area back into shape as quickly as possible to help employees deal with the stress and disruption caused by the break-in.

Prepare a Contingency Plan

Taking steps to prepare a contingency plan, secure vulnerable assets, maintain records of all assets and ensure proper back-up procedures are in place will help ensure a speedy recovery in the wake of a break-in. ■

Management

Directors and Trustees of Charities

Being invited to serve as a director or a trustee of a charity can be a prestigious honour, but it is a role that carries significant responsibilities. Directors and trustees — and how diligently and effectively they carry out their responsibilities — will greatly determine how successful the charity is in meeting its stakeholders' expectations and in delivering on its charitable purposes. Also, like any other director of a publicly accountable organization, they may also be exposed to personal liability if they are found to have failed to perform their duties appropriately.

Before Accepting

Before accepting a position as a director or trustee of a charity, make sure you are aware of and understand all of the responsibilities that come with that role. Begin by reading the charity's governing documents. Incorporated charities will have letters patent or articles of incorporation. Charitable trusts will have a trust deed that governs the duties and powers of trustees. Most charities also have their own by-laws.

You should also review the charity's administrative history. If anything appears to be suspicious, be sure to investigate it carefully before deciding whether or not to accept your appointment. After all, once you become a director or trustee of a charity, you may find yourself personally liable for its actions — unless you can show that you acted diligently and in good faith in fulfilling your responsibilities. Some of the standards against which the actions and behaviour of directors or trustees may be judged are described below.

Compensation

The CRA will not approve the registration of a charity if its directors or trustees are being paid for their services as directors or trustees. Directors and trustees can be reimbursed for reasonable expenses they incur as part of the role, such as for travel and hotel expenses in order to attend an out-of-town board meeting. The CRA does not object to directors being paid for other types of services provided to the charity, if such a payment is

permitted by the charity's governing documentation and the legislation under which it was incorporated.

Standard of Care

Directors and trustees are required to meet a standard of care required by common law and equity. In Ontario, for example, directors are held to the same standard of care as someone in a fiduciary position, such as a trustee of a trust. This means that a director must act in the best interests of the charity, and not in his or her own self-interest. The director must act honestly, in good faith and in the best interest of the corporation. In other words, directors of charitable corporations are held to the highest standard of care possible.

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Some provinces legislate the standard of care, which sometimes also extends to the charity's officers. Consult with your professional advisors to learn about how the applicable legislation affects the standard of care of directors and trustees in your province.

Duty to Ensure the Charity Carries out its Charitable Purposes

Charities that are registered for income tax purposes must use their assets solely for their charitable purposes and not for anything else. Directors and trustees have a responsibility for ensuring that this occurs. Therefore, they must be sure they understand what those charitable purposes are, as they are set out in the charity's governing documents and registration. They must also understand the charity's disbursement quota, and ensure that the charity meets it.

Duty to Not Act in Self-interest

Directors and trustees have a duty to put the interests of the charity before their own personal interests and this includes avoiding any appearance of self-interest. Therefore, they need to ensure that their own personal interests do not interfere with their ability to administer and manage the charity in the charity's best interests.

Generally, a director or trustee should not pursue any transaction or other activity with the charity that may provide him or her with a personal benefit. In the event that a director or trustee does have an interest in a transaction, that interest should be disclosed to the charity. Sometimes such an activity may be in the best interests of the charity. For example, a director or trustee may have an interest in a corporation that will provide services to the charity under terms that would be beneficial to the charity.

Any time a director or trustee has a conflict of interest — even if the contract would be beneficial to the charity — they should consult with their professional advisors to determine the appropriate procedure for handling the disclosure of the conflict and the transaction itself.

Depending on the charity's governing documents, legislation governing the charity and the circumstances of the transaction, the director or trustee may have to do one of the following:

- Refrain from voting on the transaction;
- Obtain approval of the court to proceed with the transaction; or
- Resign his or her position as director or trustee.

Duty to Account

Directors and trustees are required to ensure that the charity keeps and maintains proper records. As well, they have a duty to account for the trust funds of the charity. All charities must file financial information with the CRA. In addition, some jurisdictions require incorporated charities to file annual audited financial statements.

Duty to Manage the Charity's Assets

The ability of a director or trustee to delegate his or her duties is described in the charity's governing documents and applicable legislation. This enables employees to manage the charity's day-to-day operations, as long as the directors or trustees control and supervise the employees' work.

Responsibilities of Directors

Directors must carry out their responsibilities in accordance with the charity's governing documents and any applicable legislation governing the charity. Several laws also impose specific offences and penalties for acts or omissions of directors.

Responsibilities of Trustees

Additional responsibilities of trustees may be set out in the Trust Agreement, including the powers of investment. The liability of trustees is limited only by the Trust Agreement and any limitation of liability under the relevant trust legislation of the particular jurisdiction.

Directors' and Officers' Insurance

Many provinces provide for directors' and officers' insurance (D&O insurance). D&O insurance generally indemnifies a charity that is organized as a corporation, and its directors and officers for wrongful actions that cause financial harm to a third party and result in a lawsuit. The insurance covers legal costs, lawyers' fees and any damages that may be awarded, as specified in the policy. The purpose of D&O insurance is to protect the insured in situations where the directors and officers have acted in good faith. It will not indemnify gross negligence or criminal activity. The cost of insurance, where permitted, will vary and is available through private insurance carriers.

Talk to Your Chartered Accountant

This article provides a brief overview of some of the many matters you need to consider before accepting a position as a director or trustee of a charity. Be sure to talk to your chartered accountant to ensure you are fully informed of the rules that govern charities and the best practices for fulfilling your stewardship role. ■

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Wage Loss Insurance Plans

Businesses often provide their employees with group insurance coverage that provides wage replacement benefits for loss of income due to sickness, accident, maternity or disability. The employer may pay the full amount of the premiums for the insurance plan or there may be an arrangement by which the employer and employee share the cost of the premiums. In some instances, the employee may pay the entire premium.

Generally, wage loss replacement insurance is disability insurance. For tax purposes, your employees may find the following information helpful.

Premiums Paid by the Employer

If the company pays the premiums, the premiums are not considered taxable benefits in the hands of the employee.

Should the employee claim benefits because of say, a long-term illness, the amounts received are considered employment income for tax purposes and taxed in the hands of the employee.

Premiums Paid by the Employer and Employee

If the premiums are paid for by both the employer and the employee, the taxable amount of any benefits received from the plan can be reduced by the amount of the premiums that the employee has paid for the coverage. This includes premiums the employee has paid in previous years while a member of the employer's plan.

If your company provides this type of plan, consider providing employees with a summary of the premiums paid on their behalf each year. An accompanying letter could explain the importance of maintaining this record should the employee need to claim compensation for loss of income.

Premiums Paid by the Employee

If the employee is responsible for all of the premiums and pays them with after-tax dollars, any benefits received under the plan are tax-free. Note that for an employee-pay-all plan to exist for tax purposes, the employee must be contractually obligated to pay all premiums under the plan.

Provisions and Tax Implications

It is important that employees understand the specific provisions of the plan and the required documentation should a claim arise. Owner/managers should also ensure that employees understand the tax implications of the premiums paid and any benefits that may be received. ■

BUSINESS MATTERS deals with a number of complex issues in a concise manner; it is recommended that accounting, legal or other appropriate professional advice should be sought before acting upon any of the information contained therein.

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