



# Business Matters

DECEMBER 2017

VOLUME 31 | ISSUE 6

## MANAGEMENT

# New WSIB Rules for Workplace Stress

**New legislation facilitates workplace stress claims.**



The Canadian Centre for Occupational Health and Safety defines workplace stress as the “harmful physical and emotional responses that can happen when there is a conflict between job demands on the employee and the amount of control an employee has over meeting these demands.”

The growing recognition of the problem of workplace stress has led the Ontario government to pass the *Stronger, Healthier Ontario Act (Budget Measures) 2017* last May that amended the *Workplace Safety and Insurance Act, 1997* to entitle workers to benefits as a result of mental stress. These amendments are effective January 1, 2018. Most other provinces already have or

are in the process of initiating legislation that recognizes how mental stress impacts workers.

## WSIB Adds Two New Policies

Since then, however, the Workplace Safety and Insurance Board (WSIB) of Ontario has sought input from worker and employer stakeholder groups as to how these amendments should be best implemented. The result is the creation of two stand-alone policies related to workplace stress: “Traumatic Mental Stress” and “Chronic Mental Stress.” These policies will be effective January 1, 2018.

### **Traumatic Mental Stress**

Traumatic mental stress arises when, in the course of employment, a traumatic event has occurred such as a criminal act, horrific accident involving death or threatened death or serious harm to the worker, co-worker, a worker’s family or others.

### **Chronic Mental Stress**

To receive benefits for chronic mental stress, an employee must have suffered “an appropriately diagnosed mental stress injury . . . caused by a substantial work-related stressor arising out of and in the course of the worker’s employment.” A stressor is considered to be substantial “if it is excessive in intensity and/or duration



in comparison to the normal pressures and tensions experienced by workers in similar circumstances.” Harassment is considered a substantial stressor, but interpersonal conflicts between workers and their superiors are not, unless the conflict rises to the level of harassment a reasonable person would consider to be abuse. An employee is not entitled to benefits as a result of stress caused by an employer's decisions such as termination, demotion, transfer, discipline, change in working hours, or productivity expectations.

Adjudication of a chronic mental stress claim must be preceded by a diagnosis of chronic mental stress according to the *Diagnostic and Statistical Manual of Mental Disorders* (known as DSM-5), a publication of the American Psychiatric Association that defines and classifies mental disorders.

*Management should create an environment that reduces stress.*

### **Workplace Guidelines**

Owner-managers should read the relevant material on the WSIB website and consult a labour lawyer as to how this new legislation will apply to their particular workplace. Naturally, it is in management's best interest to create an environment that lessens stress. This can be achieved by a review of existing workplace practices to determine what needs to be changed, phased out, or added.

The workplace should be not only safe but also an ergonomically comfortable place to work. Compensation should be competitive and the jobs should be enriched by rotation and opportunities for advancement. Hiring practices should be fine tuned to the culture of the company so that new employees will be selected to fit comfortably with the existing staff.

Encourage employees to provide feedback about their job and responsibilities. To do a good job and for the company to achieve its strategic goals, employees need training. Employees should know what you expect from them and understand what they are expected to contribute to the growth of the company. There must be no room for harassment and plenty of room for thanks and appreciation when the job is well done.

### **Know When an Employee Is under Stress**

Determining whether an employee is under stress is difficult. Even more difficult is determining whether the stress is job related or created by personal matters happening off the job. Regardless of the source, stress will impact the functioning of the employee and management should be attuned to signature signs of stress. Here are a few indicators to watch for:

- regular absenteeism
- a pattern of arriving late, leaving early, taking longer breaks than allotted
- avoiding responsibility
- an increase in mistakes
- forgetting to attend meetings
- late or poorly done assignments
- constant arguing during meetings
- abnormal frustration with clients or other staff members
- short temper
- overreaction to comments by other employees.

### **Understand Your Workplace**

It is important for owner-managers to be aware that the legislation recognizing job-related stress will impact their workplace and that stress-related claims are going to be part of the cost of doing business. Management



must take employees' concerns seriously and work to minimize stress-related claims that will impact not only the morale of all employees but also the bottom line.

## TAXATION

# Registered Retirement Savings Plans

**Make your 2017 RRSP contribution before March 1, 2018.**



The 2017 RRSP contribution limit is 18% of your 2016 earned income to a maximum of \$26,010. (For those who have not topped up every year, this is the additional room now available.) Earned income includes self-employed net income, net income from a partnership, payments from supplementary unemployment benefit plans, CPP/QPP disability payments, salary, wages, taxable alimony or maintenance received, royalty and net research grants and net rental income.

Passive income such as investment income, taxable capital gains, death benefits and limited partnership income is not included within the calculation.

Losses from a self-employed business or partnership must be used to reduce earned income. If net rental losses are available, earned income is reduced accordingly. Any deductible alimony or maintenance payments also reduce earned income for the purpose of calculating your RRSP contribution limit.

## Pension Adjustments

Your RRSP contribution level is further reduced by the pension adjustment which is any amounts you earn as part of your employer's Registered Pension Plan or Deferred Profit Sharing Plan. The pension adjustment was created by the Canada Revenue Agency to equalize the rates at which persons with and without employee plans can contribute annually to their retirement savings.

When considering your 2017 RRSP contributions, you should subtract an amount contributed under a company pension plan. For example, if your earned income is \$100,000 and your company contributed \$7,000 to your RRSP, your contribution should not exceed \$11,000 (i.e., \$18,000 - \$7,000).

### **Defined Contribution Benefit Plan**

In a defined contribution benefit plan (i.e., one in which the employee's contribution is matched by the employer), the employee and employer might each contribute \$1,500 for a pension adjustment of \$3,000. The maximum personal contribution limit could thus not exceed \$23,010 (\$26,010 - \$3,000), assuming of course there were no carry forwards from previous years.

### **Defined Benefit Pension Plan**

Estimating the pension adjustment for a defined benefit plan can be based upon a flat benefit, a career average benefit or final or best averages benefit. As such, it is best to speak to the payroll department to determine the pension adjustment in order to avoid over contribution which can result in penalties from the CRA.



## Minimum Age Caveat

There is no minimum age to establish an RRSP. If, for instance, a 10-year-old earned \$50,000 from royalties, the maximum RRSP contribution would be \$9,000 (i.e., 18% of \$50,000). Unfortunately, a child under the age of 18 is a minor and cannot be bound by a contract, nor can the parent or guardian register one on their behalf. However, since the child's filed tax returns would indicate the eligible RRSP contribution amount created by the \$50,000, that amount can be carried forward and used after the age of majority (i.e., age 18) has been reached.

## In-Kind Transfers

RRSP-eligible investments held in a non-registered fund can be transferred into your RRSP. This in-kind transfer may trigger a taxable capital gain in the year of the transfer calculated as the difference between the adjusted cost base and the deemed selling price (i.e., the fair market value at the date of the transfer). However, if the deemed sale price was below the original cost, the capital loss cannot be claimed. Interest accrued (i.e., interest earned but not received) up to the date of the in-kind transfer must be included in the taxpayer's income.

*Avoid overcontributing and you avoid penalties.*

## Overcontribution

The CRA allows a buffer of \$2,000 of overcontribution but going beyond that amount results in a penalty of 1% each month on the excess amount. To avoid overcontributing, review either your Notice of Reassessment or go online to your CRA account and review your contribution level. Relying on your RRSP investment agent or your 2016 tax return for your eligible contribution may not always be right because they may not reflect changes made to prior years' income tax filings that will impact the carry-forward figures. You should also estimate your pension adjustment and subtract the adjustment accordingly from your eligible amount.

## Timing of Contributions

RRSP contributions can be any time in the current year or up to the end of the first 60 days of the following year (adjusted for leap years and when the sixtieth day falls on a weekend). Contributions can be made in one lump sum or piecemeal throughout the year with payroll deductions or payment from personal accounts. You may register as many RRSPs as you want and contribute to all as long as the total yearly contributions do not exceed your allowed maximum. Accrued uncontributed amounts from previous years can be added to your RRSP at any time.

## Contributions if Over the Age of 71

If you are over the age of 71, you can still make contributions to a spousal RRSP if the spouse or common-law partner is not over 71 and you have earned income in the year of contribution.

It should be noted, however, that should the spouse withdraw the contribution made to the spousal RRSP in the year of contribution, then the contributor will be taxed as if the funds had been withdrawn by the contributor. This attribution rule applies not only to the year of contribution, but also to the two years following the contribution.

## Withdrawal for Home Buyer Plan

Individuals can withdraw up to \$25,000 from their RRSP tax free for a home purchase. The withdrawal rule applies to both spouses and common-law partners. However, the amount must be paid back to the RRSP over the 15 years following the withdrawal. If the yearly amount is not replaced, the amount will be added to the



taxable income in that year. If you or your spouse (or common-law partner) have owned a principal residence in the five years immediately prior to the year of withdrawal, the withdrawal rules may not apply. It is best to check with your chartered professional accountant to ensure compliance with the rules governing withdrawals.

## RRSP Contribution Deadline Is March 1, 2018

The deadline for 2017 RRSP contributions is March 1, 2018. Now is the time to review your RRSP contribution room along with your estimated earned income for the 2017 calendar year. A review now will enable you to complete some tax planning, build your savings for the future and reduce your tax liability for 2017.

### TECHNOLOGY

## WhatsApp, Doc?



**WhatsApp provides users with an easy-to-use secure communication tool with a few minor drawbacks.**

It was not so long ago that mobile phones were used primarily for making voice calls. The ability to send and receive short message service (SMS) text messages was effectively a bonus feature that became immensely popular, thanks to clever foresight by the architects of the GSM (Global System for Mobile communications) mobile phone system in the 1980s and 1990s. Text messages are so popular now that we collectively send about *eight trillion* every year. The evolution from cell phones to smartphones has effectively

changed how individuals communicate by giving them the ability to receive, create, edit and send almost any kind of content, from email and documents to pictures and videos, all “on the go”. In short, communication has become incredibly easy.

Communication only occurs when the sender and receiver understand each other. The fact that nearly everyone has access to email and text messages is the measure of their ongoing success. Nevertheless, ubiquitous though they are, email and text messages are not secure and were never intended to be.

## WhatsApp

This is where a free app with the catchy name “WhatsApp” has found success in the smartphone world and acquired more than one billion users. WhatsApp allows users to exchange messages, including images, videos, files and even real-time voice calls. Communication between sender and receiver is encrypted end to end. The beauty of the Open Whisper Systems encryption protocol used by WhatsApp is that it prevents third parties (including people from WhatsApp itself) from having unencrypted access to messages or calls.

When a user downloads and registers for WhatsApp, the software assigns a public Identity Key, a public Signed Pre-Key (with its signature), and a batch of public One-Time Pre-Keys that are stored on the server. These public keys allow the server to relate to the user’s identifier. The WhatsApp server does not have access to any of a user’s private keys; in the event the server is compromised, no private authentication credentials will be revealed.



Any data transmitted to other users never gets stored on the WhatsApp server; thus, any form of communication is sacrosanct. Only the recipient who also has an assigned key can decrypt the message sent; only the sender and the receiver have knowledge of the data stored on their smartphones.

The app is compatible with Android, iOS and Windows Phone, and is also available for Mac and Windows PCs. WhatsApp requires a telephone number for registration on the primary device; as such, one of the limitations is that tablet support is limited and WiFi-only devices are not supported at all. Messages are sent over the Internet, and can be sent over a WiFi connection even if you have no cellular signal. In the past you may have been concerned about using your smartphone where free WiFi was available (e.g., at your favourite coffee shop); with this application the encryption process should all but eliminate this concern.

The app will not provide end-to-end encryption for an iPhone device that has been “jailbroken” (i.e., where security features and restrictions have been disabled, allowing the installation of unauthorised apps). Overriding established software restrictions can compromise the security of the device and allow malware to infect the smartphone.

### *WhatsApp allows transmission of documents.*

#### **Practical Applications**

WhatsApp’s service allows you to transfer your contacts seamlessly from existing Google or Outlook directories, identifies those contacts that have signed up for WhatsApp, and indicates whether each person’s app is on a mobile or home device.

The system allows transmission of documents such as PDFs, spreadsheets and even slideshows up to 100MB per transmission. Other features include the ability to take an in-app photo or video, search a directory, and group contacts by category.

Another security feature for this application is a two-step verification to protect your phone number (which is your user ID). In order to verify your number, a six-digit PIN is assigned by the user. In the event you forget your password, you can provide your email address to activate a two-step process to change it.

#### **Security Is Never Perfect**

WhatsApp is acknowledged to be an excellent product, with security that is more than adequate for the average user. However, as with any security, a determined attacker may still be able to obtain information. For example, WhatsApp messages are transmitted using end-to-end encryption; however, those same messages may be stored on your device and automatically backed up without encryption to the cloud (e.g., to Google Drive). The servers on which these backups are stored may be located in a jurisdiction such as the United States, where the government or law enforcement may be able to access your data without your knowledge. For iPhone users, WhatsApp data is encrypted in iCloud backups (which are also encrypted by Apple). Security research firm Oxygen Forensics has claimed the ability to defeat this encryption; however, their technique requires access to the SIM card. If security is a concern, you may wish to consider using a different secure messaging platform or, alternatively, backing up your WhatsApp messages to the cloud.

#### **Facebook**

WhatsApp is owned by Facebook. If you have a Facebook account, your WhatsApp messages will not be posted to your Facebook page; however, if user privacy is a concern, it is worth noting that your data will likely be shared behind the scenes to improve the accuracy of targeted advertising, among other things.



MANAGEMENT

## Financial Statements for Your External CPA

**Consider your external Chartered Professional Accountant when preparing internal financial statements.**



To run an owner-managed business successfully, it is not enough just to track the movement of funds in and out. Statements providing the type of information needed by your external CPA are also essential because the external accountant is the intermediary between your business and the Canada Revenue Agency, creditors, a potential buyer and others who need the special financial statements only your external accountant can produce.

### In-House Statements

Internal accounting systems process daily sales, purchases, and payroll transactions; effective owner-managers review the general ledger bank balance, accounts receivable, accounts payable and the payroll summary on a regular basis. Management needs these in-house financial statements to meet some if not all of the following requirements:

- All provincial corporations' acts require financial data to support financial statement filing requirements.
- Shareholders have a right to yearly financial statements based on recorded transactions.
- Creditors may require regular financial statements to evaluate the quality and sufficiency of collateral covering a loan and to ensure the loan conditions are being met.
- Potential investors may want to review monthly financial statements to evaluate throughout-the-year performance.
- Comparable monthly historical financial statements give valuable information to a potential purchaser if the owner-manager retires or sells all or part of the business.
- Financial decisions based on monthly facts and figures provide insight for planning and budgeting.
- Comparative financial statements can reveal whether changes in sales or expenditures are creating variations in the bottom line. Such comparisons allow management to take corrective action and ward off potential working capital problems.
- In-house financial statements establish how management is guiding the company.
- Financial statements provide information about the availability of sufficient assets to meet liabilities.
- Operating results provided by financial statements inform management whether action is needed to increase sales, cut production costs, or reduce wage costs.
- Properly structured income statements provide insight into the cost of production compared to sales. As a result, management can more rapidly decide whether sales prices need to be increased or job costs better controlled.
- Monthly financial statements show errors in environmental, tax, payroll, pension, workers' compensation, GST/HST or employee health tax remittances.

*The external CPA usually makes some adjustments.*

### External Accountant

Before company accounts are ready for a third-party user, the external accountant usually has to make some adjustments to provide the information in the form needed by the third party. Consider the following:



- Data provided by an in-house system designed to give information about the day-to-day operations must be distilled into a summary format that provides information in accordance with Canadian financial statement disclosure requirements.
- Statements prepared by an independent accountant lend credibility to the corporate entity because the preparation is independent of internal bias.
- Reporting requirements change regularly and must be reflected in the financial statements.
- Independent preparation of financial statements may identify anomalies within the corporate records, which need review to ensure they are correct. For instance, capital assets purchased may have been expensed.
- Preparation of financial statements by your external accountant usually identifies items that are income tax sensitive such as shareholder draws, penalties and interest or personal use of corporate vehicles that may have to be adjusted.
- An external review may determine whether the valuation of assets is accurate or whether capital assets should be written down or accounts receivable amounts should be written off.
- The external accountant ensures that comparative figures are truly comparative, not only to ensure a better analysis of progress throughout the years, but also to provide insight as to the reasons for material variations in the event lenders or regulatory authorities question the differences.

## Periodic Statements

In order to prepare year-end financial statements, your accountant needs quality information produced by your accounting system. The regular preparation of financial statements allows your CPA to fully understand the financial performance and position of your business. Because CPAs have significant experience in a multiplicity of businesses, they are able to determine the benchmarks your particular business should meet and maintain.

## Your Business Is Their Business

In the final analysis most external accountants would agree that you know *your* business better than they do, but they know *business* better than you. Working with your accountant and helping them understand your business will ensure the financial statements provided to management, third parties and regulatory and tax authorities adequately explain the corporation's financial position and operational results for the year.

---

### Disclaimer:

*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.

Although every reasonable effort has been made to ensure the accuracy of the information contained in this letter, no individual or organization involved in either the preparation or distribution of this letter accepts any contractual, tortious, or any other form of liability for its contents or for any consequences arising from its use.

*BUSINESS MATTERS* is prepared bimonthly by the Chartered Professional Accountants of Canada for the clients of its members.

Richard Fulcher, CPA, CA – Author; Patricia Adamson, M.A., M.I.St. – CPA Canada Editor.

**Contact us:** [patricia@adamsonwriters.ca](mailto:patricia@adamsonwriters.ca)