

# FORE SIGHT

PRACTICAL IDEAS FOR BUSINESS MANAGEMENT

## PROTECTING YOUR COMPANY

### Best Practices in Security

With so many things to take care of, business owners sometimes can be naive about security. For example, when is the last time you walked around your building to see how easy it would be to break in? Where are your data back-ups kept? Are your valuable corporate documents stored in a fire-proof box?

While determined thieves are likely to get what they want, there's no reason to make it easy for them. Following are a few ideas to keep your company's important assets safe and secure.

**Install an alarm system.** This sounds like common sense, but a surprising number of offices don't have alarms. Remember, alarms buy time. Thieves have to work fast when an alarm goes off, so they're likely to grab whatever's nearby rather than search for what's actually most valuable. (This is a good reason not to leave laptops on desks!)

**Use encrypted hard drives.** Laptop computers are lost and stolen at an alarming rate. Some thieves want the computer itself, but most professional criminals are more interested in the data stored on the hard drive.

Using an encrypted hard drive prevents thieves from getting at the sensitive data stored there. If it is taken out of its "home" computer and inserted into another one, it will erase itself when

the "foreign" computer is turned on. Cheap and easy!

**Secure your server.** A spilled cup of coffee. A random kick. A burglar. What do these three things have in common? All can cause irreparable harm to your server. To prevent such mishaps, keep the server in a secured room, such as an unmarked closet with a lock on the door.

Also, don't store data back-ups near the server. Thieves may grab them, too. In fact, it's wise to keep back-ups off premises. If they're not at your office, they're less likely to be stolen at the same time as the server, and they won't be destroyed if you have a fire or flood.

**Put away valuables.** This is another common sense idea, but many businesses don't hide their valuables. Try to think from a thief's point of view. He or she will likely be interested cash, cheques and easy-to-sell electronics. But depending on the type of business you're in, chemicals or drugs may also be available and of value to criminals. Lock all of these things away so that they are not easy to find, nor visible to passers by.

Also, if your business uses a safe or fireproof box, be sure it is secured to the floor so that thieves can't simply pick it up and take it with them.

**Protect your network.** Break-ins aren't always physical. Thieves can hack into your network and steal your data or plant a virus. A simple fire-wall is a good place to start, but there are many other ways to protect your network. Consider hiring an outside firm to run a network security assessment for your business.

Unfortunately, too many business owners wait to implement precautions until it's too late. Complacency in this arena can be dangerous. Don't make it easy for criminals to damage what you have worked so hard to build.

*Protecting your assets is our concern, too. If you would like to discuss your corporate security issues, please contact us.*



**2** The Importance of Insurance

**3** Doing Business in the U.S.

**4** Electronic Filing

## WORD TO THE WISE

# Disability Insurance and You (and Your Company)

According to the Canadian Life and Health Insurance Association, one in three people will be disabled for 90 days or more at least once before they reach age 65. Disabilities can last for months or even years. Without appropriate disability insurance, individuals — and companies — can suffer devastating consequences from lack of income.

While business owners are often savvy about buying disability policies for themselves, many don't consider the consequences of a disability on their companies. Here are several corporate disability options to consider:

- **Key person insurance.** Often there are certain individuals who are crucial to the success of a business. For example, in addition to a CEO or upper management executive, a company may rely on a successful “rainmaker” salesperson who closes all the deals. Or a computer software firm may count on a specific programmer to develop its code. What happens if these key people are disabled for a period of time? If they can't perform their critical roles, the company will suffer.

Key person disability insurance can help cover these losses. The policy is set up so that the company will receive disability payments while the individual is out of work, typically for six to 18 months.

- **Buyout coverage.** Shareholder agreements are often designed to kick in if a partner dies. But they should also address the permanent disability of a shareholder.

If a partner becomes disabled and cannot return to work, the shareholder buyout must be funded in some way. Disability insurance can



help if it is set up with the company as beneficiary. Many of these policies include benefit options of a lump-sum payout or scheduled payments over two, three or five years.

- **Business overhead expense coverage.** This type of disability insurance will pay the company's overhead — mortgage or rent, utilities, employees' salaries and other fixed costs — if the owner is disabled. These policies typically have a dollar limit, up to say, \$30,000 per month, and/or a time limit, up to two years or so. The short benefit period is due to the fact that a closely held business won't typically survive too long without its owner. Two years gives the owner time to either close or sell the business.

### WORK WITH A PRO

Disability insurance is a complex product that must be carefully selected. For this reason it is important to work with an experienced

insurance advisor who is familiar with the ins and outs of this type of insurance.

For example, most individuals and businesses will want “own occupation” coverage, which means that the policy will pay if the person is unable to perform the duties of his or her chosen career. (The other option is “any occupation” coverage, which will pay only if the person is unable to perform the duties of *any* job.) Different insurance carriers may define these terms slightly differently, and a knowledgeable insurance advisor can provide appropriate guidance. Also note that while disability insurance is relatively expensive, the lowest premium may not always be the best deal. Disability is only worthwhile if it provides coverage that fits the goals of the policyholder.

*Considering disability insurance? We will be happy to suggest an insurance advisor to help you investigate your options.*

## DOING BUSINESS IN THE U.S.

# What You Need to Know

Just across the 49th parallel lies a huge market with enormous potential. Many Canadian companies are interested in expanding into the U.S., tempted by what appears to be a relatively easy way to grow internationally.

But beware! Doing business in the U.S. is complicated. While it can indeed be very profitable, expansion into the U.S. must be undertaken with caution. Competition is fierce, regional differences are significant, and the tax and regulatory situations are not for the fainthearted.

### KNOW YOUR NAFTA

The goal of the North American Free Trade Agreement (NAFTA) was to eliminate barriers to trade and investment. However, NAFTA is an extremely complex agreement, and has many provisions that Canadian companies must adhere to when doing business in the U.S. For example, specific customs regulations apply to goods, and workers must qualify either as NAFTA “business visitors” or as “temporary foreign

workers,” depending on the nature of the employment arrangement.

All of these rules are explained in the agreement, but it is not a quick read. Prepare to spend time becoming familiar with NAFTA before attempting to do business in the U.S.

### TACKLE THE TAX TREATY

The Canada-U.S. Tax Treaty also impacts Canadian citizens and companies working in the U.S. For example, if a Canadian company wants to move product or open an office across the border, the company may be subject to U.S. federal taxes if it has what the treaty defines as a “permanent establishment” in the U.S. (Merely having employees in the U.S. can qualify as a permanent establishment under certain circumstances.)

But even without a permanent establishment, Canadian companies must file a treaty disclosure form annually, letting the U.S. Internal Revenue Service know that the company is working there. Failure to file this form can result in penalties

up to \$10,000 USD per year.

Also note that in addition to federal taxes, the U.S. has state and local taxes to contend with.

### PAY ATTENTION TO SECURITY & IMMIGRATION

While Canada and the U.S. are friendly neighbors, shipping products and moving people across the border isn't always easy. If a shipment is held up by U.S. customs, for example, it may cause delays, additional expense or other operational issues for the customer. With increased security concerns, air travel is taking longer and involves more hassle. This difficulty of movement can take its toll in terms of cost and time.

The key to success in the U.S. is to be prepared — and aware of all of the opportunities and challenges across the border. It is imperative to work with trusted advisors who can offer guidance on how to expand efficiently and legally.

Of course, one of the benefits of working with a PKF North American member firm is valuable connections to specialists in cross-border accounting and taxation issues.

Working with our fellow PKF North America member firms, we can ease the way for Canadian businesses as they explore opportunities in the U.S.

*If you are considering expanding into the U.S., let us help you think it through.*



# CRA Electronic Filing Update

The Canada Revenue Agency (CRA) has gone electronic. Have you?

Beginning with tax years ending in 2010, corporations with gross revenues over \$1 million are required to file their T2 Corporation Income Tax Returns electronically. While there are exceptions to this requirement (for example, for insurance corporations and non-resident corporations), all corporations are encouraged to file electronically for the sake of efficiency and to reduce the use of paper.

In addition, taxpayers who file more than 50 income tax information returns — including the T4 Statement of Remuneration Paid and T5 Statement of Investment Income — must now file them electronically.

## PENALTIES APPLY

In order to ensure compliance with these new requirements, the CRA has instituted a penalty for filing corporate returns in an incorrect format. Starting with returns filed in 2011, the penalty will be \$250. It then increases to \$500 in 2012 and to \$1,000 after that.

For information returns filed in 2011, penalties will be levied for those filed late or submitted in an incorrect format. These penalties can be as high as \$2,500, depending on the number of slips and the number of days late.

## GST/HST, TOO

Also, beginning July 1, 2010, certain goods and services tax (GST) and harmonized sales tax (HST) registrants will be required to file electronically.

An updated list of the types of companies required to file electronically is available at:

<http://cra.gc.ca/gsthst-filing>

For GST/HST returns filed electronically, the CRA will generally accept the following formats: GST/ HST Netfile, GST/HST Telefile, GST/ HST EDI filing and remitting, and Internet File Transfer. For more information on these options, see

<http://cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/bpspbch/rtrns/rqrmnts/menu-eng.html>



Young Parkyn McNab is a unique and innovative team pursuing excellence in a fun environment. We truly care about our clients, our people and our communities.

Lethbridge	403.382.6800
Fort Macleod	403.553.3355
Claresholm	403.625.4448
Pincher Creek	403.627.5510
Taber	403.223.0056
Vauxhall	403.654.4060

[www.ypm.ca](http://www.ypm.ca)



This publication is distributed with the understanding that the author, publisher, and distributor are not rendering legal, accounting, tax, or other professional advice or opinions on specific facts or matters and, accordingly, assume no liability whatsoever in connection with its use. The information in this publication is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of (i) avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed in this publication. © 2010