

Manning Elliott LLP

Chartered Accountants

Insight Newsletter

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How Manning Elliott – and a Large Cup of Coffee – Can Help You Adopt IFRS

Procrastination is Not an Option!

The Accounting Standards Board of Canada (AcSB) humorously suggests to procrastinators that they sit down with a large cup of coffee to compare their company's current financial statements with the AcSB's comparisons of International Financial Reporting Standards (IFRS) and the Canadian Generally Accepted Accounting Principles (GAAP). If this proves to be scary, AcSB suggests using tools such as the free online course called Introduction to IFRS – Implications for Canadian Business at www.cica.ca/ifrs/onlineintro. We agree that this is a great start!

What we would like to impress upon our public company clients is that 2011 is NOW. The journey to convergence with Canadian standards by January 1, 2011 should be evaluated now. Why? Because if your company's fiscal year is a calendar year, your IFRS data gathering process needs to be in place by January 1, 2010 to ensure that the appropriate data is collected – not only for financial statement recognition and measurement requirements, but also for IFRS disclosures. The earlier that you are able to make some strategic decisions and plan the necessary changes to your data collection systems, the more time you have available to implement and test those systems.

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Avoid common tax problems with US property ownership. Tips provided on page 3.



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Did You Know...

Manning Elliott not only deals with Canadian tax issues, but we also can be a valuable United States tax solution provider.

You may think that you have no US tax obligations and neither did many of our clients until we took the initiative to identify what could trigger US tax filing requirements. Manning Elliott welcomes the opportunity to help clients avoid potential US tax problems and ultimately save them time and money. In this issue of the newsletter, we will be discussing how to determine the right ownership structure for US real estate investments.

(see page 3)

IFRS... cont'd

Why Change?

It's recognized that the transition to IFRS poses an enormous challenge. Nevertheless, IFRS is anticipated to provide more opportunities for Canadian businesses, and investors in Canadian businesses, by reducing the cost of capital, increasing access to international capital markets, and reducing costs by eliminating the need for reconciliations. Canadian companies reporting under IFRS will provide more clarity to stakeholders through standards that are comprehensive and capable of consistent interpretation and application.

Note that Canadian private companies have the option to prepare IFRS financial statements and for private companies with significant external stakeholders, adoption of the global accounting language of IFRS – used by over 100 countries – may offer advantages similar to those for public companies.

How We Can Help

Manning Elliott, as independent consultants or auditors (subject to auditor independence rules), can help you avoid problems with your IFRS conversion process. We believe that an effective IFRS conversion plan includes the following key elements and it would be our pleasure to offer you support with any of these activities:

- i Identification of strategic choices and significant differences in Canadian standards and IFRS
 - i Evaluation and selection of accounting policies under IFRS
 - i Assessing the impact of IFRS accounting policies on financial statement balances and note disclosures
 - i Review and modification of information systems to ensure data required by IFRS is captured
 - i Communication of plans and the expected impact of IFRS conversion to investors, creditors and stakeholders
 - i Selection of IFRS transition exemptions and reconciliation of Canadian GAAP to opening fiscal 2010 IFRS balances
 - i Preparation of 2010 quarterly and annual comparative IFRS data for inclusion in fiscal 2011 financial statements
- i IFRS training of CEO, CFO, management, directors, audit committee and others involved in the financial reporting process

Do you need to prepare for a transition to International Financial Reporting Standards? We can help you with your conversion plan.

Don't hesitate to contact **Joseph Bonvillain**, CA, Senior Manager and our resident expert on IFRS, for further information at **604-714-3643**.

This article is the first in a series on this critical subject and future newsletters will continue to inform you on the transition to International Financial Reporting Standards.

US Property Tax Tips... cont'd

How to Choose the Right Ownership Structure for Your US Property Investment

The ongoing distressed housing market in the United States has been inviting Canadians to invest in the real estate market south of the border. Manning Elliott has been providing consulting services on US real property acquisition because we believe that it's important for our clients to understand that they may face unexpected tax scenarios, depending on the ownership structure they choose. Common concerns with respect to US real property ownership include:

- ⓘ Potential liability issues
- ⓘ Income tax to be assessed on gains from the property sale
- ⓘ US estate tax issues

Potential Liability Issues

It's widely known that you can protect your personal assets from claims by your creditors, or made in connection with lawsuits, if the real property is held by a corporation. If you are planning on running a rental business by acquiring US real estate and own substantial other assets, this may be the most important factor in determining the ownership structure because personal ownership would expose your other assets to the potential claims against your rental business.

Tax on Gains from the Sale

If your objective is to profit from selling the real property for a gain, you should know that US tax laws provide for preferential lower tax rates to be applied to capital gains incurred by individual taxpayers. On the other hand, corporate taxpayers are generally taxed

on capital gains or other gains from the sales of business assets at ordinary income tax rates. If your real property has greatly appreciated in value at the time of sale, this difference can be significant. Therefore, if you know that you will want to sell your property sometime in the future, it may make sense to own the property personally without any corporate shelter and transfer your property from the corporation to yourself because the fair market value of US real estate in many geographic areas is now the lowest it's been for years. This means that your corporation may be able to recognize the smallest gain for some time on the sale of the property (or in some cases, even a loss) by taking advantage of the lower market price.

US Estate Tax Issues

If you own a real property located in the US at the time of your death, you may be taxed on the property by the US government. There is a credit to reduce your estate tax, but the credit available to non-resident aliens is extremely limited in comparison to the one available to US citizens. The Canada-US Income Tax Treaty provides for some remedies and basically you will obtain a larger credit when your US "situs" assets take larger proportion of your entire assets. (US Situs assets are the US assets you own that you need to include in your US taxable estate.)

We recommend that an analysis of corporate ownership versus personal ownership be performed. Because there will be no estate tax imposed on a corporate taxpayer, if you know that you will not sell your property during your lifetime and that you will pass it on to your surviving family member, the

Do you have plans to expand your business into the US? Contact our US tax department to help you determine the best approach.

OUR VISION

We foster leadership and mentoring to build passion and commitment toward realizing our goals.

We communicate openly and proactively and we share knowledge to nurture opportunities for professional and personal growth.

We care for and are accountable to one another.

We celebrate success and reward achievement.

Our flexible environment attracts talented individuals who share our desire to be the best.

US Property Tax Tips... cont'd

corporate ownership is likely the better option for you. Also, it should be noted that a Canadian corporation needs to own the property in order to avoid the US estate tax since the shares of a US corporation must be included in your US taxable estate.

The US real property can also be owned by a partnership or other pass-through entities. These pass-through entities, when structured properly, can shield your personal assets entirely or partially from being exposed to your creditors or claims made by a lawsuit. Moreover, you can enjoy the benefit of lower capital gain tax rates, since all the tax benefits and attributes are passed through to partners (shareholders or members etc.) However, these advantages should be looked at, along with their Canadian tax consequences, in the context of the Canada-US Income Tax Treaty.

Dealing effectively with US property investment is only one of the many US tax compliance and consulting services we offer at Manning Elliott through our comprehensive US tax advisory department. As additional examples, we would also be pleased to help you determine the most optimal structure for the expansion of your business into the US and ensure your compliance with US federal and state tax filing obligations such as income and franchise tax, sales and use tax, excise tax, and estate tax.

Contact [Masataka Yamaguchi](#), CPA, Supervising Senior, US Tax, at [604-714-3660](tel:604-714-3660) for any US tax questions or concerns. He would be pleased to hear from you!

Winners of Manning Elliott's Quality Awards

Manning Elliott places a high value on quality service and performance. To support its quality initiative, the firm has created a Quality Control Committee – the mandate of which, in part, is to recognize on a quarterly basis the team members who have “gone above and beyond their customary role and duties”. The current winners are **Laura Chang**, CA, **Nav Dhaliwal**, CA student, and **Daniel Chow**, CA student.

Laura approached the preparation of a complex audit engagement file in such an outstanding manner that her work is now serving as a training model for other team members. Nav displayed a high level of technical knowledge while efficiently managing a complex public company audit engagement. And Daniel took the initiative to design interactive Excel spreadsheets for a client so that they could more effectively reconcile month-end accounts and financial statements.

Our great appreciation and individual awards of \$300 go to all three of these amazing team members for demonstrating such high performance and service excellence!

Feature Client – RainCity Housing and Support Society

Manning Elliott has a large non-profit organization (NPO) practice; in fact, our experience is so extensive that we are considered to be a pre-eminent accounting firm in this area in Vancouver. We would like to tell you a little about one of our many NPO clients that we consider to be special – RainCity Housing – our first client to be featured in our newsletter.

Twenty-five years ago, RainCity Housing and Support Society opened as an emergency shelter in Vancouver's Downtown Eastside. The organization was then called, "Triage Emergency Services & Care Society" and provided shelter and care, often in life-and-death circumstances, to people living with mental illness and addiction. Over time, this organization evolved to become a leader in providing innovative service delivery to the homeless community, creating supportive environments designed to empower people living with mental illness, addiction and other challenges, to take charge of their own lives. And, its services have expanded to include: permanent housing, women's housing, transitional housing, abstinence-based housing, community outreach, food services and life skills support.

A major shift in the philosophy of the organization in 1999 led RainCity to seek out best practices from all over the world and adapt them to the unique needs of the Vancouver Downtown Eastside community. The organization continues to improve and build on what works best and welcomes new ideas and solutions to help end homelessness. RainCity's philosophy is that there are reciprocal benefits to the entire community when all people have equal social opportunities – that by addressing homelessness, the quality of life of everyone in our community increases.

Navroz Janmohamed, CA, is one of Manning Elliott's team members who work with RainCity Housing's Mark Smith, Executive Director and Heather Cleland, Controller to help them address reporting issues and answer in detail questions on how funding is spent. Navroz believes it's imperative that we are aware of what's going on in our community and finds it rewarding to attend RainCity fundraising events and listen to the inspiring stories of its clients.

If you would like to learn more about RainCity's programs or how you can help, visit www.raincityhousing.org/support-us/.

"The easy part is getting people indoors. The hard part is to help them settle into a meaningful life."

Greg Richmond,
Associate Director,
RainCity Housing

Small Steps that Lead to Positive Outcomes

Manning Elliott supports a number of initiatives that help “make a difference” in the community. For example, over one-third of the team members in the Vancouver office choose to regularly take public transit to work and are enrolled in the firm’s TransLink Employer Pass Program. This program offers annual transit passes, at a discounted price, to employees.

In keeping with Manning Elliott’s commitment to encourage employees to use public transit, all of the Vancouver team members took part, once again, in the Commuter Challenge, coming in a strong 5th place out of the 32 teams that signed up throughout the Lower Mainland in the 101 to 250 Employees category. The goal of the Commuter Challenge is to encourage Canadians to walk, cycle, take transit, carpool (ride share) or telework instead of driving alone to work. Manning Elliott formed ten teams that had a friendly rivalry with each other to determine which team had the best score in terms of supporting the health of the environment. (Team Vincent came in first place while a team comprised of the 9th floor partners were the winners of what we called our “Golden Smog Award”!)



Our Abbotsford office recently donated an IPOD and IPOD docking station at a successful fundraiser auction at the Abbotsford Exhibition Park. The event raised \$70,000 for the Abilitas Foundation’s construction of the Cold Water Ranch Lodge, near Merritt, BC. The Lodge will allow individuals with disabilities and their family, friends and caregivers to use the facilities at no charge.

A donation was also made by the Abbotsford office to help fund the new building for the Big Brothers Big Sisters – Abbotsford, Mission, Ridge Meadows organization. The new building will better serve the youth in the Fraser Valley who need a helping hand.



A new “Community Giving” committee has been formed at Manning Elliott to brainstorm ideas for implementing company-wide programs that will help others in need. These ideas, which include participating in fundraising events, giving of one’s time to charities, and “organization-based” giving will be put forward to all team members through a vote to help us focus our efforts.

"We make a living
by what we get, but
we make a life by
what we give."

Sir Winston
Churchill

Get to Know...Daniel Chow

Accounting Student and Virtuoso

Daniel is destined to become a CA with flair. He's currently a second-year student with Manning Elliott working on projects that deal with assurance and general business advisory services for private companies. His plans are to manage both the demands of the accounting profession and his music career as a concert pianist. Daniel made his solo debut to a full house at Vancouver's Chan Centre in 2001, has won numerous awards and grants to further his talent, and has performed in the United States, Europe and China.

When Managing Partner Mike Corney happened to hear Daniel tickle the ivories in a quiet hotel lobby during Manning Elliott's 2008 Christmas party, Daniel was requested, as "an additional audit procedure" to play for the management, staff and residents of a client that provides residential care facilities to seniors. This distinctive audience was absolutely delighted to have such an unexpected performance of this calibre!

Daniel has, like many team members at Manning Elliott, a strong desire to make a difference, so he participated in The Underwear Affair – a 10K run held on July 11 to raise money for "below the waist" cancers such as prostate and cervical cancers. In his remaining spare time, when not telling hilarious accounting jokes, Daniel enjoys snowboarding, kayaking and the company of his valued friends.



We will be featuring team members in each of our newsletters going forward so that you can become more familiar with some of the great people at Manning Elliott who directly or indirectly serve you.

Welcome and Celebrations



Joining the Manning Elliott LLP team in our **Vancouver** office are **Michael Zhu**, CA, CPA and **Silvana Giesse**, B. Comm.

Michael has joined the Assurance Practice as a Supervising Senior. He brings with him seven years of experience in public practice and is fluent in Mandarin as well as English. Michael joined Manning Elliott because of its excellent reputation and for the opportunity to have interesting work and a wide-ranging client base. When not at work, Michael is active in his church and enjoys hiking and playing tennis.



Silvana fills a new position at Manning Elliott: Marketing Manager. We are very pleased to have her working with us to spearhead a number of exciting marketing, communications and business development projects. Silvana looks forward to carrying out her broad and varied role. In her leisure time, she likes to read, travel, take and teach courses, and be out in nature.



Celebrating Milestones – Manning Elliott congratulates the following team members' longevity with the firm. **Ten years:** **Bryan Hubbell**, a member of our Abbotsford office tax team and **Twenty years:** **Steven Reed**, the partner in charge of our Tax Division.



Celebrating Module Writers – We recently had a 100% pass rate for our 27 team members writing various modules on the road to the Uniform Final Examination. We are proud of their accomplishments and wish them well on their next round of exams.



Celebrating Uniform Final Examination Future Writers – This summer we have 17 team members taking study leave to write their exam in September 2009. We wish all of these writers great success with their studies and exam.