

Apprentice Pay

Maximizing Apprenticeship Tax Incentives

Ed Miltzer
Erin Jensen

June 18, 2008

© 2008 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. All rights reserved. KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss cooperative.

1

Overview

Be prepared when your workers retire

Years to Retirement	Percentage
1 to 5	9%
6 to 10	18%
11 to 15	25%
More than 15	48%

Average number of years to retirement for Ontario workers
Source: Ontario Chamber of Commerce, Skilled trades survey, 2003

© 2008 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. All rights reserved. KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss cooperative.

2

Overview

1. Apprenticeship Programs eligible for **Federal and BC Tax Credits**
 - Employer Credits
 - Employee Credits
2. Optimizing the credit claim
3. Key Tax Incentives:
 - Other Federal Tax Credit Programs
 - Corporate Income Tax Rate Reductions
 - Accelerated Capital Cost Allowance
 - Special deductions for Tradespersons

© 2008 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. All rights reserved. KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss cooperative.

3

Are you and your employees obtaining all the Tax Credits available?

Are you obtaining any Tax Credits at all?



Apprentice Training Tax Credits

- **Federal and BC governments have programs to provide tax credits for eligible Apprentices**
- **Types of credits:**
 - to employers that hire eligible apprentices, and
 - for apprentices (as a credit to their personal taxes)



Federal and BC Tax Credit Summary

Federal Apprenticeship Credits		BC Provincial Training Tax Credits	
Employer	Apprentice Employee	Employer	Apprentice Employee
Apprentice Job Creation Tax Credit	Apprentice Incentive Grant (AIG)	Employer Training Tax Credit	Individual Training Credit
<ul style="list-style-type: none"> ▪ 10% ▪ Max. \$2,000/year ▪ First 24 months 	<ul style="list-style-type: none"> ▪ \$1,000/year 	<ul style="list-style-type: none"> Basic credit (first 24 months) ▪ 10% Max. \$2,000/year ▪ Level 3 15% (max \$2,500) ▪ Level 4 – 15% (max. \$3,000) ▪ Enhanced credits 	<ul style="list-style-type: none"> Basic Credit ▪ \$1,000* ▪ Level 3 \$2,000 ▪ Level 4 \$2,500 ▪ Enhanced credits for Disabled and First Nations



Federal and BC Tax Credit Summary

	Federal Apprenticeship Credits		BC Provincial Training Tax Credits	
	Employer	Apprentice Employee	Employer	Apprentice Employee
	Apprentice Job Creation Tax Credit	Apprentice Incentive Grant (AIG)	Employer Training Tax Credit	Individual Training Credit
Forms to be filed:	Schedule 31 (Corporate) Form T2038 (Proprietors)	See HRDC website	Schedule 428 (Corporate) Form T1014-1 (Proprietors)	Form T1014

* See specific eligibility requirements on following slides



© 2008 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss entity. All rights reserved. KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss corporation.

7

Other Provincial Tax Credits

Ontario – 25% to 30% of total salaries paid by company and salary paid to apprentice (maximum \$5,000 annually)

- Maximum of \$15,000 over first three years
- Separate Ontario Corporate Income Tax Filing

- Quebec
- Manitoba



© 2008 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss entity. All rights reserved. KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss corporation.

8

Federal Tax Credits

10% Federal Tax Credit for Employers...



© 2008 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss entity. All rights reserved. KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss corporation.

9

Federal Apprenticeship Credit

- **Apprenticeship Job Creation Tax Credit (“AJTC” or “Federal Apprenticeship Credit”)**
- **Proposed in the 2006 Federal Budget**
- **Intended to encourage employers to hire new apprentices in eligible trades and address difficulty Canadian employers have in finding skilled tradespeople**



Federal Apprenticeship Credit

- **Eligible Apprentice: Someone working in a prescribed trade (Red Seal) in the first two years of his or her registered apprenticeship contract**
- **The apprenticeship contract must be registered with a Federal, Provincial or Territorial government under an Apprenticeship Program designed to certify or license individuals in the trade.**



Federal Credit – Eligible Apprentice

- **Eligible Salaries and Wages: those paid in first 24 months of apprenticeship, other than**
- **Remuneration based on profits, bonuses, and certain employee, stock option benefits and unpaid amounts**
- **Special rules where multiple, related employers**



Prescribed Trade - Federal

- Initially included 45 listed trades, which may be expanded by regulation
- Essentially, those listed as Red Seal Trades



49 Red Seal Programs

- 1. Agricultural Equipment Technician
- 2. Appliance Service Technician
- 3. Automotive Painter
- 4. Automotive Service Technician
- 5. Baker
- 6. Boilermaker
- 7. Bricklayer
- 8. Cabinetmaker
- 9. Carpenter
- 10. Concrete Finisher
- 11. Construction Craft Worker
- 12. Construction Electrician
- 13. Cook
- 14. Electric Motor System Technician
- 15. Electronics Technician (Consumer Products)



Red Seal Programs (Cont.)

- 16. Floorcovering Installer
- 17. Glazier
- 18. Hairstylist
- 19. Heavy Duty Equipment Technician
- 20. Industrial Electrician
- 21. Instrumentation and Control Technician
- 22. Industrial Mechanic (Millwright)
- 23. Insulator (Heat and Frost)
- 24. Ironworker (Generalist)
- 25. Ironworker (Reinforcing)
- 26. Ironworker (Structural/Ornamental)
- 27. Lather (Interior Systems Mechanic)
- 28. Machinist
- 29. Metal Fabricator (Fitter)
- 30. Mobile Crane Operator



Red Seal Programs (Cont.)

- 31. Motor Vehicle Body Repairer (Metal and Paint)
- 32. Motorcycle Mechanic
- 33. Oil Burner Mechanic
- 34. Painter and Decorator
- 35. Partsperson
- 36. Plumber
- 37. Powerline Technician
- 38. Recreation Vehicle Service Technician
- 39. Refrigeration and Air Conditioning Mechanic
- 40. Rig Technician
- 41. Roofer
- 42. Sheet Metal Worker
- 43. Sprinkler System Installer
- 44. Steamfitter/Pipefitter
- 45. Tiler/Setter
- 46. Tool and Die Maker
- 47. Transport Trailer Technician
- 48. Truck and Transport Mechanic
- 49. Welder



© 2008 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss entity. All rights reserved. KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss entity.

16

Federal Apprenticeship Credit

- **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.**
- **Maximum credit is \$2,000 per year for each Eligible Apprentice.**
- **Consider timing of Apprentice employment to obtain at least \$20,000 of wages in Employer's fiscal year.**



© 2008 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss entity. All rights reserved. KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss entity.

17

Potential Eligible Employers

- **Wide range of manufacturing and service businesses:**
 - **Automotive dealerships / shop**
 - **Trucking companies**
 - **Restaurants**
 - **Heavy industry**
 - **Real Estate Construction and Developers**



© 2008 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss entity. All rights reserved. KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss entity.

18

Federal Apprenticeship Credit

Non-refundable credit

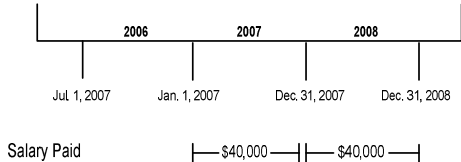
- amount of the credit will be added to the corporation's investment tax credit pool and be available to reduce taxes payable for the tax year
- **Carryover Provisions**
 - Tax credit can be carried forward for 20 years
 - Tax credit may be carried back 3 years to recover Federal tax paid in those years



Optimizing the Credit

Federal Apprenticeship Credits

- Eligible Apprentice enrolled in Red Seal Program commencing January 1, 2007
- Corporate employer has a December 31, year end
- \$40,000/annum salary



Optimizing the Credit

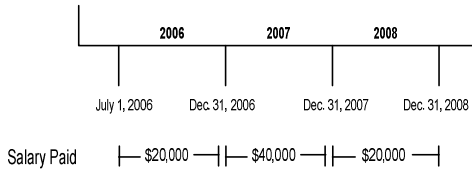
	2006	2007	2008
Federal tax credit for 1 st 24 month's of employees Apprenticeship Contract @ 10% (maximum \$2,000)	-	\$2,000	2,000
Total Federal Credit = \$4,000			



Optimizing the Credit

Federal Apprenticeship Credits

- Eligible Apprentice enrolled in Red Seal Program commencing July 1, 2006
- Corporate employer has a December 31, year end
- \$40,000/annum salary



Optimizing the Credit

	2006	2007	2008
Federal tax credit for 1 st 24 months of employees Apprenticeship Contract @ 10% (maximum \$2,000)	\$2,000	2,000	2,000
Total Federal Credit = \$6,000			

Summary

- Additional credit of \$2,000
- December 31, 2006 claim due 12 months after June 30, 2007 corporate tax return filing due date (June 30, 2008)



BC Tax Credits

10 - 15% BC Tax Credit for Employers...

of up to \$14,250 as Apprentices progress through their 4 year training



BC Training Tax Credit Program

- Provides refundable tax credits for those:
 - Engaged in Apprenticeship Programs
 - Administered by BC Industry Training Authority (BCITA)
- **Eligible Programs** are prescribed by **BC Regulations:**
- www.qp.gov.bc.ca/statreg/reg/IncomeTax/243_2007.htm
 - Year 1 and 2 credits generally do not include Red Seal Programs.
 - Years 3 and 4 include some Red Seal Programs
 - Work experience / Level Completion



BC Apprenticeship Credit

- Employee must be employed in a business carried on and taxable in BC
- Employee must be in a position that relates to an eligible program in which employee is registered.
- Active members of a Partnership are also eligible for their proportionate share of a Partnership's credits
- Limited partners are generally not eligible.



BC Training Tax Credit Program

- Two types of credits:
 - **Basic Credit** (non-Red Seal training program)
 - **Completion Tax Credit** for both Red Seal and non-Red Seal training programs
 - Program effective January 1, 2007 and scheduled to expire January 1, 2012
- Credits are refundable



BC Basic Credit

- **Basic credit** is equal to the lesser of:
 - \$2,000 and
 - 10% of eligible salary and wages to an employee in the eligible recognized program.
- Claimed for the 24 month period from the date the employee entered into the industry training agreement.
- Period must be between January 1/07 and December 31/11.



BC Completion Tax Credit

- **Completion Credits** are for 3rd and 4th year Apprentices
- **Completion Tax Credit** is equal to the lesser of:
 - \$2,500 (for level 3) or \$3,000 (for level 4) and
 - 15% of the salary and wages to an employee in the eligible recognized program.
- Period must be between January 1/07 and December 31/11.



BC Enhanced Tax Credit

- **Enhanced credits** are provided with respect to First Nations individuals or persons with disabilities.
 - Eligible First Nations individuals are those persons who are registered as Indians under the *Indian Act* (Canada).
 - Persons with disabilities are those who are eligible for the disability amount credit on their income tax return.



B.C Training Tax Credit Program

Enhanced Credits (Cont.)

- **Enhanced Credits** for First Nations and Disabled Persons Apprentices
 - 50% of employer's **Basic** or **Completion Credit**
 - For Basic Credit 15%, \$3,000 maximum
- Employer Credits may total \$14,250 for Apprentices in 4 year program



BC Tax Credit - Summary

		Non-Red Seal		Red Seal	
		Regular	Enhanced (FN / Disabled)	Red Seal	Enhanced
Basic	1st 12 months	10% Max \$2,000	15% Max \$3,000	Federal	15% Max \$1,000*
Basic	2nd 12 months	10% Max \$2,000	15% Max \$3,000	Federal	15% Max \$1,000*
Completion	Level 3	15% Max \$2,500	22.5% Max \$3,750	15% Max \$2,500	22.5% Max \$3,750
Completion	Level 4 or higher	15% Max \$3,000	22.5% Max \$4,500	15% Max \$3,000	22.5% Max \$4,500

* The amounts are in addition to the Federal Credit



Claiming the Credit

- **File the following along with Income Tax Return:**
 - Federal: Schedule 31 or T2038 (individuals)
 - BC: Schedule 428 or T1-1014 (individuals)
- Need to include the SIN or name of the apprentice, name of the trade, and the amount of the salary/wages paid
- **BC Training Tax Credit** Resource page including **Credit Calculator:**
 - http://www.sbr.gov.bc.ca/business/income_taxes/ttc/



Income Tax Implications

- **Federal and Provincial Tax Credits are considered government assistance**
- **Must be included when calculating income for tax purposes**



Federal Apprenticeship Training Tax Credits

Federal Tax Credit for Employees...

...\$1,000 per annum or more



Federal Apprenticeship Incentive Grant (“AIG”)

- **Effective January 1, 2007, cash grant of \$1,000 per year to Apprentices in the first two years of an apprenticeship program in one of the approved Red Seal trades.**

Intention:

To help cover some of the tuition, travel and tool costs and encourage apprentices to complete their apprenticeship program allowing them to apply their skills and knowledge anywhere in Canada

- **Available once apprentice has successfully completed their first or second year or level of an apprenticeship program**

- **Included as income to employee**



Federal Apprenticeship Incentive Grant (“AIG”) Cont.

Additional requirements:

- Canadian citizen, permanent resident or protected person
- out of high school
- a registered apprentice with an employer, training trust fund, union training centre, joint apprenticeship training committee, or apprenticeship authority
- in a Red Seal trade program that is designated as such in the province or territory where individual is registered as an apprentice
- able to show progress within an eligible apprenticeship program by proving that individual has successfully completed either the first or second year/level (or equivalent), through supporting documents.



Federal AIG - Prescribed Form

3 page Form, Required information includes:

- Apprentice ID Number
- Name of Red Seal Trade
- Details re Employer and Training Institution
- Apply by June 30 of year after calendar year in which Apprentice demonstrates progression in Program, completing:
 - Technical training, and
 - On the job portion of apprenticeship year

• Weblink to form:

<http://www1.servicecanada.gc.ca/efoms/forms/2006/emp5391e.pdf>



Federal AIG (Cont.)

Apprentices Registered in British Columbia

Required Supporting Documentation

1. Copy of the trainee registration card,
2. Copy of an Industry Training Authority (ITA) official industry training program transcript



BC Training Tax Credits

BC Tax Credit for Employees...

...of up to \$9,750 as Apprentices progress through their 4 year training



BC Individual Training Tax Credit

There are three main elements to the training tax credits:

- **Basic credits** for the first two levels of non-Red Seal training programs
- **Completion Credits** for level 3 or higher of both Red Seal and non-Red Seal training programs
- **Enhanced Credits** for First Nations individuals and persons with disabilities



BC Individual Training Tax Credit

The federal government (Service Canada) program

	Level	Non-Red Seal		Red Seal	
		Regular	Enhanced	Regular	Enhanced
Basic	1	1,000	1,500	Federal*	500**
Basic	2	1,000	1,500	Federal*	500**
Completion	3	2,000	3,000	2,000	3,000
Completion	4 or higher	2,500	3,750	2,500	3,750

Apprenticeship Incentive Grant of \$1,000 to apprentices for completing each of the first two levels of a Red Seal program.

** This amount can be claimed in addition to the federal grant.



Additional Tax Incentives

Additional Tax Incentives for Canadian Business



Tax Incentives

Selected Federal Tax Credit Programs:

- **For provision of Child Care Spaces**
 - 25% of eligible expenditures (max \$10,000 per space)
- **Scientific Research and Experimental Development (SR&ED)**
 - Federal credit – 20 - 35%
 - BC Provincial -- 10%
 - Additional Credit for Salary and Wages



BC Corporate Tax Rates

Corporate Tax Rates Combined (BC) – October 2007 Mini Budget
– February 2008 BC Provincial Budget

British Columbia	2007	2008	2009	2010	2011	2012
Low Rate ABI	17.6	15.0	14.5	14.0	13.5	13.5
High Rate ABI	34.1	31.0	30.0	28.5	26.5	25.0
Investment Income	47.8	46.2	45.7	45.2	44.7	44.7



Accelerated Capital Cost Allowance (CCA)

	Prior to March 19, 2007	Acquired on or after March 19, 2007
Manufacturing & Processing (M&P) Machinery / Equipment	30% DB	50%SL
Buildings used 90% in M&P	4%	10%
Certain computer equipment	45%	55% (class 50)

* All rates are subject to the rule limiting CCA to one half the regular amount in year of acquisition



Accelerated Business CCA (Cont.)

▪ Small Tools

- Prior to May 2, 2006 tools that cost less than \$200 were eligible for a 100 per cent CCA rate.
- On or after May 2, 2006, tools that cost less than \$500 eligible for 100% CCA Rate
 - o No ½ year rule
- Tools that cost more than limit are generally class 8 (20 per cent DB CCA rate)
- Die, jig, pattern, mould, or last 100% deductible as class 12
 - o ½ year rule applies



Additional Tax Incentives

Additional Tax Incentives for Individuals...



Tradesperson Tool Expenses

- Personal income tax deduction from employment income of up to \$500 for tradespeople for the cost of tools in excess of \$1,000, and
 - acquired as a condition of employment (Form T2200)
 - New equipment acquired on or after May 2, 2006
 - Except, certain electronic communication, EDP equipment
- Employee GST Rebate may be available
 - Included as income to the taxpayer



Mechanic Tools Deduction

- For employees registered in Federal Provincial Licensed Motorized Vehicle Apprenticeship Program
- Personal income tax deduction from employment income for the cost of tools in excess of a certain limit (\$1,500), and
 - acquired as a condition of employment (Form T2200)
 - New equipment acquired on or after May 2, 2006
 - Except, certain electronic communication, EDP equipment
- Where Apprentice Mechanic exceeds \$30,000 threshold increases to 5% of income
- Employee GST Rebate may be available



We can help

KPMG Enterprise is focused exclusively on delivering value to privately-held business



Presenters Contact Information

Ed Militzer

emilitzer@kpmg.ca

604 527-3750

Erin Jensen

ejensen@kpmg.ca

604 691-3298



© 2008 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss entity. All rights reserved. KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss corporation.
