
Tax, Accounting and Cash Flow Strategies **for Health Care Professionals**

Annual Checklist

- 1) Preparation of financial statements
- 2) Preparation of corporate tax return
- 3) Preparation of personal tax return
- 4) Preparation of HST return (if applicable)
- 5) T4 and T5 slips
- 6) Minute book updates
- 7) EHT returns (if applicable)
- 8) College application renewal to operate a professional corporation

Monthly Checklist

- 1) Payroll source deduction (due the 15th of each month)
- 2) Monthly corporate tax installments
- 3) Monthly HST installments (if applicable)

Incorporation Advantages

- 1) Income splitting with family members via dividends
- 2) Optimal salary dividend mix for professionals
- 3) Deferring of taxes
- 4) Creditor proofing
- 5) Reduced corporate tax rates (15.5%) vs. Personal tax rates (53.53% highest marginal rate)
- 6) Access to capital gains deduction (\$824K effective 2016)

Life Insurance

- 1) Term Policy
- 2) Whole Life Policy
- 3) Universal Life Policy

Cash Flow Strategies

- 1) Monthly budget and variance analysis
- 2) Annual budget and variance analysis
- 3) Review of operating expenses regularly
- 4) Preparation of annual statement of net worth

Borrowing Funds from a Corporation

CRA allows this on a few different types of occasions. The popular ones are

- 1) Purchase of principle residence – A few conditions apply
- 2) Purchase of car – assuming bona fide payments back to the corporation.

Allowable Deductions for Medicine Professional Corporations

- 1) Membership fees
- 2) Training & Conference expenses
- 3) Auto expenses for business purposes
- 4) Meals and Entertainment for business purposes
- 5) Office supplies
- 6) Office equipment
- 7) Professional fees
- 8) Medical benefits expenses
- 9) IPP or RCA contributions
- 10) Advertising expenses
- 11) Donations
- 12) Bank and interest charges

Investment Strategies

- 1) Active vs. Passive income
- 2) Holding Company
- 3) Creditor Proofing
- 4) Equities, Bonds & Mutual Funds

Miscellaneous Tax Considerations

- 1) Buy vs. Lease of equipment or automobile
- 2) Trusts – family trust, spousal trust
- 3) Health and Welfare trusts

Retirement Planning

- 1) IPP (Individual Pension Plan) vs. RCA (Retirement compensation arrangements)
- 2) RRSPs
- 3) Annuities

Tax Rates (Federal and Provincial (Ontario))

	2015	2016
<u>Corporations</u>		
Small Business Limit	\$500K	\$500K
Active Business Income < \$500K	15.5%	15.0%
Active Business Income >\$500K	26.5%	26.5%
Investment Income	46.17%	50.17%
Lifetime Capital Gains Exemption	\$813K	\$824K
Prescribed Interest Rates	1%	1%
<u>Personal</u>		
Highest Tax Rate (Ordinary income)	49.53%	53.53%
Highest Tax Rate (Capital Gains)	24.76%	26.76%
Eligible Dividends	33.82%	39.34%
Ineligible Dividends	40.13%	45.30%

Filing Deadlines

Monthly Payroll	15 th of the following month
RRSPs	Mar. 1 st
T4s/T5s	Feb 28 th
Personal taxes individual	April 30 th
Personal taxes self employed	June 15 th
Corporations	6 months after fiscal year end