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Cunningham Tax Talk for Health Professionals

SEEING BEYOND YOUR NUMBERS



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New program: Maternity and parental benefits for self-employed physicians

Last year self-employed practitioners were eligible to claim employment income (EI) benefits for the first time. This new program may allow doctors to claim EI maternity and parental benefits under certain circumstances.



In order to be eligible to claim EI benefits, the self-employed individual must opt into the program at least one year prior to claiming benefits and have earned at least \$6,222. An individual can opt out of the EI program at his or her discretion if he or she has never claimed EI benefits or is no longer self-employed. In other words, if an individual opts into the EI program and makes a claim for EI benefits, he or she must continue to make EI premium payments until he or she ceases being self-employed.

Consider the situation where a self-employed doctor wishes to start a family. She commences remitting EI premiums at least 12 months prior to having a child. She will be required to pay annual EI premiums of \$839.97 (2012 rate) (self-employed individuals will not have to pay the employer portion of EI premiums). If she becomes pregnant and qualifies for EI benefits, she may be eligible to receive up to \$23,400 for maternity and parental benefits.

If the individual plans on having only one child, it would take more than 27 years of being self-employed for the combined EI premiums to exceed the EI benefits. If the individual plans on having two children, the combined EI premiums paid over time would only exceed the EI benefits received if he or she was self-employed for more than 55 years.

For more information please visit the Service Canada website:

<http://www.servicecanada.gc.ca/eng/sc/ei/sew/index.shtml>



UPCOMING KEY DATES

February 29, 2012

- filing due date for T4 Summaries and Slips for salaries and bonuses paid in 2011
- filing due date for T5 Summaries and Slips for interest and dividends paid by corporations to shareholders in 2011

March 15, 2012

- filing due date for Employer Health Tax (EHT) returns for employers with salary and bonuses paid of \$400,000 or more in 2011
- first quarterly installment for 2012 personal income taxes due (if applicable)

April 2, 2012

- filing due date for T5013 Summaries and Slips for partnerships where the partnership's total revenues plus total expenses is \$1,000,000 or greater or where any of the partners are corporations
- filing due date for HST returns for taxation years ending December 31, 2011 for annual filers
- final payments of corporate income taxes due for most corporations with a December 31, 2011 fiscal year end

April 30, 2012

- 2011 Canadian personal income taxes due. Personal income tax return filing due date for most Canadian taxpayers

June 15, 2012

- Personal income tax return filing due date for Canadian taxpayers who report self-employment income
- second quarterly installment for 2012 personal income taxes due (if applicable)
- 2011 US personal income returns and taxes due for US citizens and green card holders resident in Canada

July 2, 2012

- filing due date for corporate income tax return for corporations with a December 31, 2011 fiscal year end

Buying versus leasing an automobile

I am frequently asked whether it makes more sense to buy or lease an automobile. While the tax deduction for an individual who uses his or her car for work may be slightly higher if a more expensive vehicle is leased as opposed to purchased, I tell my clients that the decision should likely not be tax motivated.

The first factor in this decision should be cash flow. Purchasing a vehicle outright is the most cost-effective option; however some individuals do not have adequate funds available and are therefore forced to lease or finance. In the second best option, a vehicle can be financed with a loan. This is more expensive than an outright purchase due to loan interest. Over an individual's life, it will be far more expensive to lease rather than buy a vehicle. This gap may be mitigated if the funds that would have otherwise been used to purchase the vehicle are invested and earn a return; but practically this rarely happens.

The second factor that should be given consideration when making this decision is whether the individual likes having a new vehicle every three or four years. If you enjoy the thrill of getting the latest model car or driving a different car every few years, or you simply like the peace of mind that comes with having a vehicle constantly under the manufacturer's warranty, then you will most likely want to lease. Those who tend to buy their vehicles subscribe to the theory that cars are built to last for more than ten years and they generally plan on keeping them for longer than three or four years.

Other factors that should be weighed when making this decision may include: the ability to eventually resell the vehicle if it is purchased, how many kilometres are driven in a year and whether you may exceed the prescribed annual kilometre maximums for a leased vehicle, and the alternative uses for the money that would have been used to purchase the vehicle if it is leased instead.

There is no "one size fits all" answer when it comes to the lease versus buy decision. Different factors will weigh differently on the decision maker depending on his or her lifestyle, personality and past experiences.

Providing healthcare services to rural communities may lead to student loan forgiveness

In an effort to strengthen healthcare in rural communities, the Federal government has introduced a new initiative. New family physicians who choose to work in underserved rural or remote communities will now be eligible for forgiveness of a portion of their Canada Student Loan. The government may be willing to forgive up to \$8,000 of the eligible doctor's student loans per year, to a maximum of \$40,000. If this program is of interest, you should contact the National Student Loans Service Centre.

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“I believe that the most successful tax strategies are those built on a foundation of in-depth knowledge about your business, goals and aspirations.”

Aaron has been with Cunningham since 2003 and is a Partner in the tax department.

He has provided tax planning and information seminars for medical and dental professionals, lawyers and owner managers. He specializes in tax reorganizations and tax planning for owner-managed businesses, including succession planning, estate planning and tax minimization strategies. Aaron is a regular contributor to the Cunningham Columns and has written articles for various external publications.

Aaron obtained his Bachelor of Business Administration from the Schulich School of Business at York University in 1998 and he has been a member of the Institute of Chartered Accountants of Ontario since 2001.

In his spare time, Aaron enjoys golfing, playing hockey and spending time with his family, including his young children, Alexis Leah and Mason Joseph.

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