

January
2011

Cunningham Tax Talk for Health Professionals

SEEING BEYOND YOUR NUMBERS



INSIDE THIS ISSUE

TO INCORPORATE OR NOT TO INCORPORATE

Page 2

GST/HST IMPLICATIONS FOR ASSOCIATES AND LOCUMS AND THE PEOPLE THAT HIRE THEM

Page 2

KEY DATES

Page 2

BIO AARON SCHECHTER

Page 3

CUNNINGHAM LLP
2001 SHEPPARD AVE. E.
SUITE 810
TORONTO, ON M2J 4Z8

TEL 416 496 1051
FAX 416 496 1546
TOLL FREE 1 800 461 4618

WWW.CUNNINGHAMCA.COM

Getting Ready For Tax Time

Each year it amazes me to see the panic set in for Canadian individual taxpayers in late January and early February. Some people would actually rather have a root canal procedure than think about their personal taxes. However, with the following advice, getting ready for tax time should be no more stressful than a routine checkup:

1. **Get organized early**
Use an Excel spreadsheet or basic accounting software to track your billings, collections and expenses and update it on a monthly basis throughout the year. The alternatives - namely, keeping a shoebox or file folder of papers and receipts that you have to go through once a year, or creating a summary of your billings and expenses from scratch early in the following year - may lead to frustration and possibly additional professional fees.
2. **Know what tax slips you expect to receive**
If you are expecting three T3 slips and have only received two by mid-April, call the issuing company to find out about the outstanding slip. Filing an incomplete tax return may result in additional taxes, interest and penalties on the unreported income.
3. **Keep informed**
Read your accountant's tax letter or personal tax update memo to ensure any new credits are not missed and existing deductions are being taken advantage of.
4. **Don't wait until the deadlines**
Are you considering making an RRSP contribution or purchasing a flow-through investment to reduce your taxes? Rather than waiting until the final week in February, consider setting up RRSP contributions that are automatically withdrawn monthly from your bank account or purchasing tax efficient investments in November or early December.
5. **Tax planning is a year-round exercise**
Many people start thinking about personal tax planning when it is too late. Whether setting up a prescribed rate loan, dividend sprinkling among family members, determining the most tax efficient salary/dividend mix or converting non-deductible interest into tax deductible interest, these tax planning issues should be discussed with your accountant at the beginning of the taxation year.



UPCOMING KEY DATES

February 28, 2011

- filing due date for T4 Summaries and Slips for salaries and bonuses paid in 2010
- filing due date for T5 Summaries and Slips for interest and dividends paid by corporations to shareholders in 2010

March 15, 2011

- filing due date for Employer Health Tax (EHT) returns for employers with salary and bonuses paid of \$400,000 or more in 2010
- first quarterly installment for 2011 personal income taxes is due

March 31, 2011

- filing due date for T5013 Return and Slips for partnerships with six or more partners (if all partners are corporations, the T5013 Return is due 5 months after the fiscal year-end of the partnership)
- filing due date for GST/HST returns for corporations who are annual filers with taxation years ending December 31, 2010
- final payment of corporate income taxes is due for most corporations with a December 31, 2010 fiscal year-end

April 30, 2011

- 2010 Canadian personal income taxes are due and the personal income tax return filing due date for most Canadian taxpayers

June 15, 2011

- personal income tax return filing due date for Canadian taxpayers who report self-employment income
- second quarterly installment for 2011 personal income taxes is due

June 30, 2011

- corporate income tax return filing due date for corporations with a December 31, 2010 fiscal year-end

To Incorporate or Not to Incorporate – That is the Question

Undeniably, the question I am most often asked by young health practitioners (doctors, dentists, chiropractors, massage and physiotherapists, etc.) is “Should I incorporate?” Unfortunately, there is no one right answer. In order to make the proper determination you should sit down with your tax advisor or accountant and discuss if incorporation makes sense at the present time, given your particular set of circumstances.

Among the potential benefits of incorporating are income splitting with a lower income spouse, parent or child who is 18 years of age or older, multiplying the \$750,000 lifetime capital gains exemption (generally only applicable to dentists since most other health practitioners do not have a saleable business), a substantive personal income tax deferral if the practitioner does not require all of his or her income for personal living needs and possibly paying off business or student debt quicker.

However, what the practitioner often doesn’t immediately recognize are the additional costs and administrative burdens associated with incorporation, including: the professional fees in setting up the company and determining the appropriate share structure, the annual accounting and legal costs, the requirement to withhold and make monthly payroll remittances to the government, the requirement to prepare and file T4 and T5 summaries and slips annually, and the necessity for accurate record keeping or bookkeeping.

I would be pleased to sit down with you to discuss the “truths” behind incorporating and determining whether incorporation is right for you.

GST/HST Implications for Associates and Locums and the People that Hire Them

Over the past year, I have been asked to review more than half a dozen Associate/Locum Agreements. I have reviewed these arrangements from both the associate’s/locum’s perspective and the perspective of the person or company to which the associate/locum is providing the services. In every case, I have noted that the manner in which the agreement had been drafted could lead to adverse GST/HST implications for the practitioner.

The Canada Revenue Agency’s administrative position is that when a practitioner or a corporation (the “principal”) contracts with another practitioner (the “associate” or “locum”) to provide health care or dental services to the principal’s patients, and the principal and associate/locum have entered into a bona fide agreement to share fees, GST/HST will not be applicable to any payment made between the two

parties. The underlying characteristic of this type of arrangement is an apportionment of the fee for the health care or dental service rendered.

However, the application of GST/HST differs where there is an agreement between the principal and the associate/locum whereby the associate/locum agrees to pay for use of the facilities, the staff or for other administrative services. In this situation, the principal has made a supply to the associate/locum of an administrative nature and therefore any payment in connection with that supply is subject to GST/HST.

Associate/Locum Agreements must be worded such that the parties agree to share fees and that any payment between them is an apportionment of the health care or dental fee rather than a payment for any administrative services provided by the principal.

CONTACT INFO



Aaron Schechter
416.496.1051 x309
aaron@cunninghamca.com

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

Visit our website:
www.cunninghamca.com

To unsubscribe:
lynda@cunninghamca.com

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

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

Aaron obtained his Bachelor of Business Administration from the Schulich School of Business at York University in 1998 and 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.

This publication/communication is intended to inform readers of developments as of the date of publication/transmission and is neither a definitive analysis, nor a substitute for professional advice. You should consult with your Cunningham or other professional advisor(s) to obtain additional details, and to discuss whether

the information herein applies to your specific situation. This publication may be displayed or printed only for personal non-commercial use and unchanged.

Copyright 2011 by Cunningham LLP

Cunningham

2001 SHEPPARD AVE. E., SUITE 810 TORONTO, ON CANADA M2J 4Z8

