



BUSINESS MANAGEMENT
QUARTERLY

SPRING 2003
(DENTAL EDITION)

"SO, WHEN ARE MY TAXES DUE?"

To help clear up some confusion, we thought we should answer this question.



Sole Proprietors and partners (of partnerships) must be filed by June 15th to avoid late filing charges. However, interest charges are applied on balances owed after April 30th.

Individuals whose major source of income is T4 income (that includes those of you that may have professionally incorporated), must have their taxes filed by April 30th to avoid interest and late filing charges.

UNDERSTANDING YOUR 2003 RRSP DEDUCTION LIMIT STATEMENT

You're probably wondering about the timeliness of this topic. The reality is many of the questions surrounding RRSP limits surface after tax season once the dreaded "notices of assessment" start to roll in.

Therefore, our objective in this article is to help shed some light on RRSP contribution limits and allowable deductions.

As you may already be aware RRSP contribution limits are calculated by multiplying your previous year's taxable income by 18%. However, there is a maximum to the limit. For the past number of years, up to the 2002 tax

year, the maximum allowable limit for your RRSP contribution has been \$13,500. The table below outlines various taxable income levels and the corresponding RRSP contribution limits using \$13,500 as the maximum allowable limit:

| Taxable Income | RRSP Contribution Limit |
|----------------|-------------------------|
| \$25,000 | \$4,500 |
| \$50,000 | \$9,000 |
| \$75,000 | \$13,500 |
| \$150,000 | \$13,500 |

As of the most recent Federal Budget, the RRSP contribution limits have increased so that as of 2006 the limit would be \$18,000. The RRSP contribution limit schedule for the next four years is as follows:

| YEAR | CONTRIBUTION LIMIT |
|------|--------------------|
| 2003 | \$14,500** |
| 2004 | \$15,500 |
| 2005 | \$16,500 |
| 2006 | \$18,000 |

Note: for those of you who maximize your RRSP contributions, please notice the limit has increased for 2003

The limits discussed thus far assume you have no circumstances in which your RRSP contribution limit would be reduced. Every individual's limit is unique to their specific situation.

To determine how much you can contribute in a given tax year, you need to look at the last two lines on your

RRSP Deduction Limit Statement from your Notice of Assessment. For example your Notice of Assessment for the 2002 tax year will have your 2003 RRSP Deduction Limit Statement.

The second last line on this statement is "Your RRSP Deduction Limit for 2003". This is the maximum amount you can claim on your 2003 tax return for a deduction. This is not, necessarily, the amount you can contribute to an RRSP for 2003.

To determine how much you can contribute to an RRSP you must also consider the last line of the RRSP Deduction Limit Statement. The last line is "Your Unused RRSP Contributions available to carry forward to 2003". This is the amount that you had contributed in previous years, but did not, or could not, claim as a deduction (for various reasons). Therefore, the amount you may contribute to an RRSP is the difference between your Unused RRSP Contributions available to carry forward and your RRSP Deduction Limit.

For more information, please contact Carolina, as she will be more than happy to walk you through the process. She loves this stuff.

MORE INCORPORATION ADVANTAGES

In our Fall 2002 newsletter we outlined three of the more significant benefits to professionally incorporating:

1. Reduced Personal Taxes

2. Increase in after tax dollars to pay down business debt
3. Lifetime Capital Gains Exemption of \$500,000

There are a number of other benefits. This article will concentrate on a particular strategy for retirement planning.

For those of you who are still uncertain of the benefits of professionally incorporating and have



always been concerned with retirement planning, consider this - being professionally

incorporated may enable you to set up an Individual Pension Plan (IPP).

An IPP is a retirement planning tool for self-employed sole-shareholders of a corporation or key executives of a corporation. An IPP is considered a Defined Benefit Registered Pension Plan for a single member. The spouse can also be a member if they are employed by the same corporation.

The main benefits of an IPP are:

1. Contribution limits are typically greater (and substantially so) than RRSP's
2. IPP's are protected from creditors
3. Contributions made to the IPP, as well as administration fees are tax deductible to the corporation.

In order to be eligible for an IPP the member must receive T4 income and be an employee of an incorporated company. There are also some guidelines with respect to age (our research has shown that a member of an IPP must be at least 40 years old) and income level (salary of at least \$75,000).

The IPP must be registered with the CCRA (formerly Revenue Canada) and there are strict rules for registration. Loosely translated, that means this must be a legitimate set up. Therefore, an actuary must be hired to set up the IPP for your corporation. The one time set-up costs could be anywhere from \$2,800-5,000. The on-going maintenance charges could be as much as \$1,800 per year. However, depending on your particular situation the return on investment can still be worth while.

Please contact us if you have any questions regarding IPP's or professionally incorporating.

HERE WE GROW AGAIN

Well, it would seem our Business Affairs family is growing again.



Congratulations to Lisa Sander (she's the one responsible for generating the Monthly reports once Monica and Marian enter all the data). Lisa and husband Kelly are expecting their second child in August. In true old

fashioned style, Lisa and Kelly choose to not know if their son Kyle will be getting a baby brother or sister.

Not to be outdone, at around the same time Lisa was announcing the anticipated arrival of her new family member, it was discovered that my wife Allison and I are expecting our third child at the beginning of September.

Therefore, if you find your September monthly reports seem a little out of sort, or if the corresponding memo seems a little "spacey" you'll understand why.

INSURANCE INFO

Did you know your practice could subscribe to a group benefit package with as a little as three employees? Why would you want to do that? Two reasons...

First, benefits are an excellent incentive for retaining staff. Secondly, you can put yourself on the plan and potentially reduce your personal medical/dental costs. And the best part of this deal is the premiums are tax deductible to the employer.

For more information regarding Group Benefits, as well as Personal Disability and Life Insurance, please contact Carmen Fascia (it's a family affair) by phone at her residence (905-846-4662) or by e-mail (carmen@mcfmanagement.com).