



BUSINESS MANAGEMENT
QUARTERLY

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(DENTAL EDITION)

PAYROLL SERVICE

Recently, Business Affairs met with Nebs Payroll Service Limited. This is the same company that is known for their cheques and business forms.

Recently, Nebs entered the Payroll Services industry. Their service is unique in that you can



use them as a traditional Payroll provider in that you provide them with payroll information and they calculate the employee wages. You can also use a non-traditional service called Nebs PayWeb.

With PayWeb, Nebs provides the Payroll Software through an internet website and you can administer the payroll. The benefit is speed and accuracy. Once the system is learned it will reduce, if not eliminate, mistakes and will speed up the pay process.

Better yet, if you so choose, Business Affairs could administer your payroll through the Nebs PayWeb service. If this is of interest to you, please contact Frank or Norma Jean for details.

Further information is available in an insert provided with this Newsletter. The insert was provided by Nebs and outlines the PayWeb features and benefits.

TAX SAVING MYTHS and TRUTHS

Given the line of work we are in, we often come across many tax schemes tax payers will try to exploit in order to save taxes. According to Financial Planning website www.advisor.ca here are a couple of myths and the truth related to those myths.

Offshore Accounts

I can hide my assets from the Canadian tax authorities by keeping them in a foreign bank

account. They will never find out about it if I don't tell anyone.

In this computer age, it is not such a difficult thing for the CRA to conduct a regular cross-search of databases. Besides the many international tax treaties which the Canadian government has signed that allow for the exchange of information, Canada is also a member of the Organisation for Economic Co-operation and Development (OECD). For the last four years, the OECD has been putting pressure on countries it refers to as "uncooperative tax havens," threatening sanctions if they fail to share financial information. It has been a successful campaign — Barbados, Bermuda, Cayman Islands, Cyprus, Guernsey, Malta, the Isle of Man, and the Seychelles (to name but a few) have all agreed to comply.



Donating Art

I can buy a bunch of art at a cut rate and then donate it to my favourite charity or university for a lot more than what I paid — and get a juicy tax credit!

If it sounds too good to be true, it probably is. When a promoter sells one or several pieces of art to an individual at a low price, and then arranges to have the work appraised for several times that amount, it's known as "art flipping," and it's a scam. The CRA recommends that purchasers make certain the appraiser is qualified and is an independent party not connected to the promoters or sellers of the art. If the CRA should decide that the value is inflated, the donation will be disallowed and gross negligence penalties may also apply.

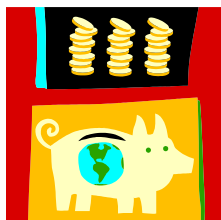
In another related article the www.advisor.ca goes on to stress the importance of simple tax

strategies. As described in the article, they are as follows:

RRSPs

Some members of the public will spend hours surfing the Internet in search of the perfect tax dodge - a financial Holy Grail that will allow them to shelter their hard earned savings from the grasping hands of the Canada Revenue Agency. Well look no further, it exists - it's called an RRSP and it's been right there under their noses since 1957.

Instead of trying to find a way around the system, Canadians who wish to shelter their money from taxation should stop messing about and work within it. The RRSP is the single best tax shelter available, and it's completely legitimate. There is no other savings vehicle that offers such a generous tax deduction, and yet



according to data released by Statistics Canada in 2004, the program is under-utilized.

The number of people putting money into their RRSPs has actually declined in recent years, and the median annual contribution is a paltry \$2,600. Note the word is *median*, not average, meaning that 50% per cent of those using RRSPs are investing even less than that amount.

Labour-sponsored funds

Labour-sponsored investment funds (LSIFs) offer generous tax credits to encourage Canadians to provide venture capital to smaller firms. Someone who makes the maximum annual investment of \$5,000 will receive a 15% credit from the federal government, plus up to another 15% depending on the province (Alberta, PEI, and Newfoundland, for example, offer no credit). A resident of Ontario could receive an additional 5% credit - boosting the total tax credit to \$1,750 - if the fund also qualifies as a research-oriented investment fund (ROIF).

Note, however, that funds must remain invested for a minimum of eight years. If the tax payer was to cash in the LSIF in year seven, he would be required to repay all of the tax



credits. Clients should also understand that these tax credits are not just a gift on the part of the federal

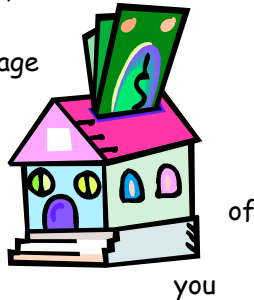
and provincial governments - this incentive is being offered to help offset the very real additional risks involved. This is venture capital, and the dangers of a new, smaller firm failing are much higher than those of, say, an established bank or utilities company.

But for clients who have both the time and the risk tolerance, LSIFs are a great way to save taxes - especially when held inside an RRSP, where the clients will also receive the regular deduction for their contributions as well the additional credits. For someone in the highest tax bracket, a \$5,000 LSIF investment in an RRSP may only cost \$1,000 after all the tax breaks.

Home ownership

In Canada, the proceeds from the sale of a principal residence (broadly defined as a housing unit on 1.25 acres of land) is exempt from capital gain taxation - effectively making a client's home a significant tax-free savings vehicle. While other non-registered investments will generate taxable income - either in the form of interest and dividends while held, or capital gains at the time of sale - the appreciation on a home is completely sheltered. It's a resource that can be tapped without fear of taxation, either immediately in the form of a line of credit, or at a later date through a reverse mortgage or an outright sale.

A fundamental principal of financial planning is to eliminate non-deductible interest payments, and a mortgage is the largest non-deductible debt most Canadians will ever assume. After RRSPs have been topped up, clients should consider the benefits of making an additional mortgage payment. Most lenders allow the home owner to make prepayments to a maximum of 20% or 25% of the original loan, and a good calculator will show you



that the savings can be significant. For example, a \$10,000 prepayment on a \$150,000 mortgage at 5% with 20 years remaining would save a client \$15,399 in interest. Where else can a client generate a 150% return? Once RRSPs have been maximized and debts eliminated, then it may be time to determine if more complicated tax savings strategies such as universal life insurance policies, investment tax shelters and limited partnerships are desirable. The solution to most Canadians' tax problems, however, is neither exciting nor drastic. There's no magic bullet to reduce taxes - it's just a matter of hard work and disciplined saving.

DENTAL INDUSTRY STATISTICS (Courtesy of the Canadian Institute for Health Information)



Did you Know...

1. In 2002 Canadians (not including public sector) spent more than \$7.8 Billion on dental care. This represented 7.25% of all Healthcare expenditures;

2. 43% of 2002 Dental Care expenditures (or \$3.4 Billion) were paid personally by the individual;
3. In 2003 and 2004 Private Sector Dental Care expenditures are expected to grow to \$8.3 Billion and \$8.8 Billion respectively, representing 6.6% and 5.9% growth respectively;
4. The Private Sector per capita expenditure on Dental Care was \$250 in 2002 and is estimated to be \$264 and \$277 for 2003 and 2004 respectively.

IMPORTANT NOTICE (T4's)...If you receive a PIER

The program that we have used for the past several years to prepare your T4's had, this year, what we shall call a glitch, for the use of a better word, when the information was transmitted to Canada Customs Agency via Magnetic Media. Not all of our files were affected.

If you should receive a Pensionable and Insurable Earnings Review, PIER for short, indicating that one or more of your employees are deficient in CPP and or EI, please send it to us and we will handle it.

For once, I'm feeling a bit sorry for the processing department at CRA, the program we use is the number one software used by the accounting industry across Canada. Every file that has been affected will have to be deleted, resubmitted by the preparer, and re-entered by CRA. We submitted hundreds files, multiply that by and that's why I feel a bit sorry for CRA.

Where's that aspirin bottle?

TAX TIPS AND TRAPS

We have included a Tax, Tips and Traps newsletter for your reading enjoyment.