



BUSINESS QUARTERLY

2006-Volume 1
(DENTAL EDITION)

RECORD KEEPING FOR DENTISTS

On a fairly regular basis we receive inquiries from clients regarding the



appropriate length of time for which patient records should be kept. We perused the RCDSO web site and found an article entitled "Retention of

Financial and Business Records". The article was written by Dr. Lesia Waschuk of the RCDSO.

According to the article, an appointment book, appointment schedule, day book or daily diary must be kept. Every time a client visits the practice for treatment and or professional service, the visit must be documented. The logs can be in a written form or secure electronic format. The appointment records must be kept for 10 years after a patient's last appointment.

The article goes on to state the Dentistry Act, 1991, requires Clinical, Financial and Drug records must also be kept for 10 years after the patient's last visit to the practice. In the case of a minor, these records must be kept for 10 years after the patient turns 18 years old.

There are two exceptions to the above requirements and they involve "working models" and dental claims forms.

Working models do not have to be kept for any specific period of time. However, diagnostic or study models are considered to be part of the patient records and are to be kept for 10 years.

Copies of dental claims forms must be kept for two years from the day the claim was submitted.

Should you need more information regarding retention of information, please access the "Guidelines for Dental Recordkeeping" from the publications section of the RCDSO web site (www.rcdso.org).

WARNING FROM ONTARIO SECURITIES COMMISSION (OSC) REGARDING "TAX SAVING SEMINARS"

A recent article appearing on "Advisor.ca", warned financial advisors to steer away from trying to lure clients to attend seminars with headlines such as "Pay Less Tax" or "Maximize Your Tax Flow".

The issue is it is illegal for presenters to sell securities and offer advice without being registered with the securities commission.



Further, many presenters receive an "appearance fee" and one needs to consider the motivation for being there.

Often the tax strategies are linked to the products being marketed at the seminar. The OSC strongly recommends a background check is done on the presenter and encourages all potential attendees to contact them (877-785-1555) to check the registration status of the speakers and the people putting on the seminar.

The article described how many of the seminars can lead to additional taxes being assessed, as well as penalties and interest. As proof, the Canada Revenue Agency recently issued its own warning as it pertained to "leveraged cash donations" and "buy low, donate high" arrangements. The CRA warning also advised a tax shelter number is only used for identification and does not guarantee tax payers will receive the proposed tax benefits associated with said tax shelter.

If it sounds too good to be true...it probably is and it would be prudent for you to investigate further.



Unfortunately, many of these presentations are extremely well-packaged.

For instance, over the years we have seen many "flip" schemes involving art, computers, literature (such as comic books) and even kid's sports organizations. Most of the schemes involve making a contribution to a particular cause and receiving a contribution receipt for well in excess for what was actually contributed.

Many of these "flips", as well as other tax schemes, provide "letters of opinions" from tax lawyers stating the scheme looks legitimate. However, what the presenters don't tell you is that the law firm is paid to write such a letter and the letter is only an opinion, but is used as a selling tool nevertheless.

In almost all cases where a tax scheme was involved we have seen tax payers take advantage of the deductions or tax credits only to have them reversed years later (including interest and penalties).

We recommend all clients contact us if they are considering engaging in such a plan so that we may provide some feedback with respect to the validity of the scheme.

HIGHLIGHTS FROM FEDERAL 2006 BUDGET

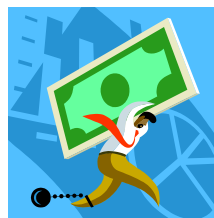
As you may or may not know the Federal government presented their budget for 2006 on May 2, 2006. Though budget presentations don't exactly make for the most exhilarating drama, this year's budget does contain some changes that will affect many healthcare professionals. Here is a sample of the most relevant changes to our tax system:

Business Tax

- Professional and Technical Services corporations who have historically been able to make use of the federal small business corporate tax rate of 12% on the first \$300,000 of corporate net income, will be able to make use of this rate for the first \$400,000 of corporate net income as of January 1, 2007.
- The federal small business corporate tax rate is being cut from 12% to 11.5% in 2008 and 11% in 2009

Personal Tax

- The lowest federal personal tax rate, which is applied to the first \$36,378 that every tax payer earns, is increasing to 15.5% as of July 1,



2006. It was 15%. This means the lowest federal personal tax rate will average out to 15.25% in 2006 and will be 15.5% for 2007.

- The Basic Personal Amount, which is the income for which all tax payers pay no tax, has increased for 2006 to \$8,839. It was \$8,648. This means every tax payer pays no income tax on his/her first \$8,839 of earnings in 2006. The Basic Personal Amount increases by \$100 plus inflation for 2007.

Tax Credits and Benefits

- Beginning July 1, 2006, families with children under the age of six will receive \$100 per month through the Universal Child Care Benefit for each child under the age of six. This amount will be taxed in the hands of the lower income spouse.
- The Canada Employment Credit has been introduced to provide a tax credit on \$250 of income in 2006 and \$1000 of income in 2007 for all employees. Tax credits reduce a tax payer's tax payable in a given year and are calculated by multiplying the eligible amount by the lowest federal personal tax rate. For instance the Canada Employment tax credit would reduce a tax payer's tax payable by \$155 in 2007 ($\$1000 \times 15.5\%$).
- The Fitness tax credit has been introduced for 2007. This tax credit is based on an eligible amount of \$500 (therefore, actual credit is $\$500 \times 15.5\%$) for all children under the age



of 16 enrolled in an eligible program of physical activity.

Capital Gains

- It used to be when a tax payer donated securities (shares of publicly listed corporations) to registered charitable organizations and public foundations, before the donation tax credit was applied, a calculation on Capital Gains Income using the 25% inclusion rule was executed because it was deemed the tax payer disposed of his/her securities. As of May 2, 2006, any donations of publicly listed securities will have the inclusion rate for the calculation of Capital Gains reduced to zero. This increases the tax benefits for this kind of donation.

GST

- The GST rate is to be reduced to 6% as of July 1, 2006. The budget did not outline a firm timetable for a further reduction in the GST rate.
 - Any GST payable prior to July 1, 2006 is still payable at 7%

For more information regarding the 2006 Federal budget, please visit the Department of Finance Canada web site at (www.fin.gc.ca). Please contact us for greater details of how the changes in the recent budget affect your personal situation.

TAX TIPS AND TRAPS

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