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"Working together, to attain your goals"

NEWSLETTER

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FUTURE ISSUES CAN BE FOUND ON MY WEBSITE

HEALTH EXPENSES AS A CORPORATE EXPENSE DEDUCTION

Ever heard of a do-it-yourself Private Health Services Plan (PHSP)? By using a PHSP, as an employee of your company, you can make medical and dental expenses you incur for yourself and certain members of your family a tax deductible expense of your company. The plan must also be offered to other employees, whose health expense payments would also be a deductible expense to the company. The payments on behalf of your employees are not taxable benefits subject to payroll taxes. A PHSP can also be an attractive health plan since the limit allocated to each employee can be used by them for any eligible expenses, rather than be subjected to limits for certain types of health expenditures under typical extended health plans.

To qualify as an eligible PHSP expense, the payments must have qualified as a medical expense if claimed on your personal income tax return. You can view a list of eligible an non-eligible medical expenses by visiting the Canada Revenue Agency website.

To set up a do-it-yourself PHSP, you need to follow these steps:

1. Prepare a corporate director's resolution which is to be placed in the corporate minute book
2. Prepare a written employment agreement between the company and each employee which outlines the eligibility requirements and the maximum benefits allotted.
3. Set up the appropriate bookkeeping records and ledgers to keep track of the expenses paid to each employee.

If a do-it-yourself PHSP sounds like an interesting option to you, you should talk with your financial advisor or accountant to see if this is suitable for your corporation.

MAXIMIZING AFTER TAX DOLLARS

Are you making the most of your corporation and maximizing your after tax cash flow? By setting up your corporation so you can income split with adult members of your family, you create the ability to reduce your overall family tax burden when drawing funds from your corporation. And let's face it, most of us need to draw substantial earnings of our corporations to pay our personal debts and living expenses.

For example, assume your company nets $100,000. The company, assuming the income is from active business income and not passive investment income, will pay 13.5% tax ($13,500), which leaves $86,500 for you to withdraw. If you are the only shareholder and you draw the entire $86,500 as a dividend, you will pay roughly $10,600 of personal income tax on your personal income tax return on this dividend. Let's now say that you have your corporation structured so you can allocate that dividend to yourself, your spouse and say an adult child who is 18 or older, both of which earn no other sources of income. By splitting that dividend between the three of you, and each of you reporting a third on your personal income tax returns, your personal tax burden is virtually nothing. You saved yourself $10,600 in after-tax cash for that one year alone.

Ensuring your corporation is structured properly to maximize your overall tax savings is crucial. You should talk with your advisors to ensure that you are making the most of your corporate entity and maximizing your after tax cash flow.

ABOUT ME

I operate an accounting practice focusing on small and medium sized businesses and am dedicated to working with my clients by exploring various financial and tax solutions to help achieve their goals.

This newsletter is meant to provide general business and tax tips to business owners. You should discuss topics of interest with your advisors. Future issues can be found for reference on my website or you can request electronic versions via email.

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