



# Strategies & Tax Update

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Fedder, Gurau & Staniewski  
*chartered accountants*

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Your free copy of Tomorrows  
Successful Dentist Handbook

Business Income and Expense  
worksheet now available

## *A helpful guide to a painless tax season*

**T**ax Season is upon us, and what follows is a checklist to help you provide us with what we need to ensure you receive all of the **tax savings** available.

The deadline for 2006 RRSP contributions is March 1, 2007. The amount you are eligible to contribute can be found on last years Notice of Assessment. The maximum contribution for 2006, which is based on your 2005 income, is \$18,000. If you contribute for next year early, which is a good decision if you have the cash flow, the maximum contribution for 2007 will be \$19,000. You will need to have earned income of at least \$105,000 to have this amount available as your contribution limit.

The filing deadlines remain unchanged for 2006. If you or your spouse does not have any self-employed income your returns are due by April 30, 2007. If you or your spouse have self-employed income, then your tax is due by April 30, 2007 and your returns are due by June 15, 2007.

The following is a checklist that we hope will be a good guide for you in accumulating the information that is required for us to prepare your income tax return.

- If you own any **foreign property** that has a cost of \$100,000 CDN it must be reported to avoid penalties. Examples of these holdings are foreign rental property, investments

in shares of foreign corporations, and money held in foreign bank accounts. If you completed an **adoption** in 2006 there is a tax credit of up to \$10,220 for certain expenses paid.

- If any **information has changed** from 2005 such as your address, marital status or dependants, we will need the names, social insurance numbers and birthdates so as to update your record.
- Do you have any **dependants** on you because of age or disability?
- Assemble all **income information slips**. Examples of slips you may receive are T4's for employment income, T3 and T5's for investment income such as interest and dividends, T4RSP and T4RIF's for withdrawals made in the year, receipts for all RRSP contributions made in the year.
- If you had **capital gains or losses** in the year contact your Broker and request a gain and loss report.
- If you received any **rental income** in the year provide us with a summary of income and expenses.
- **Childcare expenses** - provide details of daycare costs and camp fees including copy of receipts. If babysitting was provided by an individual, their name and social insurance number is required.
- If you have a child who is less than six years old, you should have received the **Universal Child Care**

**Benefit** of \$100 per child per month. Please provide the RC62 form for this reportable income.

- If you moved 40 kms closer to your place of business or new employment you may be able to claim a **moving expense** deduction. Details and receipts for the expenses incurred will be required in order to make the claim.
- If **Loan interest** was paid to enable you to make an investment, you need a confirmation of the amount paid. In addition, if you had a **student loan**, you should obtain a letter confirming the amount paid to be eligible for the tax credit.
- If you incurred **investment counseling, management or accounting fees** (other than fees paid to maintain a RRSP) provide us with a receipt. In addition, you can claim a deduction if you have a receipt for a safety deposit box.
- If it was a condition of your employment that you incur **employment expenses**, such as vehicle, travel, parking, meals and office in home, then we will require a T2200 completed by your employer and details of the non-reimbursed costs you paid for.
- Assemble all **charitable donation** receipts and family medical expenses. For individuals residing in a health care facility, obtain a letter outlining the breakdown of the fees

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- paid between medical and rent.
- If an individual has a marked restriction in their daily living, they may be eligible for the **disability tax credit**. A T2201 signed by a physician is required.
- **Tax installments** - provide details or copy of the CRA statement of account that is included with your March 2007 installment reminder.
- Students need to obtain a T2202A **Tuition and Education Tax Credit** form. Most schools make these forms available on their websites for the student to download. If the school is outside Canada and qualifies, then the student must have the school complete a TL11D in order to receive the tax credit. In addition, if the student paid rent in Ontario a rent receipt is needed to be eligible for the Ontario Property Tax Credit.
- If you purchase monthly **transit passes**, starting in 2006 you will be eligible for a tax credit of the amount paid and that you have a receipt for.
- **SELF EMPLOYED** - If you earned income from self-employment in 2006 you should provide us with a summary of income and expenses. The expenses should be summarized by category.

If you have any questions regarding the above checklist please do not hesitate to call. In the mean time, don't worry, tax season will be over sooner than you think and hopefully your preparation will be painless.

## Professional corporation tax strategy 2

### Individual Pension Plan

The Individual Pension Plan is a defined benefit pension plan set up in a corporation that provides significant advantages including higher annual contributions than an RRSP. There are additional annual costs and we suggest you review the checklist below to determine if the IPP is suitable for your needs:

- ✓ Defined benefit pension plan results in a guaranteed annual pension income on retirement

- ✓ Replaces the RRSP
- ✓ Higher tax-deductible contributions from \$ 2,000 to \$ 10,000 and more per year
- ✓ Greater asset accumulation in a pension resulting in larger pension at retirement
- ✓ Creditor protection
- ✓ Annual plan expenses of \$ 1,500 are tax deductible by company
- ✓ Investment management fees are paid and deducted by the company not deducted from the investments
- ✓ Qualified past service funding can provide a significant initial tax deduction
- ✓ Interest on money borrowed to make contributions is tax deductible to company
- ✓ Additional company contributions if investment earnings do not meet minimum requirements of 7.5% per annum
- ✓ Terminal funding option on early retirement providing additional tax deductions
- ✓ Plan can be wound up and assets transferred to locked-in RRSP
- ✓ Ideally suited for age 40 and over with annual income greater than \$ 100,000

## Professional corporation tax strategy 2

### Universal Life Insurance

This involves the purchase of an exempt insurance contract that has a life insurance benefit and a tax-exempt investment account. It does not allow for any additional tax deductions but is an attractive method to defer and shelter assets in and investment accumulation program. The following is a checklist of the main components:

- ✓ Part of the policy is a life insurance benefit
- ✓ Part of the policy is a tax-exempt investment account
- ✓ The corporation is the beneficiary of the policy

- ✓ Annual contributions made to the investment account to create cash value
- ✓ The cash value accumulates on a tax-deferred basis
- ✓ The death benefit payable increases annually
- ✓ On death, the corporation receives the proceeds of the policy, tax-free. Funds can then be paid out tax free to the beneficiary of the shares.
- ✓ Use the policy as collateral for a loan and reinvest funds in the business and deduct the interest expense as a business expense
- ✓ Flexible investment options for investment account
- ✓ Corporate funds are used to fund policy (81.4% available versus 54% after-tax)
- ✓ Use the policy as collateral for a loan to use funds for tax-free retirement income

Please contact our office to receive your free copy of **Tomorrows Successful Dentist Handbook**.

### Self-employed Medical Practitioners

If you are a self-employed medical practitioner we have enclosed a Business Income and Expense worksheet for your completion. Kindly complete prior to your tax season meeting.

### Important Dates

*Personal Tax Instalments*  
Due March 15, 2007  
Due June 15, 2007

### Referrals

*We would like to take the opportunity to thank our clients who value our service and have recommended our firm to others. We thank you for contributing to the success of our firm.*

### Partners

**Victor Staniewski, CA**  
**Irving Gurau, CA**