

Making the most of your Medical Corporation

Table of Contents

1. Overview	3	3. The Family Trust	34
1.1 Basic structure	3	3.1 Basic trust structure	34
1.2 Integration of tax	3	3.2 The settlor	34
1.3 The Small Business deduction	3	3.3 The trustee	35
1.4 Associated companies	4	3.4 The beneficiary	35
1.5 Personal service business	5	3.5 Taxation of trusts	35
1.6 New eligible dividend rules	6	3.6 Using the “payable” method	36
Appendix A: Tax Tables	8	3.7 Third party payments	37
2. Advantages of Incorporation	18	3.8 Becoming a shareholder	38
2.1 Tax deferral	18	3.9 Adding the trust to an existing corporation	39
2.2 Income splitting	19	3.10 Recap of trust benefits	40
2.21 Spouse	20	4. Remuneration Strategy	42
2.22 Children 18+ years	21	4.1 Overview	42
2.23 Minor children	22	4.2 Dividends versus salaries	42
2.24 Other dependents	22	4.3 Reasonableness of salaries and bonuses	43
2.3 Corporate attribution	23	4.4 The employees profit-sharing plan (EPSP)	44
2.4 Capital gains exemption	24	4.5 Payment of bonus	45
2.5 Private health services plan	25	4.6 Management fees	46
2.6 Making your mortgage tax-deductible	28	4.7 Dividends	47
2.61 The “asset sale to company” strategy	28	4.9 Shareholder loans	47
2.62 The “share sale” strategy	29	4.10 Shareholder loans to children	48
2.63 The “dividends to kids” strategy	29	4.11 Excluded shareholder loans	49
2.7 Reducing the cost of non-deductible expenses	30	4.12 Shareholder benefits	50
2.8 The individual pension plan	31	4.13 Recap of remuneration strategies	50
Appendix B: PHSP	32		

5. Incorporation Steps	52	8. Retirement Planning	72
5.1 Application to the College	52	8.1 Wealth creation	72
5.2 Setting up the share structure	53	8.2 Getting started	73
5.3 Subscription of shares	54	8.3 Tips and traps	75
5.4 Transferring your practice to the corporation	54	8.4 Boosting Retirement Savings	77
5.5 Employment agreements	55	8.5 Your home as a source of retirement income	78
5.6 Administrative details	58	8.6 Dollar cost averaging	80
5.7 Choosing the year end for the corporation	59	8.7 Making the most of your RRSP contributions	80
5.8 Share subscription and the corporate bank account	59	8.8 The individual pension plan (IPP)	82
5.9 Other matters	59	8.9 The tax free savings account	84
5.10 Initial cash distribution strategy	60	9. Maximizing Tax Deductions	86
6. Medical Partnerships	61	10. Insurance	94
6.1 The ‘stacking’ method	61	10.1 Life insurance	94
6.2 Winding up the partnership	62	10.1.1 Term to 100	95
6.2.1 Individual partners	62	10.1.2 Participating Whole Life	95
6.2.2 Incorporated partners	64	10.1.3 Universal Life	95
6.3 Joint venture arrangements	65	10.2 Deductibility of insurance premiums	96
7. GST/HST Issues – Tips and Traps	66	10.3 Disability insurance	96
7.1 Transfer of assets to the corporation	66	10.4 Office overhead expense insurance	98
7.2 Exempt health care services	66	10.5 Critical illness	98
7.3 Medico-legal reports	66	11. Selecting Advisors	99
7.4 Multiple practitioners & cost sharing arrangements	67	11.1 Ensure your advisors are prompt	99
7.5 A sole practitioner using the services of a locum	67	11.2 Ensure your advisors are pro-active	99
7.6 Contracted physician associates	68	11.3 Ensure your advisors know your business	99
7.7 Partnership	69	11.4 Insist on the organ grinder	100
7.8 Cost sharing arrangements	69	11.5 Avoid “conservative” advisors	100
7.9 Using the services of a management company	70		