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Personal Tax Season & Tax Tips

Tax Advice and Strategies for Doctors

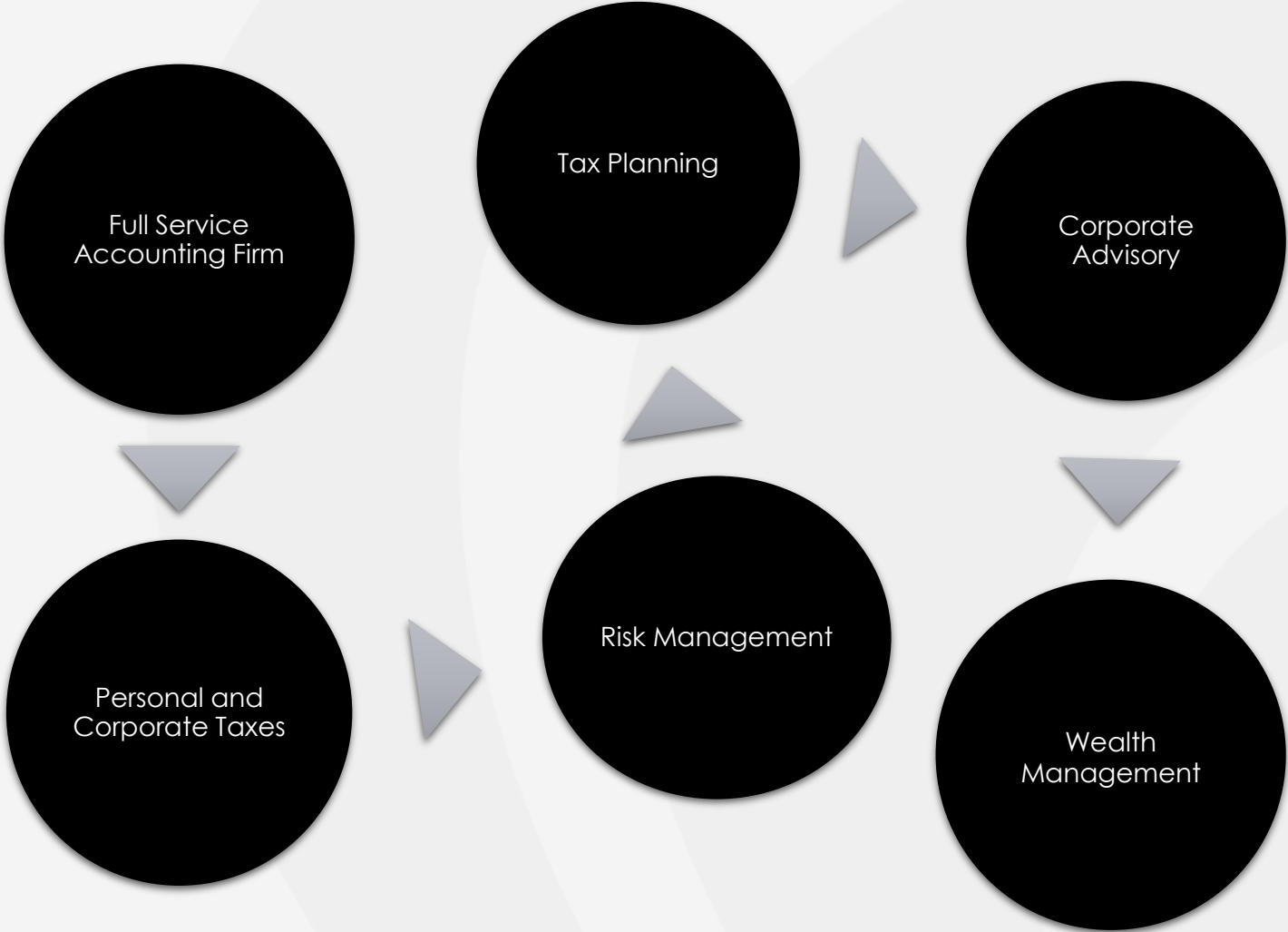
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October, 2022

Now, for tomorrow

CONFIDENTIAL

Who We Are & What We Do



Agenda

2022 Preparation

2022/2023 Planning

Tax Deductions vs Tax Credits

RRSP vs TFSA Contributions

Salary vs Dividends





2022 Preparation

- What should you bring your accountant?
- New tax credits vs tax deductions
- What should your accountant be discussing with you?

An aerial photograph of rolling green hills, likely a vineyard or agricultural landscape. The hills are covered in vibrant green grass or crops, and several small trees are scattered across the slopes. The lighting is bright, creating strong shadows and highlights on the terrain.

2022/23 Planning

- Should you contribute to your RRSP? When?
- Salary vs dividends: tax rates and future planning re: CPP
- Income splitting
- Child care deductibility and 'earned income'

2022 Preparation

What should you bring your accountant?





What to Bring/Scan:

For non incorporated docs:

- Summarized business schedule-see sample
- You need receipts, your accountant doesn't!

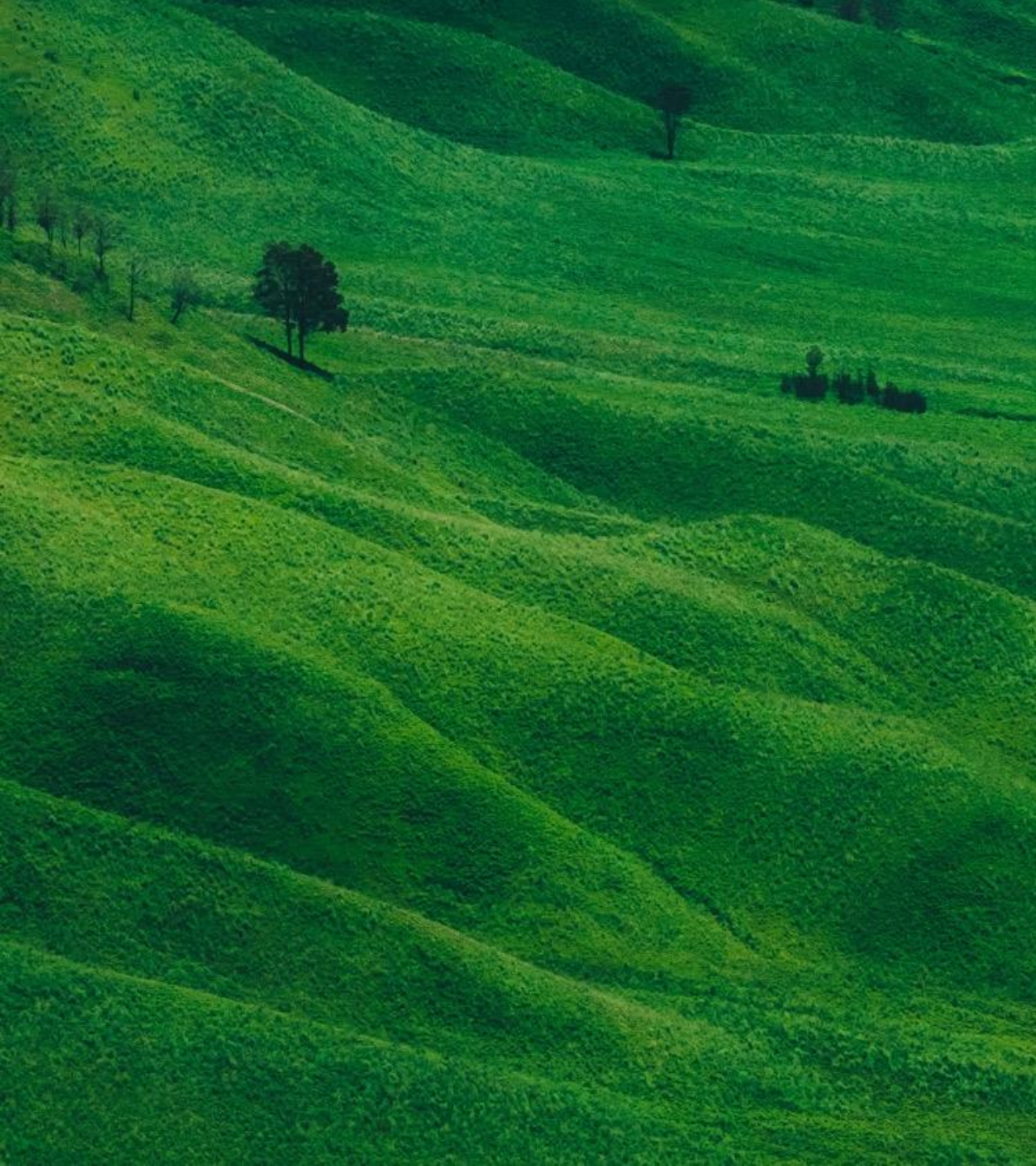
Document retention note: Please keep for 6 years (in the 7th year you can shred)

- Rental schedule—similar set up to business schedule

Sample Medical Expense Summary

Dr. AtoZ			
2022 medical income summary			
medical revenue:			\$ 356,789
Expenses:			
Professional dues		\$ 4,000	
new laptop		\$ 2,500	
conference expenses:			
travel:	\$ 1,000		
meals:	\$ 500	\$ 1,500	
Home in office: ???			
details:			
utilities	\$ 5,000		
mortgage interest	\$ 15,000		
prop taxes	\$ 4,000		
internet/phone	\$ 1,000		
R&M	\$ 6,000		
	\$ 31,000		
net income:			





Home in Office Credit

- You most likely are working at home at night doing billings, other admin tasks
- Should be giving a home in office credit EITHER on personal tax return OR in prof corp. each year
- Add up all your home expenses, mortgage int., utilities, etc. and take sq ft %



What to Bring/Scan:

- Broker summary for investment gain/losses
- Charitable donations—need actual receipts
- RRSP contributions—need actual receipts
- T4's/T5's can generally be retrieved from CRA download
- See BT Catalyst checklist for exhaustive list

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Tax Deductions

100% deductible against income

- RRSPs
- Child Care Expenses
- Carrying Charges
(professional fees, investment fees paid to earn investment income on non-registered accounts)



Child Care Deductions

- Must actually pay child care provider
- Noon hour/after school supervision counts (with receipt)
- Lower income spouse must claim deduction—max \$7,000 per child
- If incorporated and paying dividends, think about a small salary if dividends are sole source of income
- Child care only deductible against “earned income”



Federal Tax Credits (Non-Refundable)

- 15%
- Common Credits:
 - Home Buyers Credit (\$5,000 for first home)
 - Interest paid on student loans
 - Tuition paid to a qualifying institution (carries forward)
 - Medical Expenses (any amounts over to 3% of net income or \$2,421-indexed)
- Donations (can carry forward for 5 years)
 - Effectively 50% credit on donations in AB over \$200



What should your accountant discuss with you?

- The current year's return in sufficient detail for you
- Why/where were the tax savings for the current year?
- What you can do better for next year, both organizationally and tax planning?

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2022/2023 Planning

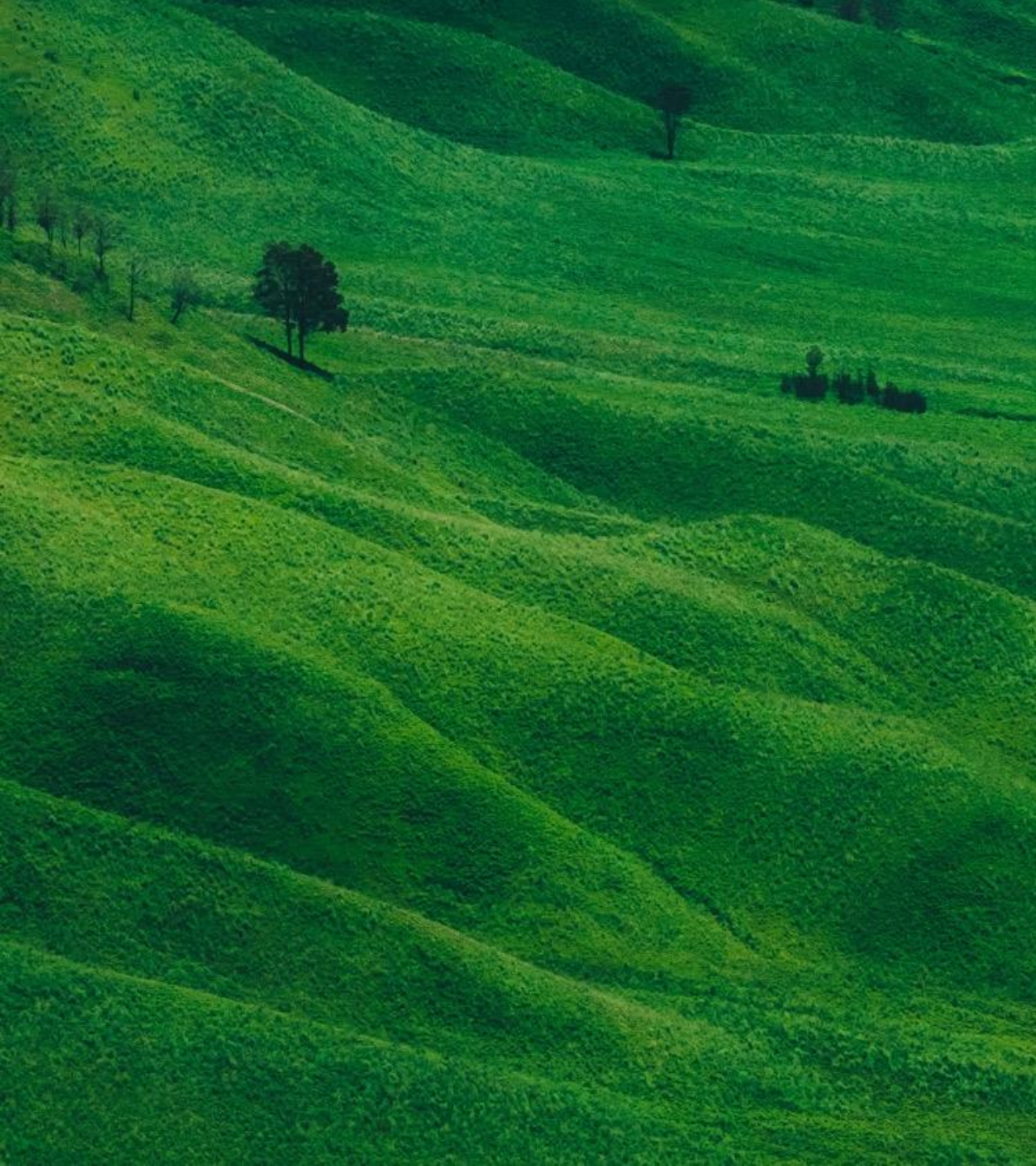
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RRSP Contributions

Theory behind RRSP's:

- Government wants to encourage savings for retirement
- Tax deduction is given now with ability for contributions to grow tax free
- When you take out the contributions you are taxed but
- You supposedly can manage your tax bracket due to needing less to live on in retirement
- Sometimes negative estate implications



RRSP Contributions

- So, should you do it?
 - If you are unincorporated, it's not a bad idea, depending on the type of investments that are in your RRSP
 - Interest and dividend bearing instruments are OK inside RRSP, because you would have paid full tax on that income outside of RRSP
 - Capital gains-not so good, as only half is taxable to you outside an RRSP, but all RRSP withdrawals are taxable, so you lose the 50% tax free portion



RRSP Contributions

- What if you are incorporated?
 - Much less attractive:
 - One of the advantages of your prof corp. is the income tax deferral; in some cases this deferral could be 30+ years
 - Deferral is eliminated as soon as you withdraw from your prof corp. to contribute to your RRSP



RRSP Contributions

- What if you are going to do it anyway?
- ✓ Make equal, ongoing contributions, not lump sum ones
- ✓ Need to take advantage of price averaging of your investments over the year, not hoping the price is right each year on March 2
- ✓ Your investment advisor should assist here



TFSA Contribution

- Tax Free Savings account
- If you've never contributed, over \$80k of room currently
- No tax deduction/refund on your personal return but...
- Gains/interest/dividends are all tax free, can be withdrawn at any time
- Penalties are high for over contributing



Salary vs. Dividends

- Assuming incorporated, how do you want to pay yourself?
- Generally, salary about 1% cheaper in overall tax (corp. and personal combined)
- Plus savings on CPP (\$3,500 x2)
- However, no CPP later in life and no RRSP room with dividends
- CPP is approx. \$7K per year. Talk to your investment advisor about whether this is critical to your retirement planning



Salary to Minor Children

- Can do even if unincorporated
- Must be reasonable
- Must be for work performed
- Lots of jobs to be done around the clinic: filing, minor clean up, 'Saturday afternoon' type work
- You decide what's reasonable, but \$3,000 - \$5,000 per year shouldn't be hard to defend
- Creates small RRSP room for child, they will pay no tax
- Generally under \$3,500, don't need to withhold CPP

Thank you

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