Tel: 905-475-6795

中文版

Newsletters

Congratulations on opening your dental practice!

2015 Federal Budget Announces Welcomed Changes for Charities

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We invite you to get in touch with us today about a free, no-obligation consultation on how Cooper, Bick, Chen LLP can help you.

Get in Touch

Newsletters

Congratulations on opening your dental practice!

After many years of study it's time to reap the rewards of your hard work. You're an expert in your field, but you may have questions about the business side of your practice such as:

- How much do I need to set aside to pay the government?
- Should I incorporate? Will it save me money?
- Is it time to hire a bookkeeper?
- What's the difference between your dental hygienists being employees or contractors?
- Should you be charging HST on the teeth whitening services you've been providing?
- Can you pay your partner, son or daughter a salary?

Rest assured, Cooper Bick Chen LLP can provide guidance and assistance with all of these matters and more.
As a practicing dentist, it may come as a surprise that the Canada Revenue Agency will be taking close to half of your hard earned money. Did you know the marginal tax rate for income over $150,000 is about 48% and increases to almost 50% for income over $220,000?
As accountants specializing in advisory for privately-held businesses and professionals like dentists and doctors in Toronto and the GTA, our clients look to us to help them keep or invest as much of their income as possible – all while complying with tax rules. Based on our experience working with dentists, we have a few suggestions to help minimize your tax burden and maximize your returns...

Tax benefits to set up a professional corporation (PC)

1: Deferral of income taxes

A significant income tax deferral opportunity is derived from the fact that a medical professional corporation, incorporated in Ontario, is considered like any other small business corporation: It will pay tax at only 15.5% on its first $500,000 of income.
Compare this to Ontario's highest personal tax rate of almost 48% on income in excess of $150,000 and the difference is nearly 32%!
This means that for every $100,000 you retain in the corporation and not use for any other expenditure, you can defer $32,000.
This provides an additional $32,000 that can be put to use for investments, expanding your practice, or acquiring additional equipment

2: Income splitting opportunity: Pay dividends to lower income family members 18 or older

Family members are allowed to own non-voting shares of a dental PC. The family members can be paid dividends on those shares at your discretion. Paying dividends to family members at least 18 years old with no income can generate significant tax savings for the family unit.
For example, if you have two 19 year-old children with no income, you could declare a $40,000 dividend to each child without them incurring any personal tax, except the Ontario Health Premium. In comparison, if $80,000 of dividends were paid to someone in the highest personal tax bracket (like a dentist) it would result in approximately $32,000 of tax. This represents a $32,000 annual tax savings for the family as long as the aforementioned conditions are met.

3: Pay reasonable salaries to family members in a lower tax bracket

If a family member performs administrative duties for the practice, you can pay him or her salary as long as it is reasonable (i.e. comparable to what you would pay anyone else to perform the same duties). If your family member is in a lower tax bracket, this would result in an overall tax savings. In addition, no employment insurance is payable for such family member employees.