

NAVIGATING THE ROAD TO TAX PLANNING IN 2018

Following the July 2017 Tax Proposals, the road to efficient tax planning for Canadian-controlled private corporations is certainly more complex but still navigable. Contact Aaron Schechter or another member of our tax team, for more information: aaron.schechter@crowesoberman.com.

The remuneration mix

Review the salary-dividend remuneration mix for the owner-manager to ensure that she or he will have sufficient after-personal tax income for personal living expenses.

Crystallize Gains

Sell assets from one company to another company to create a capital gain. This strategy can also reduce a shareholder's effective tax rate on distributions from a company by almost 40%.

Salary vs. dividends

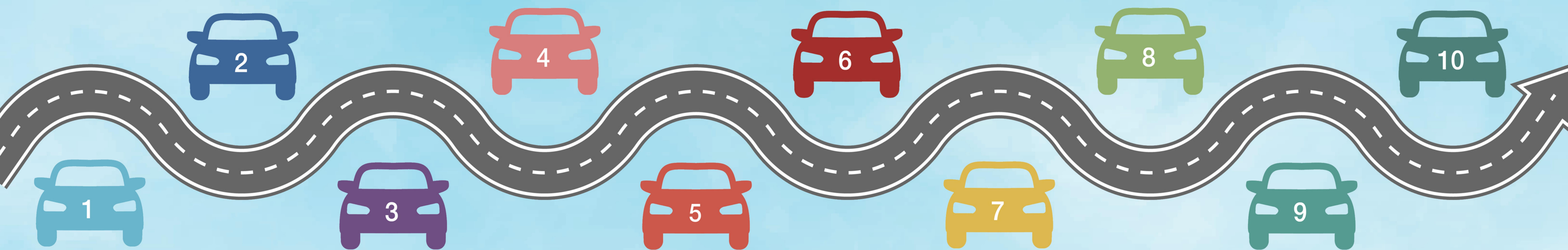
Rather than dividends, pay a reasonable salary to family members for the services they provide to the business.

Permanent life insurance

Consider whether permanent life insurance should be used as a corporate-owned investment asset

Shares from a relative

Purchase shares of a family-owned corporation from a related shareholder. With careful tax planning and structuring, this strategy can reduce the effective tax rate on corporate distributions by almost 43%.



The share ownership structure

Do all shareholders own the same classes of shares? Moving forward, shareholders who are subject to the new dividend splitting rules should have different classes of shares from those shareholders that can still receive dividends at their marginal tax rates.

Inter-corporate dividends

Pay an inter-corporate dividend that can be recharacterized as a capital gain. This can reduce a shareholder's effective tax rate on distributions from a company by almost 40%.

Individual Pension Plans

Consider whether a corporate-funded Individual Pension Plan is now an appropriate strategy to save for the owner-manager's retirement.

RRSP and TFSA accounts

Consider maximizing RRSP and TFSA tax deferred accounts if you can no longer use your corporation to build retirement nest-egg investments tax efficiently due to the new rules.

Purification planning

Proper purification planning should be undertaken to ensure that the shares of the corporation are "qualified small business corporation" shares prior to a sale to an arm's length or non-arm's length person.