

## TAX PLANNING

## Professional Practice Incorporation

*a) The Case for Incorporation*

## ➤ Tax Rates

- The top tax rate in Manitoba for 2006 is 46.4%.
- The small business tax rate is 18.1% on the first \$400,000 of qualifying income.
- 28.3% savings or \$113,200 each year can be realized.

➤ The corporation can pay for items such as club memberships, life insurance, critical illness insurance, and other non-deductible expenses with cheaper corporate taxed dollars.

➤ Incorporation may provide for some additional income splitting opportunities and additional health or disability benefits.

*b) Factors to Consider*

➤ Is there a surplus income, not being spent, that can be left in the corporation to attract the lower tax rate?

➤ The costs of incorporating, maintaining the records, and filing required legal and tax returns.

➤ Additional complexity to lifestyle.

*For most, the savings make it worth incorporating.*

