Bill 53 receives Royal Assent! Lunch seminars on new tax planning oppportunities

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Further to our Blog of October 27, 2009, Bill 53 – Professional Corporations Statutes Amendment Act – has received Royal Assent today and is expected to be proclaimed (pursuant to an Order-in-Council) soon. As previously discussed, these long awaited changes allow for common law partners / spouses and children of a professional and/or a special purpose trust (of which minor children of the professional can be the only beneficiaries) to own non-voting shares of a professional corporation.

The tax advantages can be quite significant. As an example, a professional corporation can now pay approximately $30,000 in dividends to the common law partner / spouse shareholder with nominal personal tax and little tax risk.[1] Previously, such income splitting was often restricted to salaries paid to a spouse/common-law partner, which was always subject to a reasonability test. Note that dividends paid to a minor child will be subject to the so-called “kiddie tax” which essentially renders this type of income splitting ineffective.

However, if the professional has children who are of the age of majority (18), the professional will now have the ability to income split with them as well. This will allow the professional to pay for expenditures such as university or provide other such assistance in a tax efficient manner.

In addition to the planning noted above, the tax team at Moodys has developed solutions that consider the following in light of the new Acts:

1. Income splitting;
2. Valuation issues;
3. Estate planning;
4. Retention of control; and
5. Asset protection.

Moodys will be holding two complimentary special mini-seminars at our office on December 11 and 16 from 12:00 to 1:15 pm (light lunch served) where the new Acts and our thoughts on planning will be discussed. Please contact our office at 403-693-5100 to reserve a spot!

1. This assumes that the common-law partner / spouse has no other income.