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Impact on Corporate tax due to passive income

A corporation income is usually from two sources: a) active income which is income generated through regular business activities, b) passive income which is income generated mainly through investments or non-business activities.

If your corporation earns passive income over \$50,000, you will notice that corporate tax is higher than previous year. Normally, a corporation is subject to lower tax rate as a result of \$500,000 Small Business Deduction (SBD) on active business income. Under new rules, small business deduction shrinks by \$5 for every passive income over \$50,000 resulting in higher corporate tax. The entire \$500,000 small business deduction will go away if passive income is more than \$150,000.

The new passive income rule can be avoided by purchasing corporately owned (exempt) permanent life insurance policies. The growth under this insurance policy will not impact Small Business Deduction limit. The life insurance policy can also play a significant role in estate and succession planning.



How to cope with economic uncertainty?

Every day you are bombarded with news pointing to worldwide economic un-certainties such as future of European Union, US-China trade war, provincial government funding cut, local government future etc. Today's economic world is so integrated; it is hard to imagine that we will not be impacted by these tides. The question is, how to position yourself on solid ground during changing times. Here's few helpful tips:

1. Make a plan and stick to your plan
2. Build up your emergency fund
3. Start a crash savings program by committing to accumulate certain funds within one, two or three months
4. Stop using credit card for few months and forget about earning reward points.
5. You can ease your worries by surrounding yourself with positive people

6. Lastly, don't forget yourself. Worrying is not going to change anything instead invest your energy in taking positive steps.



Health Care Premium

As an unincorporated small business owner you can deduct premiums paid for private health and dental plan.

There are certain conditions and limits to deduct these expense. In addition, the private health care premium must be paid to third parties providing such plan. The premium deducted as business expense can't be deducted as medical expense in your personal tax return. However, any out of pocket expenses related to health/dental can be deducted as medical expense tax credit.

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