



Tax Fundamentals: For Students and Residents

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Wherever business takes you

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Agenda

- ✓ Our roles as accountants and advisors
- ✓ MNP's No Charge tax return services
- ✓ Your timeline and tax situation overview
- ✓ What you need to know now for tax preparation
- ✓ A look at the future: Guidance for after medical school and residency
- ✓ Best Practices for Doctors
- ✓ Q&A

Who we are

James Nelson, CPA, CA

- Partner at MNP since June 2022
- Worked full-time in public practice since 2007
- Focused on MNP Professionals niche since merger in June 2020
- Grew up in St. John's, have lived in Corner Brook and Ottawa

Matthew Power, CPA

- Manager at MNP since October 2022
- Working in public practice since 2011
- Focused in the professionals niche
- Grew up in Clarenville, have lived in Grande Prairie, AB and St. John's

MNP Professionals Advisors

Contact your MNP advisor for a referral to any of our 100+ office across Canada



Over 13,700 professionals trusting us with their practice

More than 250 staff supporting professionals coast to coast

Accountants and Advisors

- Compliance filings with CRA – i.e. tax returns
- Tax and estate planning to minimize taxes
- Cloud bookkeeping services and financial reporting
- Corporate reorganizations
- Watch for changes to tax legislation that will effect you or your business, and how to plan for any changes
- Consulting and advisory services for: e.g. cash flow management, prioritizing debt repayment vs. savings, etc.

MNP's No Charge Tax Return Services



- Available to healthcare students and medical residents, and their spouses
- Complimentary personal tax preparation and business advice
- Submit all documents by **April 20** for the April 30 deadlines
- Submissions after April 20 will be filed in May or later

Your Timeline and Tax Situation

From student to practicing physician

Your Timeline and Tax Situation

01

02

03

04

Medical Student

Generally lower or no income, no taxes owing, building up tuition credits.

Medical Resident

Salary income (T4), tuition credits, some employment deductions (T2200), generally no taxes payable, student loan / LOC

Fellowship (*some*)

Salary income (T4), tuition credits, some employment deductions (T2200), generally minimal taxes payable, student loan / LOC, may also have some business income and expenses (T2125)

Practicing Physician

Professional income and business expenses (T2125), taxes payable and installments, repayment of student loan / LOC, decision and timing to incorporate

Medical Students

- Income is typically minimal or zero, no taxes owing or refundable
- Receive T2202 slip for tuition / education credits
- May have T4A for scholarships / bursaries, generally non-taxable
- Consider tuition transfer to a parent / spouse (Max. \$5,000)
- Tax return due by April 30 each year

Medical Residents and Fellows

- Receiving employment income (T4), taxes deducted at source
- May have some deductible expenses (Employer provide T2200)
- Moving expense deduction
- Professional dues deductions
- Start using tuition credits to maximize refund
- Some tax planning available with relation to deductions and credits
- Tax return due by April 30 each year

RRSP vs. TFSA

RRSP

- Allows for tax free growth inside the investment
- Contributions are deducted from income in year of contribution
- Withdrawals are added to income in year of withdrawal
- Limit based on 18% of earned income
- Penalties for overcontributing

TFSA

- Allows for tax free growth inside the investment
- No deduction at time of contribution
- No income inclusion on withdrawal
- Standard limit for each taxpayer added annually
- Penalties for overcontributing

Deductions vs. Credits

Deductions

- RRSP Contributions
- Moving expenses
- Professional dues/fees
- Child care expenses
- Employment/business expenses

Credits

- Tuition tax credit
- Interest on student loans
- Claim for spouse / eligible dependent
- First-time home buyer's amount
- Medical expenses
- Charitable donations
- Fitness expenses (NL only)

A look at the future

Guidance for after medical school and residency

Practicing Physicians

- If salaried, similar to residency except higher income
- If unincorporated, report business income and expenses on personal return (T2125)
- CPP calculated based on net business income
- Likely will require quarterly installments and additional tax filings
- Tax rate over \$265,000 around 54%
- Taxes owing due by April 30, return not due until June 15 each year.

Incorporating

When and Why

- If income exceeds required living expenses (tax deferral)
- Plans to invest in a clinic (land and building)
- Flexibility in tax planning

When Not and Why Not

- Earning employment income (T4) only
- All earned income is being spent (No deferral opportunity)
- Planning on leaving the country

Tax Saving vs. Tax Deferral

Tax Saving

- Tax you never have to pay
- Typically limited to allowable deductions and credits

Tax Deferral

- Tax saved now and paid later
- Can result in tax savings (ie. lower tax rate at the time income is declared)
- NL corporate tax rate is 12% versus top personal rate of 53.8%
- Able to invest 88% of retained earnings versus 46.2%
- Flexibility on when to withdraw
- Income splitting available in retirement years

Best Practices for Doctors

- ✓ Work with a team of advisors
- ✓ Tax and Financial Planning
- ✓ Consider short-term, medium-term, and retirement goals
- ✓ Insurance
- ✓ Technology up-to-date for your practice

Questions?

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