

COSTPLUS DOCUMENTATION

Currently Revenue Canada allows healthcare expenses, which are not covered by an extended health insurance plan that are paid for by the company on behalf of an owner or employee to be deducted as a business expense. Also any eligible healthcare expense paid for by the company in this manner is a non-taxable benefit to the owner or employee.

PROCEDURE:

1. The person pays for the expense ie glasses out of their own pocket first on a personal basis
2. Complete the Request for Cost Plus Reimbursement Form.
3. Submit a business cheque payable to Desjardins Financial Security for the grand total as calculated by this form (including taxes and administration fee), the reimbursement form and the original receipt to Desjardins (keep a copy of the receipt).
4. The insurance company will then reimburse the person directly for the claim amount by sending them a cheque to cash personally.
5. This allows the amount that was paid by the business to become a tax deductible expense but the benefit (reimbursement) received by the person is non-taxable.

Numeric Example:

A business owner has a \$3000 orthodontic expense.
Assume: 40% Personal Tax Rate & 18% Business Tax Rate

<u>Without CostPlus</u>		<u>With CostPlus</u>	
\$3000	Healthcare Exp	\$3000	Healthcare Expenses
@40%	Personal Tax Rate	+\$150	Admin Fee
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\$5000	Before Tax Income	\$3150	Total Expense
\$5000	Payroll Expense	\$3150	Total Expense
*18%	Business Tax Rate	*18%	Business Tax Rate
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\$900	Less Business Taxes	\$567	Less Business Taxes
\$5000	Payroll Expense	\$3150	Total Expense
-900	Less Business Taxes	-\$567	Less Business Taxes
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\$4100	Net Cost to Business	\$2583	Net Cost to Business

TOTAL SAVINGS = \$1517 or 37%

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