

REFERRAL PROGRAM

Promedent has a referral program that credits your business \$20 for each new business that signs up with your Referral ID Number. Referral ID Numbers are issued when a business enrolls. Referring new companies that enroll will earn referral credits that will be automatically applied against your enrolment, administration fee, or claims. Many business owners only claim once a year for their family's expenses, so referral credits may pay all your fees and some claims.

Business owners enjoy sharing information with others on ways to save tax. By referring The Promedent Plan™ to your clients, colleagues, and friends you will help others save tax dollars. It is as simple as giving them your Referral ID Number and directing them to the website www.promedent.ca.

PROMEDENT THANKS YOU IN ADVANCE FOR YOUR REFERRALS.

SUGGESTION FOR ADVISORS AND HEALTH CARE PROFESSIONALS

Accountants and Financial Advisors

If you have erroneously suggested to a client that they may deduct health and dental costs without a PHSP, encourage them to set up The Promedent Plan™. This gives your client, and you, peace of mind.

The ability for corporations to go beyond the government imposed annual reimbursement limit, gives clients who have sole proprietorships and partnerships a further reason to incorporate.

Dentists, Doctors and Therapists

You may generate more revenues by suggesting The Promedent Plan™ to business-owning patients (including their spouse and children) who require your services, but are delaying or electing not to have a procedure done due to the cost. Patients would be more willing to have a procedure performed if they can have their business pay for the service and deduct the expense.

SECURITY IS PROMEDENT'S #1 PRIORITY

Promedent's website utilizes the same security and encryption technology used by major financial institutions. Promedent's electronic funds transfer is the most secure way of processing a claim.

Promedent's creditors have absolutely no access to funds held for any period of time as they are held in a separate trust bank account and belong to the employer until the funds are transferred to the employee's bank account.

Information provided by Promedent is not intended to provide professional tax or business advice. Please consult with your professional advisor to determine if The Promedent Plan™ is suitable for your needs.



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Imagine a benefit plan where you are reimbursed for all your extended health and dental costs. Imagine not having restrictions imposed by an insurer. And as a business owner, imagine transforming all of your family's extended health and dental costs into a business deduction making these expenses 100% tax-free.

The Promedent Plan™ is the simplest, most cost effective way to draw tax-free money out of your business to pay 100% of your family's extended health and dental costs. The Promedent Plan™ allows you to utilize the same tax rules applied by insurance companies on plans for companies and governments with their employee benefit plans. The Promedent Plan™ may replace your current plan or simply top-up an insured plan by reimbursing expenses not included by your insurer. The Promedent Plan™ saves you a substantial amount of money.

An Extended Health & Dental benefit is commonly set up through an insurance company, but you must pay substantial premiums (greater than \$1,200 annually per employee) regardless of whether or not you or your employees make any claims. In addition, insurance companies will limit claims through exclusions, deductibles, annual and lifetime limits, and reimbursement of fixed percentages (usually 50% or 80%) of expenses. These restrictions result in a considerable amount of health care and dental expenses not being reimbursed and, therefore, paid for with personal after-tax dollars.

By contrast, an Extended Health & Dental benefit may be set up through The Promedent Plan™, with the employer only paying actual extended health and dental costs plus an administration fee (currently \$50 plus HST). The Promedent Plan™ has no monthly premiums and permits all allowable expenses that qualify as medical expenses pursuant to subsection 118.2(2) of the Income Tax Act to be eligible. Therefore, The Promedent Plan™ includes many expenses not covered by insurance company plans (e.g. deduct 100% of your massage, physiotherapy, alternative medicine, dental, knee-brace, out-of-country medical, etc). The employer simply sets maximum dollar limits for employee classes.

For example: Your family incurs \$2,000 of prescription drugs, prescription eyewear, and dental expenses this year. These personal expenses will cost approximately \$3,600 in earnings (assuming a personal marginal tax rate of 45% – approximately \$1,600 for personal income tax leaving \$2,000 to pay for these expenses). The Promedent Plan™ allows 100% of your family's \$2,000 of expenses to be reimbursed, and the expenses become a business deduction. You pay a \$50 administration fee to save approximately \$1,600 in tax.

Using The Promedent Plan™ to claim a business deduction is more tax effective than claiming the personal medical tax credit. The medical tax credit is limited to the lowest individual marginal tax rate in your province, and it only applies if your health and dental costs are greater than the medical threshold¹. In addition, the CRA requires all medical receipts to be submitted for the medical tax credit claim; however, it does not require the employer to submit receipts for expenses claimed under The Promedent Plan™. Can you afford not to have The Promedent Plan™?

¹The medical threshold is the lower of: (a) 3% of your net income or (b) approximately \$2,052 (Amount (b) varies from province to province and is indexed annually).

Miscellaneous

- Ambulance charges – to or from hospital
- Transportation costs – to obtain services not available in your community (including reasonable travel, lodging and meal expenses for patient and travelling companion)
- Canadian Red Cross – Home Maker Service
- Victorian Order of Nurses – home care
- Premium paid to a non-government medical or hospital care plan
- Reasonable expenses relating to rehabilitative therapy, including training in lip reading and sign language, if incurred to adjust for the patient's loss of hearing or speech
- The cost of an animal specially trained to assist a person who is blind, deaf, or severely impaired in the use of arms or legs. In addition to the cost of the animal, its care and maintenance (including food and veterinary care) are eligible expenses, as are travel expenses to a training facility to learn how to handle the animal, and, if full-time attendance at the training facility is required, reasonable board and lodging incurred in the full-time attendance.
- Hydraulic wheelchair lifts for a vehicle that has been prescribed by a qualified medical practitioner
- Reasonable expenses (other than amounts paid to your spouse or to a person under 18) to train you or a person related to you if the training relates to the physical or mental infirmity of a person who is related to you and is either (i) a member of your household or (ii) dependent on you for support.

Expenses you CANNOT claim

There are a number of expenses that are commonly claimed as medical expenses in error. Non-eligible expenses include the following:

- athletic or fitness club fees;
- birth control devices (non-prescription);
- blood pressure monitors;
- cosmetic surgery - expenses for purely cosmetic procedures including any related services and other expenses such as travel, incurred **after March 4, 2010**, cannot be claimed as medical expenses. Both surgical and non-surgical procedures purely aimed at enhancing one's appearance are not eligible.

These non-eligible expenses include the following:

- liposuction; hair replacement procedures; botulinum injections;
- teeth whitening.

An expense, including those identified above, may qualify as a medical expense if it is necessary for medical or reconstructive purposes, such as surgery to address a deformity related to a congenital abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease;

- diaper services;
- health plan premiums paid by an employer and not included in your income;
- health programs;
- organic food;
- over-the-counter medications, vitamins, and supplements, even if prescribed by a medical practitioner;
- personal response systems such as Lifeline and Health Line Services;
- provincial and territorial plans such as the BC MSP, Alberta Health Care Insurance Plan and the Ontario Health Insurance Plan, and
- travel expenses for which you can get reimbursed.

ELIGIBLE EXPENSES

- Reasonable expenses relating to alterations to the driveway of the principal place of residence of a patient who has a severe and prolonged mobility impairment, to facilitate the patient's access to a bus
- Reasonable moving expenses (not to exceed \$2,000) of a patient who lacks normal physical development or has a severe and prolonged mobility impairment if incurred for moving to a dwelling more accessible by the patient or in which the patient is more mobile and functional; (restricted by the rules governing deduction of moving expenses)
- Any device designed to assist a person to enter or leave a bathtub or shower, or to get on or off a toilet*
- Any device designed to assist an individual in walking where the individual has a disability
- An external breast prosthesis that is required because of a mastectomy*
- Any device to aid the hearing of a deaf person including bone-conduction telephone receivers, extra-loud audible signals and devices to permit volume adjustment of telephone equipment above normal levels
- Television closed caption decoders for the deaf*
- Sign language interpretation services, where the payment is made to a person engaged in the business of providing such services on behalf of a patient who has a speech or hearing impairment
- Any equipment and accessory that enables a deaf or mute person to make and receive telephone calls including visual ringing indicators, acoustic couplers, teletypewriters. Amounts paid in providing additional equipment and accessories to others in order to make telephone communication possible with those other persons are also allowed as medical expenses.*
- Electronic speech synthesizers that enable mute individuals to communicate using a portable keyboard* and Synthetic speech systems, Braille printers and large print-on-screen devices that enable blind persons to utilize computers*
- Optical scanners or similar devices designed to be used by a blind individual to enable him to read print*
- Monitors which can be attached to babies identified as being prone to sudden infant death syndrome and which sound an alarm when the baby stops breathing*
- Electronic or computerized environmental control systems designed exclusively for the use of an individual with severe and prolonged mobility restrictions*
- Extremity pumps or elastic support hose designed exclusively to reduce swelling caused by lymphedema*
- Inductive coupling osteogenesis stimulator for treating non-union of fractures or aiding in bone fusion*

Medical Treatments – If Prescribed

- Blood transfusion
- Psychotherapy, Electric shock treatments, Diathermy
- Healing services, Hydrotherapy
- Injections, Insulin treatments
- Nursing (by registered nurse)
- Pre-natal; post-natal treatments
- Radium therapy
- Speech pathology or audiology
- Transplants
- X-ray treatments, Ultra-violet ray treatments

* Note that all items prescribed by regulation, as indicated by an asterisk (*) above, must be prescribed by a medical practitioner, whereas those items not so indicated need only be prescribed if the statute so requires (which it only occasionally does, as indicated).

PROMEDENT ADMINISTRATION INC.

Promedent Administration Inc. is a leading "cost-plus" Private Health Services Plan ("PHSP") Administrator. The Promedent Plan™ is the simplest "cost-plus" PHSP plan for business owners to set up and for their employees to use. Through our progressive approach, we have a user-friendly on-line enrolment and claims process, low fee structures, and electronic transferring of funds for better speed and security. For those uncomfortable using the Internet, we also have a manual enrolment and claims process. The Promedent Plan™ was founded by a Chartered Accountant to fulfill her clients' need to write off medical and dental expenses. After searching through the Income Tax Act and researching the Canada Revenue Agencies ("CRA") policies, she concluded that a Private Health Services Plan (PHSP) administered by a third party was the best method. She consulted with the Institute of Chartered Accountants, FICOM (Financial Institutes Commission), a Provincial Insurance Council, and a leading Canadian Tax Law Firm before founding Promedent Administration Inc.

HOW DOES IT WORK?

The employer enters into a contract with Promedent to reimburse employee health and dental expenses. When an employee submits a claim, Promedent notifies the employer that a claim has been filed. The employer pays the invoice on-line via approval of the claim. The invoice consists of the actual claim plus an administration fee of \$50, plus HST. Payments are a deductible amount for the business, and the benefit paid to the employee is tax-free, and exempt from CPP and EI premiums. Funds not transferred immediately to an employee's bank account will be held in a separate trust bank account.

Enroll today to transform your non-deductible personal health and dental costs into a deductible business expense.

WHAT EXPENSES QUALIFY?

A non-exhaustive list of *Eligible Expenses* appears on pages 7-10 of this booklet.

IS THIS PLAN AVAILABLE TO SHAREHOLDERS?

Yes, but if you make the plan available only to shareholders, CRA may argue that the plan is not a benefit received by virtue of employment, but rather an appropriation by a shareholder. If there is any doubt as to whether benefits are received as an employee or a shareholder, then steps can be taken to demonstrate that a person receives the benefit in his or her capacity as an employee. Steps include having other employees who are not shareholders receive benefits under the plan.

IS THERE A MAXIMUM ANNUAL BENEFIT LIMIT?

Incorporated companies are permitted to set their own reasonable maximum annual limits, but non-incorporated businesses have federally imposed maximum annual limit of \$1,500 for an owner-manager employee, plus \$1,500 for their spouse and \$750 per child. If the unincorporated business employs non-owner employees, then the limit for the owner will be based on the least favoured non-owner employee in their class.

THE PROMEDENT PLAN™ OPTIONS

The Promedent Plan™ effectively gives each employee a **health care expense account** to use at the employee's discretion. The employer may divide employees into classes (e.g. executive, management, full-time, hourly, etc.) and have different annual dollar maximums for each class. You may even choose to not include all classes of employees in your plan. Please refer to page 2 for maximum annual benefit limits. The following are example plans:

If you are the sole employee of your business, or have no employees (arm's length or non-arm's length), you will need to be incorporated before signing up.

As the employer, you have flexibility to establish benefit limits for classes of employees and for employees who are single or with a family.

The Promedent Plan™ is an ideal top-up plan. If your business already has an Extended Health & Dental plan through an insurer and you do not want to make changes at this time, you now have the ability to only improve the benefits package for certain classes of employees, such as the class to which you belong.

A business owner boasts that she is going to pay \$1,200 for an insured dental plan that will reimburse \$1,500 for her daughter's braces. She'll be \$300 ahead of The Promedent Plan™, right? Wrong!

Since this expense is shared 50/50 (\$1,500 lifetime maximum), in order to receive \$1,500 from the insurer she will need to pay \$1,500 personally. At a 45% marginal tax rate she would have to earn \$2,725 before tax. As a business owner, the real cost to her business is the \$1,200 (premium) plus \$2,725 (salary) for a total of \$3,925.

The Promedent Plan™ transforms her \$3,000 personal expense to a \$3,000 business expense and puts her approximately \$900 ahead of her insured plan.

ELIGIBLE EXPENSES

- Cost of prescriptions, Oxygen , Insulin or substitutes
- Tapes or tablets for sugar content tests by diabetics, if the procedure has been required by a physician
- Vitamin B12 Liver extract – injectable for pernicious anaemia
- Any medicine or drug purchased by you, your spouse or a dependant, as prescribed by a medical practitioner or dentist and as recorded by a licensed pharmacist.

- Artificial eye, limb or iron lung
- Artificial kidney machine, including reasonable installation, home alteration and operating costs
- Blood sugar level measuring devices for diabetics
- Contact lenses or eye glasses – prescribed
- Iliostomy pads, Colostomy pads, diapers, disposable briefs, catheters, catheter trays, tubing, or other products required by persons who are incontinent by virtue of illness, injury, or affliction
- Heart monitoring or pacing devices*
- A hospital bed including any prescribed attachments*
- Infusion pumps, including disposable peripherals, used in the treatment of diabetes*
- Laryngeal speaking aid
- Needles and syringes*
- Orthopaedic shoes and boots*
- Oxygen tent and equipment*
- Rocking bed for polio victim
- Spinal brace or truss for hernia
- Wheelchair, crutches or brace for a limb
- Wigs made for individuals who have suffered abnormal hair loss owing to disease, accident or medical treatment*
- Any apparatus or material – where payment was made directly to a doctor, dentist, nurse or hospital
- Any device, including replacement parts, designed exclusively for use by an individual who is suffering from a chronic respiratory ailment or a severe chronic immune system dysregulation*
- Air or water filter or purifier for use by an individual who is suffering from severe chronic respiratory ailment or a severe chronic immune system dysregulation to cope with or overcome that ailment or dysregulation*
- Electric or sealed combustion furnace acquired to replace a furnace that is neither an electric furnace nor a sealed combustion furnace, where the replacement is necessary solely because of a severe chronic respiratory ailment or a severe chronic immune system dysregulation*
- 50% of the cost of an air conditioner prescribed by a medical practitioner for an individual with a severe chronic ailment, disease or disorder, to a limit of \$1,000*
- Any power-operated guided chair installation to be used solely in a stairway*
- Power-operated lifts or transportation equipment designed exclusively for use by or for a disabled individual to allow the individual access to different areas of a building or to assist the individual to gain access to a vehicle or to place his or her wheelchair in or on a vehicle*
- Reasonable expenses relating to renovations or alterations to a dwelling of a patient who lacks normal physical development or has a severe and prolonged mobility impairment (one that may be expected to last 12 months or more), to enable the patient to gain access to, or to be mobile or functional within, the dwelling
- Reasonable incremental costs relating to the construction of the principal place of residence of a patient who lacks normal physical development or has a severe and prolonged mobility impairment (one that may be expected to last 12 months or more), incurred to enable the patient to gain access to, or to be mobile or functional within, the dwelling

ELIGIBLE EXPENSES

The Promedent Plan™ permits all allowable expenses that qualify as medical expenses pursuant to subsection 118.2(2) of the Income Tax Act to be eligible. The following is a non-exhaustive list of eligible expenses.

Insurance Premiums

- Premiums that an employee, or their spouse, pays towards an Extended Health & Dental plan
- Provincial Health Care premiums are not an eligible expense

Professional Services

- Acupuncturist (if a qualified medical practitioner)
- Chiroprapist, Podiatrist
- Chiropractor
- Christian Science practitioner
- Dental hygienist (if authorized to practise under provincial law)
- Dental mechanic (for the making or repairing of a complete upper or lower denture)
- Dentist
- Dermatologist
- Dietician
- Gynaecologist, Obstetrician
- Neurologist
- Naturopathic specialist
- Oculist
- Occupational therapist (a member of the Canadian Association of Occupational Therapists)
- Optometrist, Optician
- Orthopaedist
- Osteopath
- Out-of-country medical care (including reasonable travel, lodging and meal expenses for patient and travelling companion)
- Paediatrician
- Physician, Plastic surgeon, Surgeon
- Practical nurse (medical services only)
- Psychiatrist, Psychoanalyst, Psychologist (if licensed by province to provide therapy or rehabilitation)
- Professional tutor, for a patient with learning disability or mental impairment, if the need is certified by a medical practitioner
- Therapist, Physiotherapist
- Registered nurse
- Speech therapist (pathological or audio impediments only)

Laboratory Examinations and Tests

- Blood tests, Spinal fluid tests
- Cardiographs, Metabolism tests
- Urine analyses, Stool examination
- X-ray examinations

Dental Services

- Dental X-rays, examinations, cleaning
- Filling teeth, extracting teeth, dentures, implants
- Gum treatment, Oral surgery (e.g. root canal, etc.)
- Straightening teeth (e.g. braces, etc.)

Hospital Services

- Anaesthetist, X-ray technician
- Hospital bills, use of operating room
- Vaccines, Oxygen masks, tent

ENROLMENT PROCESS

The Promedent Plan™ is simple for employers to set up.

ENROLMENT PROCESS

Step A - ENROL

- Employer signs up on-line or completes the attached form. Please have the following information ready before you begin the enrolment process:
Employer information: Full legal name, address including postal code, email address, corporate year-end, void business cheque.
Employee information: Full legal name, address including postal code, social insurance number, email address.
- Employer faxes to Promedent a printed, signed copy of the Administrative Services Agreement and List of Approved Employees.



Step B - ENROLMENT FEE

- Promedent electronic funds transfer ("EFT") a one-time enrolment fee of \$150 plus GST/HST (89758 4314 RT0001), this may take up to 30 days to process.



Step C - MEMBERSHIP NOTIFICATION

- Promedent notifies each employee by email of their enrollment into the plan, approved annual spending limit, membership ID, and login password. Each employee will then log on, verify their personal data, and enter their personal banking information.



EMPLOYEE EXAMPLE (Based on a real case)

A single, male employee has few health & dental expenses. The employer has a generous insured plan and is paying \$780 (\$65 per month) in annual premiums. The employee's expenses for the year are:

- \$250 - dental
- \$25 - prescription drugs
- \$100 - two massages for a sore lower back
- \$325 - corrective lenses

The above totals \$700. The plan has a \$25 deductible, 100% reimbursement on prescription drugs, 80% reimbursement on dental (\$1,500 maximum), 100% reimbursement for massage (\$500 maximum), and \$150 reimbursement every two years for prescription eyewear.

The employee is reimbursed \$200 for dental, \$25 for prescription drugs, \$100 for massages, and \$150 for corrective lenses. This totals \$475 less the \$25 deductible, so his reimbursement is \$450. He must pay \$250 in after-tax income for these expenses. By the way, he would have to earn \$385 at a 35% marginal tax rate, or \$455 at a 45% marginal tax rate to have \$250 after-tax.

The Promedent Plan™ with a \$700 annual limit would have reimbursed 100% of his expenses with no personal after-tax cost.

CLAIMS PROCESS

How to turn Personal After-Tax Expenses into a Business Deduction



EMPLOYEE'S FAMILY

Step 1 - An employee accumulates receipts as they, and their family, incur medical and dental expenses. An on-line electronic claim form, at www.promedent.ca, may be started and other expenses added as they are incurred.

Step 2 - At a time designated by the employer, the employee "submits" the electronic claim form on-line, and provides a printed signed copy of the claim form with original medical receipts to the employer (a sealed envelope may be used for confidentiality of their receipts).



EMPLOYER

Step 6 - Promedent electronically deposits the amount of the approved claim into the employee's bank account. So the employee receives a tax-free reimbursement of 100% of their extended health and dental expenses (up to the employee's maximum claim limit set by the employer). And the employee's family expenses are transformed from a personal after-tax expense to a business expense of the company to which they are employed.

Note: To assure that money is transferred before reimbursing claims, Promedent reserves the right to hold funds for up to 30 days in a separate trust bank account.



www.promedent.ca

Step 3 - The employer reviews and approves the claim form on-line. Employer retains the copy of the claim form and the original medical receipts. The claim includes a \$50, plus GST/HST, administration fee.

Step 4 - Promedent reviews the on-line claim form. Promedent notifies the employer by email that a withdrawal will be made on a specific date for the amount of the approved claim. The amount of this withdrawal is a business expense.

Step 5 - Promedent electronically withdraws the amount of the approved claim on the specified date and deposits your money into a trust bank account.

Note: If no claim is made during the year then there is no cost that year.



PROMEDENT ADMINISTRATION INC.



Promedent operates a secure website, holds all customer funds in trust, and adheres to a strict privacy policy.

A manual claim form is downloadable, with instructions, at www.promedent.ca.