

# **Revenue Canada Practice/Goodwill Valuation Discussion Paper**

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*The following is the NSDA's discussion paper on Revenue Canada's goodwill audits and our involvement . You are urged to review this material in detail and share it with your financial/legal/tax advisors.*

*For members who are now or who may be in the future dealing with this issue, we trust the information presented will assist you be successful in your discussions with Revenue Canada.*

*Our next step is to begin the detailed discussions with Revenue Canada on goodwill in specialty practise. This will get underway shortly.*

*Don't hesitate to call if you have any questions and please keep us informed.*

### **OVERVIEW**

In our last communication with members, we indicated that we would be sending more information that would be of assistance in your deliberations, if any, with Revenue Canada.

This information is not meant to replace the advice that you should obtain from your own professional advisors. This summation is designed to provide background information only.

The information presented will deal mainly with general dentistry practices. Revenue Canada has just started to focus attention on the specialty practices and, as a result, the NSDA has approached members of the various specialty groups to try to obtain information that will help deal with potential valuation issues.

This commentary is designed to discuss the valuation issues raised by Revenue Canada and their valuations unit . The related income tax issues that can result from the valuation issues have not been part of the discussions that we have had with Revenue Canada.

Members affected by the valuation issues should determine, with their own professional advisors, the potential income tax consequences of any valuation changes proposed by Revenue Canada.

### **THE PROCESS**

During 1996, the NSDA became aware that Revenue Canada was examining situations where members had incorporated their dental practices and, in particular, they were questioning how the practices had been valued. The early "rumblings" from Revenue Canada were not good, indicating that they had little evidence regarding actual dental practice purchases and sales to make an assessment of the appropriateness of the valuations put forward by members. Initially, they did not feel that dental practices had very much in the way of goodwill.

The NSDA agreed it would attempt to gather information from its membership regarding practice purchases and sales to prove to Revenue Canada that an active market existed for dental practices in Nova Scotia and that patient files were regularly traded between dentists.

Members were contacted in the fall of 1996 and the spring of 1997 and asked to provide information on practice sales that they had been involved in near the 1994 time period. Less than 25 deals were provided to the NSDA. We are confident that there were many other transactions that were not provided. The paper work on the transactions that was provided was given to Mr. Bill Vienneau, a Chartered Accountant and Chartered Business Valuator with White Burgess

Langille Inman, Chartered Accountants, who then reviewed the details of the transactions and presented the information in conjunction with the NSDA to Revenue Canada valuation officials.

At the same time, Revenue Canada was gathering information from their files and during the process of gathering information from taxpayers Revenue was coming across more information regarding sales. Discussions and analysis continued during the spring and summer of 1997. Revenue Canada decided in the fall of 1997 that they would be proceeding with the audits of selected dentists but would continue to entertain information from the NSDA and Mr. Vienneau, if it added to their understanding of the dental marketplace.

Later in this information piece, we will summarize the information and conclusions presented to Revenue Canada. We wish to point out that we do not agree with most of Revenue Canada's conclusions drawn from the meetings that we had with them. However, we think that their comments at these meetings will form the basis for their treatment of dentists that they have audited.

More information will likely evolve as their audits proceed. For example, assume a dentist used a value of \$200,000 for the assets of their practice at the date of incorporation and subsequently sold their practice for that price in 1996. In order to defend the value used in 1994, they may have to show Revenue Canada their actual sale transaction in 1996. As this type of data becomes available, they may learn more about the marketplace.

We anticipate that Revenue Canada's position on the value of dental practices will be on the low side and, as typically is the case, Revenue Canada will start at the low end of the possible valuation spectrum and look to negotiate to an agreeable position. This has more to do with the fact that the valuation of any business is a very subjective determination, unless there is an actual practice sale to support the value used.

Members should not be surprised if their valuation amounts are not accepted by Revenue Canada. Because of the nature of valuations, there are usually differences of opinion. If there are differences and your valuation is well founded, then the process may become one of continued negotiation and discussion. Revenue Canada may end up accepting your conclusion.

The key is to understand Revenue Canada's position and the reasons for differences between your valuation and Revenue Canada's position and to formulate a response to the reasons for the differences with your advisors.

## **INFORMATION PRESENTED TO REVENUE CANADA**

Information from thirteen actual practice sales that had been reviewed and analyzed by Mr. Vienneau were summarized and presented to Revenue Canada - we will refer to the data as "the Members Data"

The second set of data was information obtained from advisors and accountants regarding practice sales that they had been involved in over the past several years. We will refer to this data as the "Advisors Data"

The details of the latter transactions were not reviewed by Mr. Vienneau because of the advisor's client confidentiality concerns. Revenue Canada accepted the first grouping of information and reviewed the data from the advisors but would not place as much reliance on the advisor's data because it had not been verified by Mr. Vienneau and because a great deal of information had related to practice sales after 1994.

The practice sale information was summarized into three geographical areas - Metro (Halifax/Dartmouth): Rural Sizable meaning communities with populations of at least 10,000 people and rural meaning areas in the rural parts of Nova Scotia under 10,000 people.

Practice sale information was summarized for both the members data and the advisors data in these three geographical locations.

## INFORMATION OBTAINED FROM MEMBERS

### SUMMARY OF INFORMATION FROM MEMBERS

Practice Location	Col 1 Price/Net	Col 2 Price/Gross	Col 3 Goodwill/ Gross	Col 4 Price/Active Chart	Col 5 Price/Total Charts	Col 6 Year
	0.94	39%	39%	\$270	\$75	1992
	1.56	81%	25%	\$101	\$44	1996
Metro	1.84	45%	22%	\$71	\$62	1991
	1.52	71%	39%	\$92	\$78	n/a
	2	55%	28%	\$45	\$41	1990
Range	.94 to 2	39% to 81%	22% to 39%	\$45 to \$270	\$41 to \$78	
Average	1.58	58%	31%	\$116	\$60	
Adj Average	1.64	57%	31%	\$88	\$60	

Each of the columns are explained below:

Col 1 - represents the total selling price for the practice, divided by the net income of the practice

Col 2 - represents the total selling price for the practice, divided by the gross revenue for the practice for the year of sale

Col 3 - represents the goodwill portion of the price, divided by the gross revenue for the practice for the year of sale

Col 4 - represents the goodwill, divided by the number of active patients in the practice. Active patients were defined as patients seen in the practice in the twelve months prior to the sale.

Col 5 - represents the goodwill, divided by the total patients in the practice.

Col 6 - represents the year of sale.

As can be seen, there were five practices in the metro area that were reported by members. The prices paid included goodwill, office and dental equipment, leasehold improvements and dental supplies in the price. Practices sold for an average of 1.58 times the practice's net income. Net income is defined as gross revenue, less practice expenses, but before income taxes.

For example, assume a dentist had a net income of \$125,000. This formula would suggest that the selling price for the practice would be \$197,500. The adjusted average, which is the average excluding the highest and the lowest amounts, resulted in 1.64 times net income which, in our example, would translate into a selling price of \$205,000.

The second column indicates the selling price divided by the most recent gross revenue numbers. The average is 58%, the adjusted average is 57%. Assuming that the practice in our example had professional fees of \$300,000 per annum, this suggests that another measure of the selling price would be \$174,000 based on the average above and \$171,000 based on the adjusted average.

The third column indicates that goodwill in these practice sales averaged 31% of gross fee revenue and this was also the adjusted % as well. For example, if gross fee revenue were \$300,000, then goodwill would represent \$93,000 - 31%. The balance of the price would be attributable to other assets.

The fourth column summarizes goodwill expressed as an amount per active patient chart. The average is \$116 per chart and the adjusted average is \$88 per chart. If a practice had 1,500 active patients that would amount to \$174,000 based on the average and \$132,000 based on the adjusted average. We must point out that the first practice sale for \$270 a chart was unusual in that the sale involved the sale of patients files only. Revenue Canada excluded the sale in their calculation.

The fifth column indicates an average of \$60 per chart and an adjusted average of \$60 per chart for total patient numbers. Similar information is summarized below for practice sales in sizable rural locations like Truro. the valley, etc.

## SUMMARY OF INFORMATION FROM MEMBERS

Practice Location	Col 1 Price/Net	Col 2 Price/Gross	Col 3 Goodwill/ Gross	Col 4 Price/Active Chart	Col 5 Price/Total Charts	Col 6 Year
	1.74	69%	50%	\$138	\$90	1994
	0.96	58%	39%	\$47	\$28	1994
Rural sizable	1.25	41%	29%	\$70	\$47	1991
	1.49	70%	47%	\$71	\$43	1994
	1.02	61%	38%	\$46	\$27	1997
Range	.96 to 1.74	41% to 70%	29% to 50%	\$46 to \$138	\$27 to \$90	
Average	1.29	60%	41%	\$74.40	\$47	
Adj. Average	1.25	63%	42%	\$63	\$39	

There were five practice transaction details provided to the NSDA in this category.

The average and adjusted average numbers are generally lower for practices sold in these locations with the exception of goodwill, as a percentage of gross revenue, which is 12% higher as a percentage of gross revenue than in metro practice information. The adjusted price per patient chart is \$63 per active chart verses \$88 per active chart in metro.

Three practice sales were provided for practices in the rural areas of Nova Scotia as follows:

### SUMMARY OF INFORMATION FROM MEMBERS

Practice Location	Col 1 Price/Net	Col 2 Price/Gross	Col 3 Goodwill/ Gross	Col 4 Price/Active Chart	Col 5 Price/Total Charts	Col 6 Year
Rural	0.94	34%	14%	\$21	\$11	1995
	1.65	51%	31%	\$66	\$32	1993
	0.30	23%	18%	\$38	\$25	1993
Range	.30 to 1.65	23% to 51%	14% to 31%	\$21 to \$66	\$11 to \$32	
Average	0.96	36%	21%	\$42	\$23	
Adj Average	0.94	34%	18%	\$38	\$25	

As might be anticipated, the numbers and percentages for rural practices are less than metro and rural sizable practices and, in particular, the price per active patient chart for goodwill at an average of \$42 per active chart is half the price in metro.

### INFORMATION OBTAINED FROM ADVISORS

The same information is summarized below for the data obtained from advisors as follows:

### SUMMARY OF INFORMATION FROM ADVISORS

Practice Location	Col 1 Price/Net	Col 2 Price/Gross	Col 3 Goodwill/ Gross	Col 4 Price/Active Chart	Col 5 Price/Total Charts	Col 6 Year
Metro	1.17	68%	50%	\$55	n/a	1992
	1.53	68%	32%	\$65	\$52	1995
	n/a	n/a	n/a	\$111	n/a	n/a
	1.60	81%	72%	\$98	\$80	1996

	0.90	50%	30%	\$87	\$87	1996
	0.67	36%	25%	n/a	\$70	1991
	0.67	44%	32%	\$66	n/a	1993
	1.72	67%	43%	n/a	\$65	1996
	2.33	77%	34%	n/a	\$60	1994
	1.22	59%	24%	\$84	n/a	1997
Range	.67 to 2.33	36% to 81%	24% to 72%	\$55 to \$111	\$52 to \$87	
Average	1.31	61%	38%	\$81	\$69	
Adj Average	1.25	62%	35%	\$80	\$69	

The information from advisors regarding metro practices is comparable to the information from members with the exception of the average and adjusted averages for the price of a practice divided by the net income of the practice and the average price per active chart.

#### SUMMARY OF INFORMATION FROM ADVISORS

Practice Location	Col 1 Price/Net	Col 2 Price/Gross	Col 3 Goodwill/ Gross	Col 4 Price/Active Chart	Col 5 Price/Total Charts	Col 6 Year
	1.89	54%	36%	\$109	n/a	1996
	n/a	n/a	n/a	n/a	\$44	1994
	1.20	70%	42%	\$75	\$60	1997
	1.56	70%	26%	\$48	\$39	1997
Range	1.20 to 1.89	54% to 70%	26% to 42%	\$48 to \$109	\$39 to \$60	
Average	1.55	65%	35%	\$77	\$48	
Adj Average	1.56	70%	36%	\$77	\$44	

The advisors information for rural sizable practices is higher in most cases than the information obtained from members.

## SUMMARY OF INFORMATION FROM ADVISORS

Practice Location	Col 1 Price/Net	Col 2 Price/Gross	Col 3 Goodwill/ Gross	Col 4 Price/Active Chart	Col 5 Price/Total Charts	Col 6 Year
Rural	1.14	52%	22%	\$77	\$62	1994
Range	1.14	52%	22%	\$77	\$62	
Average	1.14	52%	22%	\$77	\$62	
Adj Average	1.14	52%	22%	\$77	\$62	

The sole rural situation was higher in all parameters in comparison to the information from members.

## COMBINED MEMBERS & ADVISORS INFORMATION

The information obtained from both members and advisors is presented in combined form below for each of the three geographic areas:

### SUMMARY OF INFORMATION FROM MEMBERS AND ADVISORS

Practice Location	Col 1 Price/Net	Col 2 Price/Gross	Col 3 Goodwill/ Gross	Col 4 Price/Active Chart	Col 5 Price/Total Charts	Col 6 Year
Metro - Members	0.94	39%	39%	\$270	\$75	1992
	1.56	81%	25%	\$101	\$44	1996
	1.84	45%	22%	\$71	\$62	1991
	1.52	71%	39%	\$92	\$78	
	2.00	55%	28%	\$45	\$41	1990
Metro - Advisors	1.17	68%	50%	\$55	n/a	1992
	1.53	68%	32%	\$65	\$52	1995
	n/a	n/a	n/a	\$111	n/a	n/a
	1.60	81%	72%	\$98	\$80	1996
	0.90	50%	30%	\$87	\$87	1996
	0.67	36%	25%	n/a	\$70	1991

	0.67	44%	32%	\$66	n/a	1993
	1.72	67%	43%	n/a	\$65	1996
	2.33	77%	34%	n/a	\$60	1994
	1.22	59%	24%	\$84	n/a	1997
Range	.67 to 2.33	36% to 81%	22% to 72%	\$45 to \$270	\$41 to \$87	
Average	1.40	60%	35%	\$95	\$65	
Adj Average	1.38	60%	33%	\$82	\$65	

### SUMMARY OF INFORMATION FROM MEMBERS AND ADVISORS

Practice Location	Col 1 Price/Net	Col 2 Price/Gross	Col 3 Goodwill/ Gross	Col 4 Price/Active Chart	Col 5 Price/Total Charts	Col 6 Year
Rural sizeable - Members	1.74	69%	50%	\$138	\$90	1994
	0.96	58%	39%	\$47	\$28	1994
	1.25	41%	29%	\$70	\$47	1991
	1.49	70%	47%	\$71	\$43	1994
	1.02	61%	38%	\$46	\$27	1997
Rural sizeable - Advisors	1.89	54%	36%	\$109	n/a	1996
	n/a	n/a	n/a	n/a	\$44	1994
	1.20	70%	42%	\$75	\$60	1997
	1.56	70%	26%	\$48	\$39	1997
Range	.96 to 1.89	41% to 70%	26% to 50%	\$46 to \$138	\$27 to \$90	
Average	1.38	62%	38%	\$75	\$47	
Adj. Average	1.37	64%	39%	\$70	\$44	

### SUMMARY OF INFORMATION FROM MEMBERS AND ADVISORS

Practice Location	Col 1 Price/Net	Col 2 Price/Gross	Col 3 Goodwill/ Gross	Col 4 Price/Active Chart	Col 5 Price/Total Charts	Col 6 Year
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Rural - Member	0.94	34%	14%	\$21	\$11	1995
	1.65	51%	31%	\$66	\$32	1993
	0.30	23%	18%	\$38	\$25	1993
Rural - Advisors	1.14	52%	22%	\$77	\$62	1994
Range	.3 to 1.65	23% to 52%	14% to 31%	\$21 to \$77	\$11 to \$62	
Average	1.00	40%	21%	\$51	\$33	
Adj. Average	1.04	43%	20%	\$52	\$29	

Looking at the collective information, it indicates that practice selling prices in metro and rural sizable areas average approximately 1.4 times the practice's net income; that the selling price is around 60% of one year's gross fees; that goodwill has represented 35-38% of one year's gross. The price per active chart in metro sales has averaged \$95 per chart and \$75 per chart in rural sizable locations.

In rural practices, the sale prices averaged one times the net; 40% of one year's gross; goodwill at 21% of gross revenue; \$51 per active patient chart.

## REVENUE CANADA'S COMMENTARY

After several meetings and discussions with Revenue Canada's valuation people, they analyzed the numbers, allowing for specific amounts of dental supplies and equipment and based on other information that they had in other files that they had reviewed, they indicated that they would probably be using the following amounts as guides for the value of patient files in general dentistry practices:

	Range of	
	Per Chart	Amount
Metro Practices	\$50 to	\$75
Rural Sizeable	\$40 to	\$60
Rural	\$15 to	\$25

They discounted the information gathered from the advisors in reaching their conclusions because it had not been verified.

As you can see these amounts are far below the ranges and the averages presented to them on the actual practice sales.

Initial information received from members who have reached the stage of Revenue Canada making them an offer regarding the value of goodwill has demonstrated a value below the range.

Revenue Canada had indicated that they would use generally accepted business valuation approaches in assessing the value of practices and their goodwill. If the profitability of a practice, amongst other factors, did not support the goodwill amounts using a per chart calculation in the ranges above, then they would assign a lesser value per chart. This could be one reason why members are seeing lower numbers from Revenue Canada during their audits.

The other significant conclusions that Revenue Canada have drawn from its analysis of practice sales are as follows:

(a) That the first 700-800 patients will sell at a higher price per chart than the balance of active patient charts. This conclusion is based on their assessment of affordability for purchasing dentists - that the dentists purchasing practices can only arrange financing for 700-800 patients.

(b) They will view large mall practices and sizable partnerships differently. Usually members coming into large practices or partnerships pay a multiple of cash flow or profits to determine the purchase price.

(c) In assessing the value of practices, one has to determine excess earnings - determined by first calculating normalized earnings which is usually done by taking an average of the prior year's earnings adjusted for unusual and non recurring items included in the practice's income. Normalized income is then reduced by an amount for a salary to replace the member in the practice. The difference is excess earnings which is capitalized at appropriate rates of return to arrive at the capitalized excess earnings value for the practice.

(d) That the prices for practices has increased greatly in the 1990's as a result of aggressive marketing by financial advisors in the dentistry area.

(e) The allocation of the sale price amongst the assets of a practice may not represent the fair market value of the specific assets of the practice. For example, assume a member sold a practice for \$200,000 and negotiated with the purchaser to allocate the price as follows:

Goodwill	\$100,000
Equipment	\$50,000
Supplies	\$10,000
<u>Leaseholds</u>	<u>\$40,000</u>
Total Price:	\$200,000

Revenue Canada may not agree with the value placed on individual assets and change the allocation based on their valuation of the practice. They would usually value the hard assets first - equipment, supplies etc. and deduct the total value of hard assets from the total selling price to arrive at fair market value of goodwill. This would be done in conjunction with a review based on an earnings approach to determine value and the rules of thumb for per chart amounts.

For example, if they determined that the hard assets were worth \$125,000 above they may allow \$75,000 for goodwill.

In cases where members support the notional practice valuations used for incorporation purposes with actual prior or subsequent transactions where they have sold or purchased a practice, they should be aware that Revenue Canada may not agree with the allocation of the price based on that actual transaction. This could result in the amounts used for goodwill and other assets on incorporation being changed and they could reallocate the allocation of the actual selling price for both the purchaser and vendor in the actual transaction with different income tax results for each of the parties.

## VALUATION OF DENTAL PRACTICES

The common terminology encountered in the Income Tax Act and involved with member situations is "fair market value". Fair market value is defined as the highest price obtainable in an open and unrestricted market between knowledgeable, prudent and informed parties, under no compulsion to transact, expressed in terms of moneys worth.

This definition is relevant in determining the value of all assets on incorporation and in determining the fair market value for goodwill for those who elected on goodwill on February 22, 1994 to utilize their capital gains exemption.

Many practice valuations have been performed in Nova Scotia by representatives of dental supply companies, who are familiar with the market place. The purchaser typically examines the potential purchase price for affordability, renegotiations follow, and a final price is arrived at along with an allocation of the price amongst various assets.

Revenue Canada appears to view the per chart basis for goodwill valuation as a "rule of thumb" method that must be supported by other more traditional approaches used by business valuers such as capitalized earnings, capitalized excess earnings and dual capitalization approaches.

Valuation theory would suggest that any rules of thumb, regardless of how they are based, should be supported by the more traditional valuation approaches.

The NSDA and Mr. Vienneau have made the point on several occasions with Revenue Canada that they cannot ignore the actual market place. If members have bought and sold practices on a regular basis by having their equipment and leaseholds appraised, their supplies inventoried, patient charts and records analyzed and a per chart amount allocated to each file, then this method must carry greater influence than may normally be the case.

We have also pointed out that this practice has been carried out for at least 10-15 years. Regardless, Revenue Canada will be looking at the per patient rule of thumb methods and traditional approaches in reaching their conclusions.

Members and their advisors should be considering the traditional valuation approaches in addition to the per chart rule of thumb method in responding to and dealing with Revenue Canada. It would be advisable to ensure that the total value assigned to goodwill for a practice on a per chart basis is supported by an earnings based approach before serious negotiations with Revenue Canada occur.

The ideal situation will exist when both the rule of thumb method and the valuation approaches support one another. There will be less argument and hopefully more agreements with Revenue Canada as a result. Members, in practices where the traditional approaches do not support the rule of thumb method, have to be prepared to show Revenue Canada that other practices have sold for comparable amounts. The transactions and information on practice sales must, as best as they can, be comparable practices to the practice that was valued. Otherwise, it appears that they will not be responsive to changing their conclusion.

Members should also be careful in responding to letters of inquiry from Revenue Canada. When they ask for normalized income, hours worked in the practice, and number of patients, you must respond accurately but ensure that you carefully consider and explain your responses perhaps with your advisor's help. For example, the question regarding number of patient files should describe total patients and separate active from inactive charts. Revenue Canada will be using this to apply their per chart rule of thumb calculations.

When they asked for hours worked in the practice, they will likely use this information to determine a replacement salary for the practicing dentist to use in arriving at excess earnings in the practice.

Once Revenue Canada reviews the information received from the member they will present their conclusions in letter format and if there are differences they will briefly explain them and offer a value to settle the situation.

Any member in this situation should ask for as much detail as possible from Revenue Canada to ensure that all differences are understood. Generally, Revenue does not provide copies of their valuation report - only brief conclusions.

If members are not satisfied with the explanation in the information received from Revenue Canada, you may consider an application under the Freedom of Information Act which provides taxpayers with copies of information contained in Revenue Canada's files. This is a lengthy process and is usually only done before the formal appeal process begins.

If taxpayers cannot come to agreement with Revenue Canada then a notice of reassessment will be issued reflecting an adjustment to reflect the income tax consequences of the difference in valuation numbers. Members then have a specified time period to file a Notice of Objection and launch an appeal of their case to the Appeals section of Revenue Canada. A new valuator would then review the case. It is critical to have professional advice regarding these matters to avoid missed deadlines etc.

Some of the more typical reasons for differences between the conclusions reached by Revenue Canada and professionals that you may want to focus on are:

In arriving at the fair market value of a practice by using the capitalized earnings based approach:

- 1) Was their approach appropriate?
- 2) How did they arrive at normalized income and have they considered all normalizing factors?
- 3) How did they determine a replacement remuneration for the dentist in the practice and was the amount appropriate?
- 4) What capitalization rates were used and how did Revenue Canada arrive at their rates?
- 5) What income tax rates were used to determine after tax income and are the rates appropriate?
- 6) How did Revenue Canada determine the fair market value of hard assets like dental equipment, supplies, office equipment etc.? If the equipment is under lease has the valuation been approached correctly?
- 7) How was the value of leasehold improvements determined or real estate if owned by the dentist?

In reviewing the rule of thumb methods:

- 1) How did they determine the value per patient file?
- 2) Have they considered all the important aspects of your practice, your patient base, your staff,

your location amongst others? Goodwill has various components to it including goodwill of location, goodwill related to the service provided and individual and personal goodwill may play a role in the valuation of your practice.

3) If they have used a range of per chart amounts how did they decide what range you fit in?

4) Have they applied other rule of thumb methods and what were their conclusions? These types of questions should be asked in conjunction with your advisors.

Revenue Canada may not answer these questions and in the valuation area they do not tend to provide a great deal of detail. However, if you ask they generally will try to answer the questions. Those who are not satisfied with the responses may consider the Freedom of Information Act mentioned above.

It should be noted that the professional valuers at Revenue Canada are lead by Chartered Business Valuers. They have a great deal of specialized knowledge in the business valuation area. At some point in the discussions with Revenue Canada you and your advisors have to be certain that the discussions with Revenue Canada are progressing. If not you may want to bring in the expertise of a Chartered Business Valuator or an advisor with similar experience and credentials. This stage in your approach will have to be decided upon with your advisors.

## **CONCLUSION**

The information submitted to Revenue Canada has brought their view on the value of dental practices and goodwill closer to the marketplace. There appears to still be a gap between Revenue Canada's conclusions and the amounts that members typically expect their practices are worth.

The consequence of an adjustment by Revenue Canada to the valuations of practices could be very significant. Members should carefully consider the consequences with advisors.

Members must approach their own situation in dealing with Revenue Canada using your own resources to attempt to resolve the situation.

Please keep us informed of your progress with Revenue Canada by sending copies of correspondence regarding offers from Revenue Canada and any practice sale information that may be relevant.