



Chartered Professional Accountant  
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## BUSINESS BASICS (INCORPORATED)

Beneficial for new and experienced businesses, these recommendations help you maintain your books while taking full advantage of Canada Revenue Agency (CRA) deductions.

1. **Have a separate bank account / credit card** to keep personal and business transactions separate. Personal meals (a daily lunch while not travelling / candy bars at the gas stations) and expenses such as home utilities make your bookkeeping more difficult and increase your CRA audit risk.
2. **Prepare your bookkeeping monthly** to increase the accuracy and usefulness of your records. Bookkeeping provides valuable insights into your business to help it grow and succeed. It also reduces stress when done regularly and helps with income tax planning to benefit your financial future.
  - a. Doing it yourself? We have templates available on our [website](#). Good software choices are Sage50 Desktop, QuickBooks Desktop, and QuickBooks Online.
  - b. Consider hiring a professional bookkeeper. This increases the accuracy and timeliness of your information and significantly reduces your stress so you can focus on your business.
3. **Save for your taxes!** As a business owner you can regularly expect a LARGE tax bill annually. We'd recommend setting up a separate bank account to secure the funds and allocate:
  - a. 20% of your gross profit (top line sales – inventory costs) to cover corporate income tax and Goods and Services Tax (GST).
  - b. A further tip is to save 25% for any money you withdraw from your company outside of payroll (i.e. dividend draws). Dividends ARE taxable personally and setting aside funds in expectation of this reduces stress during tax time.
4. **Keep ALL your receipts** (yes this is annoying):
  - a. A 'till receipt' is required not just the debit/credit card print out. CRA wants to see the details.
  - b. Your bank/credit card statement are not sufficient in the event of a CRA audit.
  - c. Either PDF copies or printed paper records are fine. All records should be kept for 7 years.
5. **Register and collect GST (5% in B.C.)** when top line sales exceed \$30,000 in any 12-month period.
  - a. Registration can be done online here: [Canada.ca](#).
  - b. You cannot claim offsetting GST amounts paid (input tax credits) until registered.
6. **Provincial Sales Tax (PST – 7% in B.C.)**
  - a. Most service and construction trades are PST exempt.
  - b. If you sell products, sell liquor, provide services to products (i.e. vehicle repair), provide short term accommodations (under 30 day), or provide legal services you need to register. This area is complex and we'd recommend reaching out to the [Ministry of Finance](#) if you are uncertain.
  - c. If you are operating from your home you have a \$10,000 'small supplier' top line sales threshold. Once you've exceeded \$10,000 in sales, you need to register.
  - d. If you purchase used equipment or import equipment from outside of B.C., you need to self-assess and remit PST on these items.



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7. **Register for WorkSafe BC** as a B.C. incorporation you are required to [register](#).
8. **Are your hired workers employees or subcontractors?** This is a risky tax area so ensure your classification is correct before you hire and pay your workers.
  - a. If you treat them like an employee (provide tools, oversight, training, set their start / end time, and pay them hourly) they are an employee.
  - b. If you treat them like a contractor (they have their own business presence, they have a GST number, they set their rates and hours, they provide their own tools and equipment, they are paid by the job), they are a subcontractor.
  - c. The distinction between subcontractors and employees is important. A misclassification can cost you thousands in unpaid EI and CPP in addition to penalties and interest.
9. **Motor vehicle usage** (yes this is also annoying):
  - a. If your vehicle is used less than 100% for work purposes you will need a mileage logbook.
  - b. In your mileage logbook record every business trip you make. You can try an app (MileIQ), use a paper logbook, or compile an [excel spreadsheet](#). For each business trip record:
    - i. The date of the trip
    - ii. The purposes of the trip / who you met with
    - iii. Where you went (the address)
    - iv. The total kilometers that you drove for business purposes
  - c. At the start and end of every year record the odometer reading.
  - d. Travel between your home and 'normal place of business' is considered a personal commuting
  - e. If your vehicle is used more than 90% for work purposes:
    - i. The vehicle should be owned / leased by corporation (consider PST/GST on transfers)
    - ii. If the vehicle is owned by corporation keep all gas, repair, and insurance documents.
  - f. If your vehicle is used less than 90% for work purposes, it is best to own the vehicle personally to avoid negative tax implications. Vehicle expenses as these should be paid personally.
  - g. Consider signing up for the 'pay by phone' parking app which will let you obtain receipts for parking.
  - h. You may need to update your motor vehicle insurance – talk to your insurance agent
10. **Home office expenses** can be claimed if you use a designated space exclusively for business:
  - a. Keep all utility expenses, home repair bills (that relate to the home office space), insurance, mortgage interest, property taxes, and rent receipts.
  - b. Measure the square footage of your office space and the total square footage of your home.
11. **Assets & Large Purchases:**
  - a. Large equipment / asset purchases are not fully deductible in the year of purchase – instead, they are amortized over several years according to [CRA rates](#).
  - b. If you have personal assets that have become a significant part of your business, (i.e. a laptop) you can transfer them into your business. You will need to consider their 'fair market value'. Please make a list of any tools or other items personally purchased that are now in business use.