

NEW CLIENT RECOMENDATIONS (INCORPORATED)

Applicable for both new and experienced businesses, these recommendations cover the general requirements for maintaining your books and records in compliance with CRA's policies.

1. Required to open a separate bank account and keep your personal and business expenses separate – helps with organization and reduces bookkeeping costs and CRA audit risk.
2. Save for your taxes:
 - a. 20% is a good estimate to cover corporate income tax and GST
 - b. 25% for any dividends withdrawn
3. Keep all your receipts:
 - a. A 'till receipt' is required not just the debit/credit card print out
 - b. Your bank/credit card statement are not sufficient evidence in the event of a CRA audit
 - c. All business and taxation records should be kept for 7 years
 - d. Organize receipts in month by month format (folders, etc.)
4. Considerations surrounding GST (5% in B.C.)
 - a. When sales exceed \$30,000 in any calendar period you must register / collect / remit GST
 - b. Cannot claim GST paid (input tax credits) until registered for GST
5. Considerations surrounding PST
 - a. If you are selling goods / products, providing services to goods (vehicle maintenance, furniture assembly, or computer repair), providing short term accommodations or legal services you need to register / collect / remit PST.
 - b. Small supplier threshold of \$10,000 if you are operating from your home and selling goods
 - c. If you purchase used equipment or import equipment from outside of B.C. you would need to self-assess and remit PST on those items.
6. Considerations surrounding WCB
 - a. You are required to register for a WCB account as an incorporated company
7. Employees / subcontractors
 - a. If you hire workers, it is very important that you discuss the situation with an accountant before you hire/pay the individual(s)
 - b. The distinction between subcontractor and employee is very important and can save you in EI and CPP penalties.
 - c. Considerations include control over the working environment, risk of loss, ability to subcontract, and tools and equipment provided



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8. Motor vehicle usage (incorporated company):
 - a. **If used less than 100% for work purposes, you will need a mileage logbook** – you need to record every business trip you make. You can try an app (MileIQ), use a paper logbook, or compile an excel spreadsheet (we have template). For each business trip, you need to record:
 - i. The original opening odometer reading and the reading at your yearend date
 - ii. The date of the business trip
 - iii. The purposes of the trip / who you met with
 - iv. Where you went (the address)
 - v. The total kilometers that you drove for business purposes
 - b. Travel between your home and ‘normal place of business’ is considered a personal expense
 - c. If vehicle used more than 85% for work purposes:
 - i. Vehicle could be owned by corporation (consider PST/GST on transfer)
 - ii. If vehicle owned by corporation keep all gas, repair, and insurance documents
 - d. If vehicle used less than 85% for work purposes, consider owning vehicle personally – no need to keep receipts for vehicle expenses as these should be paid personally
 - e. Consider signing up for the ‘pay by phone’ parking app which will let you obtain receipts for your vehicle parking
 - f. You may need to update your motor vehicle insurance – talk to your insurance agent

9. To claim home office expenses, you must:
 - a. Space used exclusively for business
 - b. Keep the following expenses:
 - i. Utility expenses - electricity / gas / water / etc.
 - ii. Home repair bills / insurance / mortgage interest / property taxes / rent
 - c. Measure the square footage of your home office space and the total square footage of your house

10. Assets:
 - a. Large equipment / asset purchases are not fully deductible in the year of purchase – instead they are amortized over a number of 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 the asset into your business. You will need to consider what the current ‘fair market value’ of it would be.

Other Comments

- Providing credit to your customers? Consider a credit application process / credit check
- Looking for invoicing options? Consider WAVE bookkeeping software – it’s free but only good for invoicing – please print invoices as you go and summary at December 31st
- Great bookkeeping software is Sage50 (desktop) or QuickBooks (desktop)