

## NEW CLIENT RECOMENDATIONS (UNINCORPORATED)

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. 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 – 30% is a good estimate to cover income tax, CPP, and GST
3. Keep all your receipts:
  - a. A 'till receipt' is required not just the debit/credit card print out
  - b. Your bank/credit card statements 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. If you are an employer or hire subcontractors, you must register for WCB
  - b. A sole proprietor has the option to self-insure
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 (unincorporated company):
  - a. Must record your vehicle's kilometers when you start the business and at the end of every year (December 31<sup>st</sup>).
  - b. **You will need a mileage logbook** – you need to record every business trip you make. You can try a mileage app ( MileIQ), use a paper logbook, or compile an excel spreadsheet (we have template). For each business trip, you need to record:
    - i. The date
    - 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. Travel between your home and 'normal place of business' is considered a personal expense
  - d. Must keep all gas, repair & maintenance, insurance, and other vehicle receipts to write off against your business income
  - 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 meet one of the following conditions:
  - a. You work from your home office more than 50% of your time or,
  - b. You use the space exclusively for business and use it to meet clients
  - c. If eligible, keep the following receipts:
    - i. Utility expenses - electricity / gas / water / etc.
    - ii. Home repair bills / insurance / mortgage interest / property taxes / rent
  - d. You will need to measure out the square footage of your home office space and the total square footage of your home
  
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 31<sup>st</sup>
- Great bookkeeping software is Sage50 (desktop) or QuickBooks (desktop)