

## 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. Open a separate bank and credit card account to keep your personal and business expenses separate – this helps with organization and reduces costs / CRA audit risk.
2. Prioritize your bookkeeping:
  - a. Consider preparing your data entry and bank reconciliations monthly or hiring a professional bookkeeper to do this for you. This increases the accuracy of your information and provides valuable insights into your business to help it grow and succeed. It also significantly reduces stress and helps with income tax planning.
  - b. Good software options are Sage50, QuickBooks Desktop, and QuickBooks Online.
3. Save for your taxes:
  - a. 20% is a good estimate to cover corporate income tax and GST
  - b. 25% for any money you withdraw from your company outside of payroll (i.e. dividend draws)
4. 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.)
5. Goods and Services Tax (GST - 5% in B.C.)
  - a. When sales exceed \$30,000 in any calendar period you must register / collect / remit GST
  - b. Cannot claim offsetting GST amounts paid (input tax credits) until registered for GST – this is important when considering large purchases.
6. Provincial Sales Tax (PST – 7% in B.C.)
  - a. If you are selling products, providing services to products (vehicle or computer repairs, and furniture assembly), providing short term accommodations or legal services, you need to register / collect / remit PST. This area is complex so reach out if you are uncertain.
  - b. If you are operating from your home, you have a \$10,000 'small supplier threshold'. Once you've exceeded \$10,000 in sales, you need to register to collect and remit PST.
  - c. If you purchase used equipment or import equipment from outside of B.C., you would need to self-assess and remit PST on these items.
7. WorkSafe BC (WSBC)
  - a. You are required to register for a WSBC account as an incorporated company



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8. Employees / Subcontractors / Hired Workers:
  - a. This is a very risky tax area so ensure your classification is correct before you hire and pay them:
    - i. If you treat them like an employee (provide them tools, oversight, training, determine their rate of pay and set their start and end time, pay them hourly), they are an employee.
    - ii. If you treat them like a contractor (they have their own business presence, they have a GST number, they set their rates and hours of work, they provide their own tools and equipment, they are paid by the job), they are a subcontractor.
  - b. Considerations include control over the working environment, risk of loss, ability for the worker to hire an employee, and who provides the tools and equipment.
  - c. The distinction between subcontractors and employees is very important. A misclassification can cost you thousands in unpaid EI and CPP in addition to penalties and interest.
  
9. Motor vehicle usage (incorporated company):
  - 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 (we have a template). At the start and end of every year record the odometer reading. For each business trip record:
    - i. The date of the business 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. Travel between your home and 'normal place of business' is considered a personal expense
  - d. If your vehicle is used more than 90% for work purposes:
    - i. The vehicle can be owned by corporation (consider PST/GST on transfers)
    - ii. If the vehicle is owned by corporation keep all gas, repair, and insurance documents
  - e. If your vehicle is used less than 90% for work purposes, consider owning a vehicle personally to avoid negative tax implications. Vehicle expenses as these should be paid personally
  - f. Consider signing up for the 'pay by phone' parking app which will let you obtain receipts for parking.
  - g. You may need to update your motor vehicle insurance – talk to your insurance agent
  
10. To claim home office expenses:
  - a. You must use a designated space exclusively for business
  - b. Please keep all utility expenses, home repair bills (that relate to the home office space), insurance, mortgage interest, property taxes, and rent receipts.
  - c. Measure the square footage of your home office space and the total square footage of your house
  
11. 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 them into your business. You will need to consider their 'fair market value'.