



We take your taxes personally!

The Small Unincorporated Business Tax Booklet

By Neel E. Roberts



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Chapter 1

Is This Booklet for You?

Welcome. This unique and well-thought-out booklet is for the small business owner. There is nothing like it in the tax industry. While I am flattered that many of my competitors have wanted to adapt it for their own use, it is my gift to you to use appropriately. Whether you have been a client for many years, or are just browsing for information and insight, this booklet will give you the edge when it comes to Canadian small business taxes.

Whether we sent this booklet to you personally, or you came across it in some other way, we encourage you to take full advantage of it. Taxpayers shopping around for tax service have become our clients because they were impressed with one-of-a-kind publications like this one. They have passed it on to help others. Thanks to the generous feedback from clients and experts in the business, this booklet is here for your benefit.



Consider these two questions:

1. Are you a small unincorporated business, sole proprietor, consultant, co-owner, self-employed business person, or are you in a partnership that is *not* limited?
2. Have you determined that you are self-employed and not employed in this venture?

If you answered yes to these two questions, then this booklet is for you. If you are not sure of the first question, CRA defines a business as the following:

➡ A business is an activity that you intend to carry on for profit and there is evidence to support that intention. A business includes:

- a profession
- a calling
- a trade
- a manufacture
- an undertaking of any kind
- an adventure or concern in the nature of trade

(For more details, see [Interpretation Bulletin IT-459, Adventure or Concern in the Nature of Trade](#).)

Business income includes income from any activity you do for profit. For example, income from a service business is business income. However, you do not include employment income as business income.

If you are not sure of the second question, consider reviewing [CRA's form guide Employee or Self-employed](#). There are certain criteria that need to be assessed before you can determine whether you are self-employed. If it is found that you are employed and not *self*-employed, refer to our [Employment Tax Booklet](#) for assistance, as you may be eligible to claim your expenses under that category.

Chapter 2

What This Booklet Will Show You

This booklet consists of three main parts. First are the **tax worksheets** (chapter 4) that we will require to complete your taxes. It is important that all the information be complete and accurate. The last page of the worksheets is a disclosure that needs to be signed and dated, with your social insurance number.

The second part is **sample completed worksheets** (chapter 5). Follow the example for the worksheet you are filling out. If you need to, you may refer to the reference books and guides we recommend in chapter 7.

The third part is a collection of **tax tips, strategies, and recommendations** (chapter 6) designed to accommodate and help most small businesses. I strongly suggest you investigate the ones that seem appropriate to you and implement them accordingly.

The rest of the booklet is **additional information to help you** with your small business and other tax and financial issues. The booklet is intended for those who have little or no accounting or tax background; however, an understanding of the English language and basic math is required. The information complies with current CRA regulations and is designed to maintain the integrity of your return while legally minimizing your tax obligation.

This booklet is also designed to help you prepare your taxes in the most cost-effective manner. The more preparation you can comfortably do yourself, the less your costs will be of hiring a professional. If, after reading this booklet, you decide not to fill out the worksheets or gather the required information, but you still need your information compiled, we can assist you. Please contact us for instructions, or refer to the bottom of Tip #23 on page 35.

Chapter 3

Getting Prepared: What You Will Need Before Getting Started

Before you start to fill out the worksheets, you will need the following for *each year* you are filling out:

1. Last year's income tax return
2. Last year's notice of assessment or reassessment
3. All receipts, records, logbooks, and day-timers from this tax year
4. Personal information such as name, mailing address, and social insurance number for all persons involved in the business
5. Your GST number and GST62 worksheet, if you need us to complete it for you
6. All T-slips and other relevant tax information
7. Calculator (preferably with tape printout), paper, pencil, and pen
8. If you are completing this on computer, I recommend MS Excel for your daily record keeping. Also, you may fill this in and save it under your name and social insurance number and e-mail it to us.
9. Any letters from CRA or ones you feel we need to review
10. [Personal Consent Form](#), [Business Consent Form](#), and [Engagement Letter](#) filled out, signed, and in our hands before we will consider your file
11. Retainer, usually minimum of \$1,000 cash or bank draft in our hands before we will proceed. Confirm details with us if you have not personally discussed this with us.
12. Any other relevant information required to complete this accurately

Do not be overwhelmed by the size of this document! It is designed to address almost every possible scenario. Most businesses (90%) do not need to be concerned with the bulk of this booklet and can complete the tax worksheets (chapter 4, pages 8 to 18) in less than a day, provided accurate records have been maintained. If you are missing receipts or are unsure of certain transactions, please contact us for directions. While CRA absolutely requires that you have source documentation and a clear paper trail of all transactions, in certain cases you may be able to estimate some figures, pending CRA's approval and legal right to refuse such estimates.

Submission for Preparation

When you have completed the worksheets, submit them to us by the following method with items 1, 2, 4, 5, 6, 9, and 10, and arrange payment to:

1. E-mail: taxes@ptccanada.com
2. Fax: 866-485-2761
3. Mail or courier (Canada Post only please):
Box 1347, Vulcan, Alberta, Canada T0L 2B0
4. Telephone: 866-485-2683

Please place your name and social insurance number on the file and/or cover page. **Note:**

- GST is charged on all invoices and quotes.
- Currently, there is no PST or HST charged.

Chapter 4

Tax Worksheets for Your Business

The tax worksheets in this chapter contain all the information we will need from you to complete your taxes. Please fill in pages 8 to 18. As a bonus, we have inserted the recommended **Tax Tips** (chapter 6) for certain categories. We trust these will help you!

Thanks to all your comments we have created an electronic form for you to use if you prefer. You can fill in and return it to us via email (you will need to contact us for a password if you do not have a digital signature), or you can print the form and return it. The electronic form includes the **Tax Tips** and also examples for you to use as a reference for filling in the form, **please do not enter any of the example information in your form.**

You can access the electronic form here
it will open in a new window to allow you
have the booklet open for any info you may require. You may also save a copy to your computer for the convenience of entering the information in stages, and not all at once.

Please don't hesitate to ask for help!
We are here for you!

Good Luck!

Section I General Business Information

1. For which taxation year are you filing this return?

2. What is the name of your business?

3. What is the full address of your business?

4. Is this the first year you have been in business?

5. If yes, what date did you start your business?

6. Was this your last year of business?

7. If yes, what date did you close your business?

8. What is your main product or service?

9. What is your GST or business number (must be 9 digits with no letters), if you have one? (Tax Tip #6, page 31)

10. Are you the only owner/active person? (Tip #1, page 30)

11. If no, please complete the following information:

Partner #	First Name	Last Name	SIN	Address	% Ownership/Activity
1.					
2.					
3.					
4.					
5.					
6.					

If you require more room, please use another sheet and attach.

12. Is there any information regarding your business that you feel we should know, whether relevant to the above or not? (Tax Tips #22 & #23, page 35)

Section II

Income and GST Collected or Paid by Your Business

1. What is the total income you collected, **including GST, PST, and HST**? Are you a yearly, quarterly, or monthly GST/HST filer?
2. Did you have other business income, in addition to the income in question #1? If yes, how much? Please explain.
3. How much GST, PST, and HST (please list separately) did you collect in question #1?
4. How much GST and HST did you pay on **eligible expenses**? If you are not sure, please indicate.
5. Is there any information regarding your GST, PST, HST, or income that you feel we should know, whether relevant to the above or not? (Tax Tips #22 & #23, page 35)

Section III
Cost of Goods Sold
(for businesses that buy and sell inventory,
not for consultant-oriented businesses)

1. What was the value of your inventory at the beginning of the year?
2. How much did you purchase during the year to build your inventory?
3. How much did you pay to sub-contract work to build your inventory?
4. How much did you pay in direct wage costs to build your inventory during the year?
5. Were there any other costs incurred to build your inventory, including obsolete and discarded/scrap inventory?
6. How much was your inventory worth at the end of the year?
7. Is there any information regarding your cost of goods sold or inventory that you feel we should know, whether relevant to the above or not? (Tax Tip #16, page 34)

Section IV General Business Expenses

Please tell us how much you spent on the expenses listed below. All amounts are business only and **do not include personal, in-home office/business, or motor vehicle expenses.**

1. Advertising (Tax Tip #3 & #4, page 31)	
2. Bad debts (Tax Tip #7, page 31)	
3. Business tax, fees, licenses, dues, memberships, and subscriptions	
4. Delivery, freight, and express (including postage)	
5. Fuel costs (except for motor vehicles and in-home office)	
6. Insurance (except for motor vehicles and in-home office)	
7. Interest and bank charges (Tax Tip #5, page 31)	
8. Maintenance and repairs (except motor vehicle and in-home)	
9. Management and administration fees (Tax Tip #9, page 32)	
10. Meals and entertainment (Tax Tip #10, page 32)	
11. Office expenses (Tax Tip #2, page 30)	
12. Supplies (Tax Tip #16, page 34)	
13. Legal, accounting, and other professional/consulting fees (Tax Tip #9, page 32)	
14. Property taxes (except in-home office)	
15. Rent and rentals (except in-home office)	
16. Salaries, wages, and benefits (Tax Tip #15, page 33)	
17. Travel expenses	
18. Telephone, utilities, cell phone, pager, internet, and communication expenses (Tax Tip #11, page 33)	
19. Conventions (Tax Tip #12, page 33)	
20. Private health care premiums (Tax Tip #8, page 32)	
21. Reserves (Tax Tip #13, page 33)	
22. Terminal losses on sold assets (Tax Tip #14, page 33)	
23. Any other business expenses or information not covered, except in-home office and motor vehicles (please specify cost type and amount) (Tax Tip #17, page 34, & #22 & #23, page 35) A. B. C. D.	

Section V
Assets, Equipment, Furnishings, and Other Physical
Items Used in the Business

A) Did you purchase any assets, equipment, or furnishings during the year? If yes, please list the name (e.g. computer, furniture) and purchase price.

Item	Purchase Price
1.	
2.	
3.	
4.	
5.	

B) Did you sell or dispose of/scrap/donate any assets, equipment, or furnishings during the year? If yes, please list the name (e.g. computer, furniture) and sold price.

Item	Sold price (\$0 if scrapped)	Original or last year's tax value
1.		
2.		
3.		
4.		
5.		

C) What are the current assets, furnishings, and equipment you use in the business (you may consult your previous year's tax return if necessary)?

Item	Fair Market Value
1.	
2.	
3.	
4.	
5.	

D) Is there any information regarding your assets, equipment, and furnishings that you feel we should know, whether relevant to the above or not? (Tax Tip #21, page 35, and #2, page 30)

Section VI Motor Vehicle Expenses

To be filled out for each vehicle used in the business

A) Vehicle mileage and value (we recommend using a logbook to keep track of your mileage)

1. Total kilometres driven (including personal) during the year	
2. Total business only, kilometres driven during the year	
3. Fair market value of vehicle at beginning of year from last year's tax return (or you may consult the blue book, a local car dealer, or newspaper ads for evaluation). Make, model, and year of vehicle.	

B) Total expenses, including personal amount

1. Fuel and oil	
2. Maintenance and repairs	
3. Insurance	
4. License and registration	
5. Interest on car loan (check original loan agreement and fill in interest section D below)	
6. Lease payments (check original lease and fill in lease section C below)	
7. Washes	
8. AMA (motor league)	
9. Parking	
10. Other (please specify)	

C) If you lease the vehicle, please fill in the following:

1. Manufacturer's suggested retail price or purchase price	
2. Total paid towards the lease since the beginning	
3. Date acquired	
4. Date terminated	
5. Total number of days this vehicle was leased this year	
6. Did you receive any interest on a refundable deposit? If yes, how much and when?	
7. Were you reimbursed in any way for your lease? If yes, how much and when	
8. Any other leasing information?	

D) If you had a car loan on which you paid interest, please fill in the following:

1. Date interest payments started this year	
2. Date interest payments stopped this year	
3. Total interest paid in year	
4. Date vehicle was purchased	
5. Any other information you feel we should know	

E) If you purchased any vehicles during the year, please fill in the following:

Vehicle	Purchase Date	Amount
1.		
2.		
3.		

F) If you sold any vehicles during the year, please fill in the following:


Vehicle	Sold Date	Amount Received
1.		
2.		
3.		

G) Is there any information regarding your vehicles that you feel we should know, whether relevant to the above or not? (Tax Tip #2, page 30, & #19, page 34)

Section VII
 In-Home Business Expenses
 (if you use a space in your home for business/office)

A) Space and/or rooms used

1. What is the area or number of rooms used for business in your home?
2. What is the total area or rooms in the home?

 **Note:** If you changed in-home office spaces during the year due to moves, etc., please fill in this section VII for each in-home office and average out.

B) Expenses: Please list the total for the year, **including personal portion**.

1. Heat	
2. Electricity	
3. Insurance	
4. Maintenance	
5. Mortgage interest	
6. Property taxes	
7. Condo fees	
8. Rent	
9. Other expenses (please specify)	

C) Is there any information regarding your in-home business/office expenses that you feel we should know, whether relevant to the above or not? (Tip #18, page 34)

Section VIII Disclosure

I, _____, Social Insurance Number _____,
(your full name) (your SIN)
have read, understood, and completed all relevant procedures required for tax preparation. I have conducted all necessary research and sought all required assistance, and all data submitted is true and accurate to the best of my knowledge. I will not hold PTC Canada or its associates liable in any way or at any time, and I accept responsibility for all information supplied.

Signature _____

Date _____

✓ Please don't forget our survey on page 42!

Chapter 5

Sample Worksheets for You to Follow

Use the model on pages 20 to 29 to help you fill out the tax worksheets in chapter 4. If you need further information, please refer to the books and guides listed in chapter 7.

Please
don't
copy
any
of
this
information!

It
is
only
for
your
reference!

Section I

General Business Information

1. For which taxation year are you filing this return?
2008
2. What is the name of your business?
Wierton Willie's Weather Service
3. What is the full address of your business?
Suite 200-1234 Groundhog Way, Gopher, Ontario P7A 1W2
4. Is this the first year you have been in business?
Yes
5. If yes, what date did you start your business?
February 02, 2008
6. Was this your last year of business?
Yes
7. If yes, what date did you close your business?
August 01, 2008
8. What is your main product or service?
Spring Weather Forecasting
9. What is your GST or business number (must be 9 digits with no letters), if you have one?
123456789
10. Are you the only owner/active person?
No

11. If no, please complete the following information:

Partner #	First Name	Last Name	SIN	Address	% Ownership/Activity
1.	<i>Wilma</i>	<i>Willie</i>	<i>987-654-321</i>	<i>200-1234 Groundhog Way Gopher, Ontario. P7A 1W2</i>	<i>50%</i>
2.					
3.					
4.					
5.					
6.					

If you require more room, please use another sheet and attach.

12. Is there any information regarding your business that you feel we should know, whether relevant to the above or not?

Partner 1 is taxpayer's spouse

Section II

Income and GST Collected or Paid by Your Business

1. What is the total income you collected, **including GST, PST, and HST**? Are you a yearly, quarterly, or monthly GST/HST filer?
\$35,000-Yearly
2. Did you have other business income, in addition to the income in question #1? If yes, how much? Please explain.
Yes, \$5,000. Guest appearances on the weather network.
3. How much GST, PST, and HST (please list separately) did you collect in question #1?
GST-\$2,290, PST-\$0, HST-\$0
4. How much GST and HST did you pay on **eligible expenses**? If you are not sure, please indicate.
GST-\$1,150
5. Is there any information regarding your GST, PST, HST, or income that you feel we should know, whether relevant to the above or not?
GST reporting period from January 01 to December 31, 2002

Section III
Cost of Goods Sold
(for businesses that buy and sell inventory,
not for consultant-oriented businesses)

1. What was the value of your inventory at the beginning of the year?
\$0
2. How much did you purchase during the year to build your inventory?
\$1,000
3. How much did you pay to sub-contract work to build your inventory?
\$2,000
4. How much did you pay in direct wage costs to build your inventory during the year?
\$3,000
5. Were there any other costs incurred to build your inventory, including obsolete and discarded/scrap inventory?
\$1,000
6. How much was your inventory worth at the end of the year?
\$8,000
7. Is there any information regarding your cost of goods sold or inventory that you feel we should know, whether relevant to the above or not?
Obsolete inventory in question #5.

Section IV

General Business Expenses

Please tell us how much you spent on the expenses listed below. All amounts are business only and **do not include personal, in-home office/business, or motor vehicle expenses.**

1. Advertising	<i>\$500</i>
2. Bad debts	<i>\$100</i>
3. Business tax, fees, licenses, dues, memberships, and subscriptions	<i>\$0</i>
4. Delivery, freight, and express (including postage)	<i>\$300</i>
5. Fuel costs (except for motor vehicles and in-home office)	<i>\$0</i>
6. Insurance (except for motor vehicles and in-home office)	<i>\$0</i>
7. Interest and bank charges	<i>\$500</i>
8. Maintenance and repairs (except motor vehicle and in-home)	<i>\$0</i>
9. Management and administration fees	<i>\$1,000</i>
10. Meals and entertainment	<i>\$1,000</i>
11. Office expenses	<i>\$2,000</i>
12. Supplies	<i>\$500</i>
13. Legal, accounting, and other professional/consulting fees	<i>\$240</i>
14. Property taxes (except in-home office)	<i>\$1,000</i>
15. Rent and rentals (except in-home office)	<i>\$4,000</i>
16. Salaries, wages, and benefits	<i>\$2,000</i>
17. Travel expenses	<i>\$1,000</i>
18. Telephone, utilities, cell phone, pager, internet, and communication expenses	<i>\$2,000</i>
19. Conventions	<i>\$1,000</i>
20. Private health care premiums	<i>\$500</i>
21. Reserves	<i>\$0</i>
22. Terminal losses on sold assets	<i>\$0</i>
23. Any other business expenses or information not covered, except in-home office and motor vehicles (please specify cost type and amount) A. <i>\$ 500</i> B. <i>\$1,000</i> C. <i>\$ 500</i> D. <i>\$ 100</i>	<i>\$0</i>

Section V
Assets, Equipment, Furnishings, and Other Physical
Items Used in the Business

- A) Did you purchase any assets, equipment, or furnishings during the year? If yes, please list the name (e.g. computer, furniture) and purchase price.

Item	Purchase Price
1. <i>Computer</i>	\$2,000
2. <i>Office furniture</i>	\$1,000
3. <i>Tools</i>	\$1,000
4. <i>Weather instruments</i>	\$1,000
5. <i>Forecasting equipment</i>	\$2,000

- B) Did you sell or dispose of/scrap/donate any assets, equipment, or furnishings during the year? If yes, please list the name (e.g. computer, furniture) and purchase price.

Item	Sold price (\$0 if scrapped)	Original or last year's tax value
1. <i>Computer</i>	\$0 (<i>scrapped</i>)	\$2,000
2. <i>Office furniture</i>	\$500	\$1,000
3. <i>Tools</i>	\$500	\$1,000
4. <i>Weather instruments</i>	\$1,000	\$1,000
5. <i>Forecasting equipment</i>	\$2,000	\$3,000

- C) What are the current assets, furnishings, and equipment you use in the business (you may consult your previous year's tax return if necessary)?

Item	Fair Market Value
1. <i>Weather Balloon</i>	\$5,000
2.	
3.	
4.	
5.	

- D) Is there any information regarding your assets, equipment, and furnishings that you feel we should know, whether relevant to the above or not?
Weather balloon not sold when business closed.

Section VI Motor Vehicle Expenses

To be filled out for each vehicle used in the business

A) Vehicle mileage and value (we recommend using a logbook to keep track of your mileage)

1. Total kilometres driven (including personal) during the year	50,000
2. Total business only, kilometres driven during the year	25,000
3. Fair market value of vehicle at beginning of year from last year's tax return (or you may consult the blue book, a local car dealer, or newspaper ads for evaluation). Make, model, and year of vehicle.	2008 Honda Prelude, \$10,000

B) Total expenses, including personal amount

1. Fuel and oil	\$1,250
2. Maintenance and repairs	\$127.90
3. Insurance	\$650.00
4. License and registration	\$55.50
5. Interest on car loan (check original loan agreement and fill in interest section D below)	\$1,234.98
6. Lease payments (check original lease and fill in lease section C below)	\$5,230.35
7. Washes	\$253.00
8. AMA (motor league)	\$81.50
9. Parking	\$325.00
10. Other (please specify)	\$256.90

C) If you lease the vehicle, please fill in the following:

1. Manufacturer's suggested retail price or purchase price	\$25,000
2. Total paid towards the lease since the beginning	\$5,500
3. Date acquired	May 01, 1998
4. Date terminated	October 31, 2008
5. Total number of days this vehicle was leased this year	150
6. Did you receive any interest on a refundable deposit? If yes, how much and when?	Yes, program from dealer June 01, 2008, \$225
7. Were you reimbursed in any way for your lease? If yes, how much and when?	Yes, weather channel sponsor, July 01, 2008, \$100
8. Any other leasing information?	No

D) If you had a car loan on which you paid interest, please fill in the following:

1. Date interest payments started this year	January 01, 2008
2. Date interest payments stopped this year	December 31, 2008
3. Total interest paid in year	\$1,234.98
4. Date vehicle was purchased	February 11, 2007
5. Any other information you feel we should know	N/A

E) If you purchased any vehicles during the year, please fill in the following:

Vehicle	Purchase Date	Amount
1. 2004 Explorer	May 01, 2008	\$44,000
2.		
3.		

F) If you sold any vehicles during the year, please fill in the following:

Vehicle	Sold Date	Amount Received
1. 2004 Explorer	October 01, 2008	\$32,000
2.		
3.		

G) Is there any information regarding your vehicles that you feel we should know, whether relevant to the above or not? N/A

Section VII
 In-Home Business Expenses
 (if you use a space in your home for business/office)


A) Space and/or rooms used

1. What is the area or number of rooms used for business in your home?

1

2. What is the total area or rooms in the home?

4

 **Note:** If you changed in-home office spaces during the year due to moves, etc., please fill in this section VII for each in-home office and average out.

Did not change

B) Expenses: Please list the total for the year, **including personal portion.**

1. Heat	<i>\$2,000</i>
2. Electricity	<i>\$1,000</i>
3. Insurance	<i>\$500</i>
4. Maintenance	<i>\$750</i>
5. Mortgage interest	<i>\$11,500</i>
6. Property taxes	<i>\$1,234</i>
7. Condo fees	<i>\$1,324</i>
8. Rent	<i>\$0</i>
9. Other expenses (please specify)	<i>Alarm Fees \$250</i>

C) Is there any information regarding your in-home business/office expenses that you feel we should know, whether relevant to the above or not?

N/A

Section VIII Disclosure

I, Wierton Willie, Social Insurance Number 987-456-321,
(your full name) (your SIN)
have read, understood, and completed all relevant procedures required for tax
preparation. I have conducted all necessary research and sought all required
assistance, and all data submitted is true and accurate to the best of my knowledge.
I will not hold PTC Canada or its associates liable in any way or at any time, and I
accept responsibility for all information supplied.

Signature Wierton Willie

Date February 14th, 2008

Chapter 6

Tax Tips, Strategies, and Recommendations for Small Businesses

How you can plan better to legally reduce your tax bill

These tips and strategies are based on years of tax-preparation experience and the current business environment. I recommend you always check things out and look before you leap. You would be amazed how much a little research can pay off. Whether you choose all or only a few, I trust you will find this information as useful as many others have.

1. **Income splitting**

If your spouse, family, friends, or associates are active in the business, you may be eligible to treat the business as a partnership, rather than a sole proprietorship. At a certain level, income divided rather than paid as wages is tax beneficial, provided all have been active in the business in some way. People can be active in different ways; they do not have to be on the front line of the business. One way to test is to ask this question: “If this person were not here, would I have to pay someone to do this?”

2. **Leasing versus purchasing**

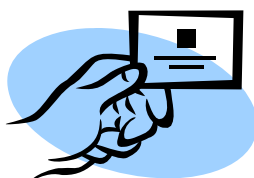
In most cases, you can deduct the business portion of the lease, whereas you can only claim a portion of purchases. Some items you may want to lease include vehicles, equipment, office furniture, computers and electronics, and other assets. For example, compare purchasing \$10,000 of office equipment to leasing it over a 2-year period. Assuming a 10% lease rate, your payments would be \$12,100 and deductible, compared to only a \$3,200 deduction on a purchase (better known as depreciation). As a bonus with leases, you usually have the option to purchase at the end for personal use at a reasonable price. In recent years, leases have become more versatile, with low/no down, easy qualifications, and low risk. If you want to speak to a lease specialist, I recommend Mr. Ken Sands in Calgary, Alberta, at 403-253-0600.

3. Finder's fees

Has someone brought you business? Consider paying them a finder's fee. This is actually a method of advertising. You can even compensate someone who is actively trying to promote your business within reason, even if the sales have not shown up yet.

4. Advertising

This comes in many forms, including newspapers, flyers, brochures, business cards, fridge magnets, signs, coupons, literature books, calendars, bookmarks, and more. These are all deductible. You can make them up yourself or have a professional do it for you.



5. Using borrowed money

Provided your finances are in good shape and you can well afford to meet your obligations, all interest and finance charges incurred in your business are deductible. This is especially handy for expansions and using leverage. You should discuss this with your financial consultant. I recommend Mr. Darren Dietz at 800-661-2817, Deitz Financial, deitzd@deitzfinancial.com

6. Register for GST

If your business qualifies, I recommend registering for the GST. Some businesses are not obligated to collect GST, such as farmers, but most are entitled to get back the GST they pay during the course of their business. You can register by contacting the CRA Business line at 1-800-959-5525.

7. Bad Debts

Any sale you have recorded that has not been paid within a fair amount of time or as agreed can be deducted, provided a reasonable attempt had been made to collect the debt. If you need a collection agency, I recommend Mrs. Sue Seamans at Bison Credit Solutions, 1-877-686-8522, sue.seamans@bsgcorp.com.

8. Insurance

Protect your business at all costs, as it is deductible. Also, you can deduct the cost of private health care plans, which include a variety of benefits that companies typically offer. A good broker will not only design a plan that will work well for you, but will also show you how to get the best tax benefit. If you need to speak to an insurance specialist, I recommend Mr. Darren Dietz at 800-661-2817, Deitz Financial, deitzd@deitzfinancial.com.

9. Hire experts for difficulties and help with repetitive tasks

It is important that your business be well run and that you get the right people to help you out. Hiring an expert is not only an effective tax strategy (because the costs are deductible), but it is also an excellent time management method. Look for a list of consultants in the Yellow Pages, and delegate appropriate tasks to free up your time for other things.

One type of consultant to consider is an efficiency expert (or someone good) in your field. The first meeting is usually free, and if you have all the relevant information, the expert can generally tell you what they can do for you and what it will cost. In most cases, it will be well worth it! You can do the same for sales, marketing, customer service, coaching, and anything involving your business. The rule of thumb here is, if you don't need or want to do a task, or you don't know how to do it, start looking. Everyone has only 24 hours in a day, no matter how you use them. Also, it has become common for business owners to hire business coaches. Action International is an organization of small business people dedicated to helping other small businesses. I recommend Mr. Marty Park at 1-877-746-2789, marty@martyark.com, www.martyark.com.

10. Meals and entertainment

CRA states that this is deductible, provided that it is for the purpose of business. It is a great way to meet clients and business associates and to generate possible sales. Remember, *Use, don't abuse!*

11. Telecommunications and the internet

Most businesses have use for phones, faxes, cell phones, pagers, and the internet; therefore, I recommend this. Your local phone company or reputable retailer can help you. If you cannot afford a computer but wish to have e-mail access, go to your local library. Most public libraries offer this free of charge with a valid library card. Many institutions and individual consultants offer computer training at various levels, and the cost is deductible. Check out the latest advertisements for what's available. The cost of developing and maintaining a website for your business is deductible. If you need help with a website, I recommend Ms. Sandi Rohl of ICGrafix at 403-681-0119, info@icgrafix.ca

12. Conventions and conferences

In most cases, you are entitled to two per year. This includes travel, accommodation, seminars, meals, and entertainment within reason, so long as the conference is related to your business.

13. Reserves

You may be entitled to deduct a portion of retained earnings, depending on the situation. I recommend looking up the various CRA interpretation bulletins before considering this.

14. Losses on the sale of assets

If you sell or dispose of a depreciable asset for considerably less than you paid for it and it is worth less than its depreciated value, the loss is deductible. For example, say you bought a computer two years ago for \$2,000 and its depreciated value is \$1,400. On the market, you are only able to get \$500. Your terminal loss of \$900 is deductible.



15. Employment Insurance (E.I.) and relatives

As a sole proprietor or partner, you should not have to contribute to E.I. This is also true if you have relatives working for you. Not only can this reduce your payroll expenses, but also employees who are related to you may be able to claim all past contributions and get a big refund. Relatives include spouse, sons and daughters (including step and grand), parents, brothers, sisters, in-laws, and common laws. To find out more, contact Mr. Jake Blums of Grants International Inc. at 1-888-999-2221.

16. Make good use of the calendar year regarding expenses

All unincorporated businesses are on a calendar year and accrued-expenses method. Therefore, most purchases are deemed expensed on the day of the transaction, not delivery or anything else. Depending on your financial situation, you may want to consider making a lot of purchases at the end of the calendar year to keep your net income low and lower your taxes. Again, weigh all the variables before proceeding this way. If you want to see whether your expense may need to be prorated regardless of when the item was purchased, you can look up [CRA Interpretation Bulletin \(I-T\) 417-Prepaid Expenses and Deferred Charges](#).

**17. Training, seminars, workshops, upgrading, and professional development**

If you cannot claim these under the standard tuition deduction on the personal side, most of them can be claimed here. Training etc. can come in various forms, including classroom, lecture, in-home, self-study, internet, and correspondence, provided it is business related.

18. Maximize deductions for your in-home expenses

See page 28 of the sample worksheets for an example of what could be available to you. Generally, any portion of your personal residence that you use for business is considered deductible. Most people overlook regular maintenance and upkeep of their residence. This includes the cost of cleaning, lawn care, clearing snow, etc. A good rule of thumb is to keep receipts of everything you spend on your home and decide later if you can use them.

19. Maximize deductions for your motor vehicle expenses

See pages 26 and 27 of the sample worksheets. Generally, any use you make of your personal vehicle for business is considered deductible. I recommend joining the motor league. Not only is this deductible, but it is also a great investment. The cost is small, and it will pay for itself the first time you use it. Get the good package, as it doesn't cost much more and provides lots of benefits for members.

20. Using losses in your business

Most businesses can use reported net losses for two things: first, to offset other net income, such as employment; and second, to carry forward into other years' income. Keep in mind that this should not be a recurring thing, and your business should have a reasonable expectation of profit. CRA uses the three-year time frame as a rule of thumb, but that can depend on your capital, skill, and time requirements.

21. Personal time, assets, and resources versus business ventures and deductions

If there was ever a reason to go into business, this is it. CRA allows you to deduct a portion of your vehicle, home, and expenditures, provided they are for your business. In other words, the things you have to spend money on personally can be deducted for business dealings. You must support this with receipts and documentation. A logbook or day-timer is recommended to support your claims.

22. Keep track of cash expenses that don't have receipts

Sometimes, you may have difficulty getting receipts. Parking, car washes, gratuities, and meals at a hot dog stand are examples of the many situations that may leave you without hard proof. CRA understands this, as long as your claim is reasonable. I recommend using an electronic day-timer or PDA and marking as much as you can in this.

**23. Save every receipt, transaction, and record possible**

You can never have too much relevant information! Develop a simple, yet effective filing system (and it shouldn't cost much) where you have a receipt and record for everything. If, at the end of the year, you have a pile of receipts that do not seem relevant, keep them anyway. Create a separate folder that indicates you are not using them for your return but choose to store them. You never know when they might come in handy. Sometimes, a taxpayer isn't aware that something is deductible and a few years later finds out that indeed it is. CRA is always changing the rules, and these changes can be retroactive. You can request tax adjustments up to 15 years. I can easily help if you have receipts! Become a pack rat with every possible receipt, record, invoice, expense, income, day-timer, logbook, transaction, and statement. Even if you have to pay someone to sort and file, the investment could be well worth it in the short and long run. In short, don't throw anything out, ever! Don't worry

about what your friends think—you'll be ahead of the game while they are behind the eight ball. If you need a bookkeeper who is good in this field, I recommend Ms Carla Miller at 403-255-7367, miller.carla@telus.net.

24. To incorporate or not to incorporate?

Many business owners ponder this question for various reasons. We have an excellent article, called [The Journey to Incorporation](#), by Doug McLeod, CA at KPMG in Lethbridge, on our website. Generally speaking, incorporation becomes advantageous when the combined taxes paid by the corporation and the individual are the same as the individual would pay if operating as a sole proprietor. Also, there are certain legal and liability protections. The disadvantage is that the costs of maintaining the corporation can be substantial, and the advantages will not help you unless you are at a certain income level. If you wish to discuss this, contact us or Mr. Chris Moser of [Tingle Merrett LLP](#) at 403-571-8012, cmoser@tinglemerrett.com.

25. Do you wish to learn business taxes in detail?

There is lots of reading material on this subject, but you don't want to spend too much time or money trying to hunt down the relevant facts. Check out chapter 7 of this booklet for our recommendations.

26. Find a business for you

Have you ever wanted to start a business but have no idea what to do? Check out the world of commodities. Rich with opportunity, with little start-up and minimal risk, thousands have made a wonderful living no matter who they are or where they live. Start with as little as \$2,000 capital with a \$50/month registration fee and work your way up on your own time. Learn under one of the foremost commodity training companies, in your own home while you continue with your job, school, business, or family. For further information, contact [The Greatest Business on Earth](#) at 1-888-423-6362. If you need a broker, I recommend Mr. James Cettiga, a Canadian broker, at 1-877-413-3344, jcettiga@union-securities.com.

Take the time to do your homework. Research before you retain. While PTC Canada is absolutely committed to your taxes, you know your business best. Make sure you have discussed everything with us and your trusted experts before attempting the suggested strategies. I strongly encourage you to explore the ideas that many others have used to their advantage. While some of the ideas may not be for everyone, I believe most business owners will benefit with minimum risk. I wouldn't have it any other way!

Chapter 7

Other Booklets, Worksheets, References and Guides, Services, and Contact Information

May we offer you help with other tax booklets and/or services?

Other Tax Booklets

We offer other tax booklets, worksheets, and information that may be helpful to you. These include:

1. [Canadian Tax Secrets Guide](#)
2. [Employment and Commission Expense Tax Booklet](#)
3. [Investment Tax Booklet](#)
4. [Rental Property Tax Booklet](#)
5. [Farming Income](#)
6. [Personal Tax Checklist](#) (Everyone can use this.)
7. [Corporate Tax Checklist](#) and many other [forms and worksheets](#)
8. Plus our [10 Ways series](#) (for example [10 Ways to Cut Your Tax Bill](#))

You can download these and much more from our website (www.ptccanada.com under Resources) or we can arrange to have them sent to you.

Tax Guides from CRA

Every year, CRA publishes a variety of [Tax Guides](#). For small businesses, I recommend the [Business and Professional Income guide \(form T4002\)](#) for the appropriate year. I suggest you get these at the end of each tax year when they go online, or you can have them mailed to you by calling the Forms Centre at 1-800-959-2221.

Reference Books and Guides

I always recommend getting free stuff first and hope this booklet and other PTC Canada publications have been helpful. CRA also publishes a variety of [Tax Guides and Pamphlets](#) every year, which you can get by mail by calling the Forms Centre at 1-800-959-2221. You can also access their list of [forms and publications](#).

Here are a few more things worth looking into:

1. PTC Canada has a free *Canadian Tax Secrets Guide* that you can download from our website at www.ptccanada.com, or contact us and we will send it to you.
2. I also recommend Tim Cestnick's *Winning the Tax Game 20__* (for whatever year you are doing), available at your local bookstore or www.chapters.ca for about \$25. The cost is deductible, and I believe you will find more than enough information to recover your investment of time and money. Go to [Tim's website](#), or contact Tim at tim@timcestnick.com if you wish to discuss his work or other strategies.
3. Another book for about the same price is *The 30-Minute Tax Solution* by tax expert Evelyn Jacks of the [Knowledge Bureau](#). You can get it at your local bookstore or by calling Evelyn at 1-866-953-4769.

Other Services by PTC Canada

At PTC Canada, we are a network of Canadian tax and financial professionals who are specialists in our fields. We are committed to providing you with tax and financial expertise and assistance if you are affected by CRA (formerly Revenue Canada). Our goal is to provide insight and help to the taxpayer so that our clients can make informed decisions. Our philosophy is commitment to integrity and win/win solutions. Our services now consist of:

1. All types of tax preparation, planning, and consulting
2. Corporate tax returns
3. General accounting
4. Book and record keeping
5. Financial planning and investment services
6. U.S. and Quebec tax returns
7. Bankruptcy and debt consultation
8. Legal tax matters
9. Client representation to CRA
10. Overseas taxes and relocation assistance
11. Later-filer preparation
12. Previous years' corrections and adjustments up to 15 years

Our Free Services

1. Tax booklets, guides, worksheets, and preparation assistance
2. Seminars and information meetings
3. Investment opportunities
4. Mail and e-mail updates
5. 24/7 support via phone, fax, e-mail, courier, and mail
6. Internet filing and interactive website
7. Mobile tax services in certain areas



Tip: If you are not a client but want regular updates, you can join our complimentary update service. Contact us and we'll start you today. There is no cost or obligation, and we love giving away free stuff!

Contact Information

In the **Tax Tips and Strategies** (chapter 6), I have given you some contact information, depending on what may interest you. In this section, I will give you mine and CRA's. If you were looking for something else, please contact me.

My contact information:

Neel Roberts, President and Founder
PTC Canada
Box 1347
Vulcan, Alberta, Canada
T0L 2B0
Tel: 866-485-2683
Fax: 866-485-2761
E-mail: Neel_Roberts@ptccanada.com
Website: www.ptccanada.com



CRA Contacts

Service	Toll Free Number
General Services	1-800-959-8281
Refund Enquiries	1-800-959-1956
Business Number Enquiries	1-800-959-5525
Child Tax Benefits	1-800-387-1193
GST Credit-Personal	1-800-959-1953
Forms	1-800-959-2221
Collections	1-800-332-1312
All other Government of Canada Services	1-800-622-6232
Alberta Family Employment Tax Credit	1-800-959-2809
Fax Number-Depending on your location	Call General Services
Web Site	www.cra-arc.gc.ca
Overseas Tax Services-Ottawa	1-800-267-5177
Overseas Tax Services-Outside Canada	Collect 613-952-3741
Local Tax Center	Call General Services

✓ **Note: Toll free numbers work across Canada.**

Survey and Feedback

As a favour to us, we would greatly appreciate it if you would take a few minutes to give us your thoughts. Your contribution will help others and make us better at what we do. **Thank you for your time!**

Please rate the following items from 1 to 5, where **1 is strongly disagree** and **5 is strongly agree**.

1. I found this guide to be generally helpful. _____
2. This guide was too long _____, too short _____, just right. _____
3. I learned something new and practical. _____
4. I will implement a few ideas discussed. _____
5. I would recommend this to people I care about. _____
6. The guide was well organized and easy to follow. _____
7. The materials made sense to me. _____
8. I was able to understand the general messages introduced. _____
9. I feel enlightened on the subject of taxes. _____
10. I would like to see more publications like this. _____
11. I will refer to this guide again in the future. _____
12. I will bring this guide with me when I'm doing research. _____

I found the following subjects useful:

I would like to see more on the following:

General comments and feedback:

Thank you for your valued response! Kindly send this to me by whatever method you wish. My contact information is on page 40. I look forward to meeting you soon!

Neel

Appendix

Tax Organization Checklist


Part 1 of 4 – Personal Information

1. Are you a first-time client to PTC Canada?
2. If you are a first-time client, how did you find out about PTC Canada? (referred, where, when, how?)
3. Tax years to be filed (we recommend doing a separate checklist for each year to be filed)
4. Full legal name (as on social insurance card) and the name you used in the tax year filed (i.e. Cameron John Smith, Cam; or Susan Ashley Brown, Sue)
5. Current residential mailing address. If moving soon, use new address.
6. Home telephone number. Also, work, pager, cell, and other contact numbers. Please include e-mail addresses, fax numbers, and web addresses, if applicable.
7. Marital status. If married or common law and not filing together, please include your spouse's first name, social insurance number, and net income (line 236 of their return).
8. Your social insurance number
9. Your date of birth in the following format: day/month/year
10. Were you or your spouse self-employed at any time this tax year? If yes, in which province?
11. Were you involved in bankruptcy? If yes, please state entrance and/or discharge date.
12. Is the taxpayer deceased? If yes, please state date of death. Please also provide details of legal hearings, proceedings, etc.
13. Did you leave or re-enter Canada this year? If so, please provide departure and/or entrance date(s).
14. Do you wish to have your name added to the voters' list through your tax return?
15. Are you applying for the GST credit?
16. Do you have any children/dependants under 19 or 19 and older certified infirm by a doctor? If yes, please state their full legal name(s), social insurance number(s), and net income (line 236 of their return). If they require a tax return completed by us, please have them use a separate PTC Canada checklist.
17. Do you own foreign property worth over \$100,000 Canadian?
18. Please tell us any other personal information we may need.

Part 2 of 4 – Income

What are the sources of your income? Please note, this includes income from all over the world, not just Canada.


1. Employment
2. Sales or commissions
3. Odd jobs, casual labour, tips
4. Old Age Security Pension
5. Canada or Quebec Pension Plan
6. Other pensions or superannuation
7. Disability benefits
8. Employment insurance benefits
9. Taxable dividends from Canadian corporations
10. Interest or investment income
11. Income/losses from a limited/non-active partnership
12. Taxable capital gains
13. Support payments received
14. RRSP income
15. Workers' compensation income
16. Social assistance
17. Net Federal Supplements
18. Did you start, participate in, or end a business(es), rental property(ies), farm(s), fishing operation(s), or profession(s) of which you were either a sole proprietor, partner, or co-owner? If yes, please click on the appropriate items and state the applicable partners' names, social insurance numbers, mailing addresses, and percentage of activity level (from 1% to 99%).
19. Foreign income
20. Any other income we need to know about.

 **Please note:** If you had income but were not issued a T-slip for it, you must discuss this with the issuer. **As a taxpayer, you, not your income provider, PTC Canada, or CRA, are ultimately responsible for researching, tabulating, and reporting all your income.**

Part 3 of 4 – Deductions from Income

Which of the following deductions apply to you?

1. Registered Pension Plan contributions not on T4 slips
2. RRSPs
3. Saskatchewan Pension Plan
4. Annual union or professional dues
5. Child Care expenses
6. Attendant Care expenses
7. Business investment losses
8. Moving expenses or any carried over from last year
9. Spousal or child support payments made
10. Carrying charges and interest expenses
11. Exploration and development expenses
12. Authorized employment expenses
13. Cleric's residential deduction
14. Employee home-relocation deduction
15. Stock options and shares deductions
16. Limited losses of other years' deductions
17. Non-capital losses of other years
18. Net capital losses of other years
19. Capital gains deductions
20. Northern residence deduction
21. Amount paid for caregiver
22. Disability claim
23. Interest paid on student loan this year and interest paid in previous years not claimed
24. Tuition amounts claimed by student/taxpayer and any amount carried over from previous years
25. Tuition amount transferred by parent
26. Amounts transferred from your spouse
27. Medical expenses not covered by a drug plan
28. Donations not claimed up to 5 years
29. Tax paid by instalments in advance
30. Federal or provincial tax credits
31. Losses or any other deductions carried over from last year
32. Any other deduction you feel we should know about

 **Please note:** All deductions claimed by the taxpayer are subject to CRA approval. *You, the taxpayer, must pursue all rejected or disputed deductions at your own expense. PTC Canada assumes no responsibility or liability for rejected or disputed deductions.*

Part 4 of 4 – Miscellaneous

A. For the completion of your return, please review the following:

1. Would you like direct deposit of your refund, GST payment, or child tax benefits?
2. Are you planning to enclose any payment to CRA with this return?

B. One of the services PTC Canada offers is assistance with negotiations with CCRC and any challenges you may face with your taxes. All answers to the following questions will be kept strictly confidential! If you would prefer to speak to us directly, please indicate.


1. Do you currently have a debt outstanding with CRA that you would like to discuss?
2. Do you currently have any outstanding issues with CRA?
3. Have you ever been audited? If yes, how many times and when? Please provide details.

C. PTC Canada's growth has been largely due to clients referring their friends, family, and associates. PTC Canada pays referral bonuses and awards discount fees upon completion of a new client's return. We invite you to take advantage of this.

1. Do you know someone who might require our assistance or services? If yes, please provide name, phone number, relationship, and details. May we use your name when contacting this person?

D. Please enclose the following information with these documents and all your receipts:

- a) Last year's tax return
- b) Last year's notice of assessment
- c) Signed consent form (T1013). If you do not have this, we can provide it.
- d) Spouse's or common law spouse's tax information
- e) Dependants' tax information
- f) Anything else you feel we should know about

 **Please note:** Tips on this form or webpage are for information only and are not legal advice. Those seeking legal advice must obtain counsel from professionals practicing in that field. **PTC Canada will not be held responsible for any liability incurred by anyone using this information form or webpage.**