

CJR

BOOKKEEPING & TAX SERVICES INC

EST. 1998

PO Box 2402
3499 Voght St.
Merritt, BC V1K 1B8
Phone: 250-378-9446
Fax: 250-378-5257
Email: cjrbook@telus.net

*****The information contained in this document is for guideline purposes. If you require additional information please contact us*****

Sole Owner or Proprietorship Business

- Go to BC Access and Search a Business Name, or you can run as your personal name for a proprietorship. If you decide to select a business name, then pick 3 Business Names in order of what you prefer. Once completed BC Access will confirm your business name has been reserved for you. This fee is \$30.00 Plus Tax; you will search as a proprietorship.
- Once your business name is reserved for you then you have approximately 50 days to register your business. This fee is approximately \$30.00 Plus Tax.
- Once your business name has been reserved for you then it needs to be registered with Canada Customs to become an official business. You can register on line or by calling them at 1-800-959-5525.
- Once you become registered you should start a separate bank account for your business transactions. It is our recommendation that you separate your GST Revenue into a savings account; this will keep it from being added to your business cash flow and being spent. So if your invoice is \$100 plus 5% GST the total invoice would be \$105.00; once you collect this revenue put \$100 into your business operating account and \$5.00 into your GST Savings Account.

- Check with the City about obtaining a business license for operating either a home based or commercial space-based business. This fee is approximately \$150.00 per year.
- You don't need to register for GST until your sales are \$30,000. If your sales are under \$30,000 you will not collect GST. If your sales are over \$30,000 call CCRA 1-800-959-5525 to register for a GST Number. You are responsible for all GST on sales over \$30,000 whether you have collected it or not.
- Prepare a list of all items you have in stock (inventory); on your list write down the amount it cost you for the supplies.
- To prepare for your income tax you will need to keep receipts of all sales by using an invoice book; and all items purchased pertaining to supplies.

Sole Owner or Proprietorship Business

- All profits of the business are taxable and there will be income tax owed on any company profit. In addition, it is mandatory to pay Canada Pension on the company profit at the end of the year and this is combined with any income tax you may owe.
- It is our recommendation that you save 25% of every dollar of income you receive. For example, if you have a sale of \$100 you should save \$25.00 for income tax and Canada Pension Implications.
- If your taxable situation is less than 25% you will have extra savings; however, if your tax situation is more than 25% you will have a balance owing. It is better to have too much saved than not enough.
- Check with your house insurance provider to ensure you have adequate coverage if you are operating a home-based business. If you are operating a commercial space be sure to have insurance place as recommended by your insurance provider.
- Prepare a list of all assets you already own which will now become part of the business: Eg: Tools you already own, which will be used primarily in the business, and your Computer. These values are based on fair market value as of the starting date of your business.
- Research all available information on the internet about starting a business; there are a lot of great websites with free information.
- BC Access Centre, BC Online and Canada Revenue Agency have excellent resources which can provide you with additional information.

Home Expenses for a Proprietorship

Depending on the amount of space you use for business and/or client meetings, you can claim a prorated portion of your utility payments, property taxes, mortgage interest and maintenance costs. It is important to remember, only mortgage interest is deductible – not your mortgage principal.

For the Home Expenses record each of your monthly expenses and then total for the entire year. This is then applied on your personal tax as a home-based operating expense. If you are an incorporated company your accountant will determine an amount to be used as Office/Shop Rent based on the information we provide them with.

If your business is a proprietorship you cannot use home expenses to increase a loss, but you can use it to decrease a profit. If the expenses are not needed in the current year they should be recorded because they can be carried forward for future use on a year of profitability.

Home expenses are calculated by the square footage you use pertaining to the business operations vs the entire house size. For example, if your business office/space is 100 sq ft and the house is 1000 sq ft 10% of your home expense would then be used against your personal tax.

General Business Information

Office supplies like paper and staples are fully deductible. Bigger items such as Computers and office furniture must usually be depreciated over a few years according to the Capital Cost Allowance (CCA) rules.

General Expense Categories

Accounting: Fees Paid for Bookkeeping, Income Tax Preparation

Bank Charges: Bank Service Charges Paid on your Business Bank Account

Cell Phone: As per Monthly Cell Bill

Dues, Fees & Membership: (Costco, Chamber of Commerce, BCAA, Government Agent Name Search)

Insurance: Insurance Paid for Liability Insurance for the Business, or Equipment (Not House Insurance)

Meals: Eating Out Expenses (for Business Meetings)

Office Supplies: Supplies used directly in the Office – Pens, Paper, Ink, Software

Repairs & Maintenance: Any repairs and maintenance to Equipment or Supplies used in the business

Supplies: Supplies used directly for generating revenue for the business

Tools: All Small Tools that are under \$250.00 per tool – Tools over \$250 must be listed separately as an asset

Travel: Any travel related expenses when you are required to be outside of regular place of business (Ferry, Hotel Accommodations, Meals)

Vehicle Gas: Vehicle Fuel (See further note about use of vehicle for business)

Vehicle Insurance: The Monthly Fee for Vehicle Insurance (See further note about use of vehicle for business)

Vehicle R & M: Expenses incurred for maintaining the vehicle used for business: Tires, Wipers, Oil, and General Repairs (See further note about use of vehicle for business)

Motor Vehicle Expenses

Keeping records

Since you can deduct motor vehicle expenses only when they are **reasonable** and you have **receipts** to support them, keep a record for each vehicle you used. The record should include the total kilometres you drove as well as the kilometres you drove to earn employment income. The record for each trip you took to earn employment income should list the **date, destination, purpose,** and number of **kilometres**. Be sure to record the odometer reading of each vehicle at the beginning and again at the end of the year, or as we recommend a daily log as this supports any claims which may be subject to further review by Canada Revenue Agency.

If you change motor vehicles during the year, record the odometer reading of each vehicle at the time you buy, sell, or trade it. Write down the dates as well.

Again, the business use for the vehicle is based on the following. Total Km's driven in the year of business vs total km driven in the year on the vehicle. So for example if you drive 18,000 km on the vehicle if 1800 Km's pertain to business then 10% of your vehicle expenses for the year would be offset against your business income. You are allowed to claim a portion of your auto expenses that relate to the business. This includes gas, maintenance, auto club membership, license fees and insurance.

If you **change motor vehicles** during the fiscal period, record the dates of the changes and the odometer reading when you buy, sell, or trade the vehicle.