

JUST THE FACTS BUSINESS: HELPING YOU TALK ABOUT MONEY

Tax for Small Business

Small business owners and operators should familiarize themselves with rules and requirements from Canada Revenue Agency (CRA). Prudent practices to ensure you are meeting these requirements include:



Keep track

- Organize your records, with detailed bookkeeping throughout the year.
- Collect receipts – from customers and suppliers – and keep them for at least seven years (which is how long CRA can perform audits on records from any given year).
- Know provincial and federal tax requirements (such as goods and services taxes, sales taxes and payroll deductions like Canada Pension Plan, Quebec Pension Plan and Employment Insurance), and set this money aside.



Be reasonable with deductions

- Business expenses can be subtracted from the company's total income, in turn decreasing taxes to be paid. However, CRA demands that these deductions be "reasonable" – related directly to earning business income.
- Common business expenses – and their justification – include:
 - Office/home office – must be dedicated space.
 - Automobile – mileage should be logged, recording distances driven specifically to meet with customers, suppliers and advisors.
 - Entertainment/promotion – documentation is critical, showing how the expense is business related. (Note: In most cases, only 50 per cent of entertainment/promotion expenses will be allowed by CRA.)
 - Travel – documentation must demonstrate why the travel was necessary in relation to earning income.



Pay as often as possible

- Income tax returns are filed annually, but you can set aside or pay your taxes more frequently (such as monthly) to avoid a large tax bill at the end of the year.
- Tax filing deadlines vary, depending on the business structure.
 - **Sole proprietorship** (You) or **Partnership** (You + one or more other owners) – CRA considers December 31 to be the year-end. Each proprietor or partner involved in business, professional, farming and fishing activities must file a personal income tax return by June 15, instead of April 30. However, Personal income taxes payable by proprietors and partners are still due by April 30 and if paid late will incur interest charges.
 - **Corporation** (Separate legal entity from you) – For new corporations, CRA requires the company's year-end to be designated within 53 weeks from the date of its incorporation. Corporate Income tax returns must be filed within six months of the chosen year-end.

For more information and for guidance on decisions, contact a professional tax advisor and/or go to cpacanada.ca/JTFBusinessResources.

BETTER YOUR BUSINESS AT cpacanada.ca/JTFBusiness