

- 1. What if I don't get a receipt?** – Ask for another one? If none is provided ensure you make a note of it for your files. I carry a receipt book so I can write it down immediately if no receipt is provided so I don't forget and also then I may be able to get the person to sign the receipt. GST cannot be included unless it shows on the receipt but at least you can claim the expense.
- 2. What if there is no description on the receipt?** Write a description on the receipt yourself so that you know what you paid for and it's easier when you or your bookkeeper is entering your records.
- 3. What if there is no receipt?** If you have no receipt due to buying off the Internet or buying at a garage sale write a receipt for the purchase in a receipt book detailing the cost, whether or not GST was paid by you, the date and who you purchased it from. If you don't have a name of the person write down where you bought it, e.g. "garage sale". You need receipts to claim the expenses on your tax so carry a receipt book with you.
- 4. What expenses can I claim for my business?** The expenses you can claim for your business are any expenses you have incurred during the course of business.
If you use personal assets ensure you claim only the portion that you will use for business purposes. For example, you use the quad for the business 4 weeks during the year – therefore, you can only claim the amount of gas, oil, repairs, and insurance during that time period and the depreciation would only be 4weeks/52weeks business use.
- 5. What is a shareholder's loan?** The shareholder's loan is an account within your bookkeeping system that keeps track of what monies the shareholder (normally you) contributes to the business (corporation) and what withdrawals the shareholder makes from the business. In the beginning of a business the shareholder loan may reflect the amount that the business owes the shareholder from getting the business started. For instance, you may have had personal assets like tools, equipment, computers, vehicles, etc. that you sold to the business on startup and/or you may have had to put your own personal money in the business to start it and open a bank account. This money can be paid back to you from the business at any time and is not taxable to you personally. You may set up a regular loan with the business where it pays you monthly loan payments and you also get interest from that loan. If you charge the business interest it has to be reasonable interest at today's rates. Interest paid to you is personal income and has to be recorded on your personal tax.
- 6. What if I have a loan on a vehicle but have sold the vehicle now to the business?** The business needs to get a loan to pay you back so that the interest can be claimed by the business. Now that being said, it is very hard for a new business to get a loan from a bank. Therefore, you can do up a loan agreement between you and the business so that the business is required to pay you back on a monthly basis. If you charge the business interest it has to be reasonable interest at today's rates. Interest paid to you is personal income and has to be recorded on your personal tax.

- 7. Loans, credit cards, suppliers, invoices, banking, etc.** All business done with the business has to be in the business name. If you have a credit card it has to be a business credit card. If you have credit at certain suppliers ensure that the receipts are in the business name. Ensure all your customer invoices that you send out are in your business name. You get the picture. If you are in an audit situation receipts that are not in your name can be excluded from your expenses.
- 8. What if I already have been using my personal credit card for the business as I needed it for start up costs? Can I claim the interest on that credit card?** If you have kept the credit card strictly for business since you started up and there was no personal balance on it when you started then you can claim the interest. However, if you use it for business and personal you have to calculate only the interest that pertains to the business items. Any items you have charged to your personal credit card are entered as owner/shareholder contributions in your bookkeeping as the business owes you the money that you have used on your personal credit card. Please don't pay directly to your personal credit card from your business bank account, instead pay yourself back and put that money on your credit card. It makes for clearer separation of business and personal expenses.
- 9. Can I issue myself a paycheck at any time? What if I need funds in between paychecks? (This is for a corporation).** The best thing to do is to ensure that your payroll covers your personal expenses by filling out the Monthly Expense Sheet. If it becomes absolutely necessary, increase your payroll for one check and go back to normal paychecks afterwards. Or increase your payroll indefinitely.

I understand where you are coming from, you own the business so why can't you take money when you need it? Basically, you can but if you don't want to run into a tax problem you need to take it out wisely. If you take out lump sums of money you will get taxed on those lump sums personally.

- 10. Do I need a new GST/Business Number when I change over from a sole proprietor to a corporation?** Yes, you need to reapply for a new Business Number and at this time you also need to register as a corporation, get your new GST number and a payroll number if you are going to be doing payroll.

Your business number is the number that is used for all aspects of your business. It is a nine digit number assigned by the CRA; the numbers following the nine digit number determine whether it is for GST, payroll, exporting, corporate tax, etc.

The most common are:

12345 6789 **RT0001** – GST

12345 6789 **RP0001** – Payroll

12345 6789 **RC0001** – Corporate

12345 6789 **RM0001** – Import/Export

12345 6789 **RZ0001** – Information Returns

11. GST Rules & Regulations: (note this applies to HST as well)

As a GST registrant you are responsible for collecting GST from your customers on taxable goods and services. You need to let customers know if GST is being applied to the purchase or if it is included. You can also claim the GST that you paid for the expenses that you incurred during the course of business.

If your business is registered for the GST, your business is also registered for the HST. As a GST/HST registrant, you have to collect and remit the HST on taxable goods you sell or deliver to customers in the participating provinces. The same goes for a service that you supply to a customer in a province that is participating in the HST. You can also claim the HST for amounts you paid when incurring expenses in the course of business.

If you are required to charge the GST but did not charge it, you are still liable for the tax. You have to include the GST that you should have charged in the reporting period during which you should have collected the tax.

12. When do you register for payroll? Register for payroll when you want to start hiring employees. It sometimes takes about 6 weeks to get the first forms – you can pay the remittance online through your electronic banking if you have not received the form yet. Not having the form is not classed as an excuse for filing your payroll remittance late.

13. Payroll rules and regulations – As an employer you are responsible for calculating the CPP (Canada Pension Plan) contributions, EI (Employment Insurance) premiums, and income tax deductions based on the amounts you pay your employees. You also have to calculate your share of CPP and EI. Then you have to remit these deductions along with your share to the CRA.

You are also responsible for keeping records of your payroll and then completing T4s for your employees and a T4 summary for the year end December 31. If your year end is not December 31 your payroll year is still the calendar year. The T4s and T4 summary have to be completed and sent to the CRA and to each employee by the end of February following the December 31 year end.

14. If I don't pay myself through my business in the beginning because the business is paying me back for the money I invested in it, am I covered by WCB or an employee insurance policy? These questions I would directly ask WCB or your insurance company. Normally for WCB you can get optional coverage for yourself as a sole proprietor and there are different options for you as a shareholder. Also it may be different depending on the province or territory where you operate your business

15. Would you recommend paying the insurance or WCB in one lump sum or doing monthly installments? This really depends on your cash flow. From a financial standpoint paying the one lump sum is always the better option because you pay less, insurance companies usually charge you extra for the convenience of paying monthly. But if you are just starting your

business you may not have the full amount right now so do the monthly installments and then change it to one lump sum when your cash flow is better.

- 16. If I charge mileage for the work that I do, where do I record it?** You can charge mileage for the work that you do and you can record it separately in your books under a separate income category or put it all under the same income category. You would separate it to keep track of it for yourself, for your taxes all income is recorded no matter what category you use.
- 17. Should I have a separate bank account for my business?** Yes, it is essential to keep your business separate from your personal. If you combine both it is way too easy to make mistakes on what is business and what is personal. If you are ever in an audit situation then not having it separate is going to cause you more time and problems as you will have to prove each deposit or withdrawal even if it was your personal money or personal expenses.
- 18. Should I open a savings account for the business?** Yes, do this right in the beginning. Transfer 15% of each deposit into your savings. This 15% pays for your GST payments and income tax at year end. If you have employees you will want to transfer at least 22% into this account so that you also have money for your employee remittance that you are required to do monthly.
- 19. When getting an Internet plan for our home office do we have to get a business account with the Internet service provider?** Yes it is best to get a business account if the Internet is going to be solely used for the business. If you are going to use it for personal as well then it becomes a percentage of use like your home office expenses and then you wouldn't need a business account.
- 20. For purchases for meals and entertainment with a client do we use our personal money or the business account as 50% is not eligible at year end?** You use your business account to pay for meals and entertainment. The 50% is only a year end adjustment for your taxes so therefore in your regular monthly bookkeeping you claim the full amount. If you are doing your own taxes don't forget to adjust the GST 50% on this expense when you do the year end adjustment.
- 21. If we have materials that we sold to the company when we started up are these put in as inventory or are they expenses?** In the beginning the materials are inventory and as they are used up they are taken out of inventory and expensed.
- 22. If we assist an employee with moving expenses, what would this be as an expense?** This is a taxable employee benefit and therefore would go on their payroll as such when you reimburse them for their travel expenses. As payroll is a business expense it is an expense of your business as well.