

How to file small business taxes

Webinar handout

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ACCESS  Community
Capital Fund
Small loans Big ideas



ADAPTING & INNOVATING
Beyond COVID-19

1. Start your business: Decide on your business form

- A comparison between salaried individual, sole proprietorship, and corporation
 - Tax filing requirement
 - Regular and COVID 19 filing deadline
 - Regular and COVID 19 tax payment deadline
 - Costs
- Why then should you incorporate?
 - Tax planning opportunity-tax deferral
 - Liability- protect your personal asset
- Who should incorporate?
 - Businesses generated more cash than you need
 - Products will expose you to unwanted risk/liability
- Effect of incorporation: comparison of taxes between corporation and sole proprietorship
 - Preservation of cash
 - Progressive tax rate vs. consistent rate
 - Basic personal amount

2. Prepare your books

- Bookkeeping is important:
 - Understand your financial performance
 - Proof of expenses when audited by CRA
 - Report accurate amount of tax-income and HST
- Consideration for hiring a professional:
 - Cost: \$50-\$100 an hour
 - Improve efficient when bookkeeping and tax done by the same firm
- Who should hire a professional?
 - <30 transaction per month-yourself or your accountant
 - <100 transaction per month-yourself or bookkeeper
 - >100 transaction per month-bookkeeper
- If you decide to do it yourself
 - Excel-most cost efficient
 - Quick book online-most value

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- Quick book desktop-most powerful

3. Get ready for tax filing

- Summary of all the items included
- Summary of amounts
- Summary of relevant events
- Detailed explanation of complicated items

4. Get ready for tax filing

- Ways to reduce your bill
- Organize your documents, provide soft copy, detail information & summary
- Ask

5. Do it yourself-free online software: turbo tax

6. File your taxes

- What expense can you claim?
 - Business operating expenses
 - Home office-Mortgage interest, utilities, insurance, security, repairs-office space/total footage
 - Travel
 - Vehicle-lease, gas, insurance, repairs, licence, interest, depreciation-business use/total mileage
 - Equipment-computers, machines
 - Meal and entertainment-50% deductible & ITC
- Expenses you should not claim
 - Personal mileage on vehicle & meal and entertainment
- How much tax do you need to pay: see rate table-consider incorporate to smooth income
- Corporate tax rate-Combined federal & Ontario small business tax rate in 2019: 12.5%
 - Perfect (almost) integration of corporate tax
- HST
 - Requirement to register for HST
 - Reason to voluntarily register

- Produce/sell zero rated supplies-fresh vegetables, business outside of Canada
- Large upfront spending
- Supporting documents to support the claim
 - Invoices, receipt, debt notes, contract, agreements
 - Kept for > 6 years

7. Ongoing CRA inquires

- Interest and penalties
 - Greater of \$100 or 50% of understated tax
 - 5% of balance owing + 1% each month
- Records and backups
 - Car mileage log
 - Invoices, contracts, agreements
 - Bank statements, cheque images

About ACCESS Community Capital Fund

ACCESS ensures everyone in our community has the opportunity to reach their potential through sustainable employment and self-employment.

We invite you to explore the many ways you can help make a dream come true.

About Adapting & Innovating Beyond Covid-19

Our webinar series, Adapting & Innovating Beyond Covid-19, delivers practical information, insight and resources on issues related to financial management and small business entrepreneurship, currently with a specific focus on the challenges and opportunities related to COVID-19.

If you'd like further information about these events, please visit <https://accessccf.com/adapting-innovating-beyond-covid-19/> or contact us at admin@accessccf.com