

HOW TO GET ORGANIZED FOR A NEW BUSINESS

Operating and organization issues:

- **Corporate or business bank account** – Use for all business banking. Try to avoid using a personal account for business items as this increases risk of items being overlooked.
- **Corporate or business credit card** (can in fact be a personal card, but different from your personal use card) – Keep all business items on one card. Use the monthly statement as a record of expenses (to be backed up by slips with details of the purchase noted on slips such as the name of the client or item). Slips should be filed regularly in files, by expense type for the year. Accounting will be done from the card's monthly statements.
- The bank account and credit card will form the cornerstone of the business' record keeping.
- **Items paid for in cash** are to be receipted and receipts kept. (e.g. parking etc.). Ideally, expenses paid in cash or personally should be reimbursed by way of an expense report accompanied by a description of the expense. Keep separate envelopes or folders for cash paid items to facilitate accounting at year-end.
- **Personally paid items** such as rent or home mortgage, interest, utilities, insurance, repairs, taxes etc. should be tallied or at least closely estimated to allow proper calculation of business use of home / rent expense. Home office space should be calculated at the start of the business.
- **Automobile usage should be tracked** to identify and collect all mileage, which is in any way related to business. You should, at least, be able to estimate the business use percentage and total kilometers driven. If necessary keep a mileage log.
- **Pro-rata all claimable car expenses** including loan interest, lease payments, depreciation / capital cost allowance, gas, repairs, insurance, license, CAA etc. It is important to track all costs of car operations; we'll pro rate from these totals. Parking is generally 100% claimable.
- **Long distance phone should be tracked** to allow prorated claims. Separate business phone lines, cell phones, pagers & Internet bills are all claimable. **Home phone line costs are not claimable.**

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- **All expenses should be filed according to expense type** or supplier reference to facilitate referral if questions arise or if bank credit card records are not sufficient. This should not be filed as a monthly break down but for the year as a whole.
- **Corporate year-end is flexible in the first year**, as no presetting of the year-end is required until the first tax returns are filed. This decision depends on profitability and the possibility that income from employment or other sources will come back into earnings in the near future.
- **Unincorporated business year-end should be December 31st.**
- **Leaving income surplus to cover current living needs**, in a corporation, provides an opportunity to pay lower tax rates (approx. 18% on net income up to \$400,000 on the income left in the corporation. Added personal taxes will only be payable when dividends or salary is paid in the future. Tax rates are designed to ensure that total corporation plus personal taxes never exceed regular personal tax rates.
- **Year-end preparation to minimize accounting and bookkeeping costs** includes the use of the above suggestions.
- **It is important to remember to try to have all year end documents** ready as early as possible. This will allow time for planning required minimizing the total corporate and personal tax burden applicable. This also provides the most time possible to plan for the use of taxes recoverable or to ensure that funds are available to pay balances due.
- **Incorporation vs. unincorporated business considerations** will include risk of short terms losses (favors unincorporated form), size of business, family ownership, income splitting, estate planning and other considerations which we should discuss.
- **If you require referral to other advisors such as Bankers, Lawyers or Insurance Agent** and others we would be pleased to provide referrals.