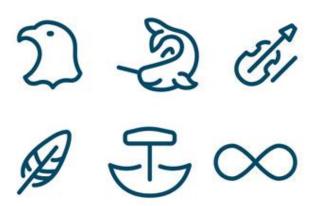


Canada

1



RECONNAISSANCE DES TERRES

2

Notes

This seminar and its relevant documents are intended solely for the explanation of general tax concepts and do not replace any tax laws or regulations contained in the Income Tax Act or the Excise Tax Act.

All copyrights and documentation remain the property of Canada Revenue Agency (CRA). Any reproduction, in any form whatsoever, is prohibited.



2

3

Liaison Officer Service Background

Began as a pilot project in 2014 and due to its popularity with **small businesses** it became a permanent program in 2015.

Since May 2019, LO services has expanded to offer the services to **small incorporated business**.

Provides **in-person** <u>guidance</u>, <u>support</u>, and <u>information</u> that will help you understand and navigate the tax system thereby making it easier for you to meet your tax obligations.



4

Your Rights

The **Taxpayer Bill of Rights** is a set of 16 rights that you have in your relationship with the CRA. These rights confirm our commitment to serve you with <u>professionalism</u>, <u>courtesy</u> and <u>fairness</u>.

The **Taxpayer Bill of Rights** also includes the CRA commitment made to <u>small businesses</u>, which acknowledges their importance as the engine of growth in the Canadian economy.

canada.ca/taxpayer-rights

5

5

Objectives

At the end of this session, you will have a basic understanding of these concepts:

- 1. a general overview of revenue & expense concepts;
- 2. tips for keeping proper books and records;
- 3. an awareness of the common errors/mistakes that small businesses make;
- a general overview of GST/HST;
- basic payroll information;
- a demonstration of Innovation, Science and Economic Development Canada's benchmarking tool;
- 7. a demonstration of available online resources & tools; and
- 8. answers to your questions

6

T1 General - Total Income

Self-employed income reported in T1	Step 2 – Total income As a resident of Canada, you have to report your in As a resident of Canada, you have to report your in Employment income (box. 14 of all T4 slips). Tax-exempt income for emergency services volunt (see ine 1010 on the guide.) Commissions included on line 10100 (box 42 of all Wage-loss replacement contributions (See ine 1010 Other employment income Other passions (box. 18 of the TAA(OAS). Other passions and an advantage of the TAA(OAS). Disability benefits included on line 11400 (box. 16 of Other pensions and superamulation. (See line 1150	Initial Content of the Content of	10400 + 11300 + 11400 +
Self-employment income	Marksheet for the return		+ +
Business income	Gross 13499	Net 13500 +	
Professional income	Gross 13699	Net 13700 +	
Commission income	Gross 13899	Net 13900 +	-
Farming income	Gross 14099	Net 14100 +	
Fishing income	Gross 14299	Net 14300 +	
Gross and net income only	RRSP income (from all T4RSP slips) Other income Tavable scholarship, fellowships, bursaries, and art Self-employment income Business income Cross Professional income Cross Commission income Gross Cammisgin income Gross Cammisgin Come Gross Cammisgin Come Gross Camming Come Gross	13469	12000 - 13000 - 13000 - 13000 - 13000 - 11000 - 11000 - 11000 - 110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 11100000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 11100000 - 11100000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 1110000 - 11100000 - 11100000 - 11100000 - 11100000 - 11100000 - 11100000 - 11100000 - 11100000 - 11100000 - 1110000000 - 111000000 - 111000000 - 111000000 - 1110000000 - 11100000000

7

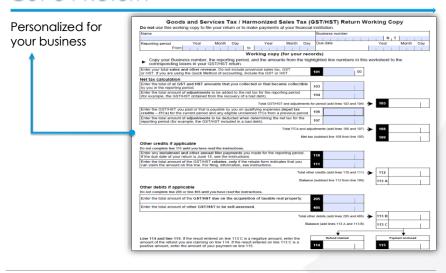
7

T2125 - Statement of Business or Professional Activities

Self-employed income reported in T1	Statement of Business or Statement of Business or Use this form to calculate your self-employment business and professional inco- For each business or profession, fill in a separate Form 17/125. Fill in this form do end it with your long to the self-employee t	ome.
Detailed calculations	Your name Business name	Your social insurance number Business number City Prov/Terr Pestal code
	First Date (0000/MMPD)	Was this your last year of business?
	http:// http:// http:// http:// http:// http:// Percontage of your gross income generated from the web pages and websites. (If no income was generated from the Internet, entire "0".)	

8

GST 34 Return



9

9

General Overview - Books & Records

Types of Records

- Books, records, and supporting documents produced and kept in paper format
- Books, records, and supporting documents produced on paper, and later converted to and stored in an electronically accessible and readable format
- Electronic records and supporting documents produced and kept in an electronically accessible and readable format

Note: The CRA does not specify which records should be kept, businesses are generally expected to keep any information related to the calculation or verification of income and deductions.

IC78-10R5 Books and Records Retention/Destruction

10

General Overview - Books & Records

- A source document includes such items as:
 - ✓ sales and purchase invoices
 - cash register and credit card receipts
 - √ formal written contracts
 - ✓ delivery slips and deposit slips
 - ✓ work orders and dockets
 - cheques and bank statements
 - ✓ logbooks
 - √ tax returns
 - all correspondence that supports your transactions

- The books include such items as ledgers and journals.
- The records include all source documents and books related to the business.



11

11

General Overview - Books & Records

Your books and records must:

- be reliable and complete;
- include the information needed to meet your tax obligations and to calculate your deductions; and
- be supported by documents.



General Overview - Books & Records

The following are **required to keep their books and records** of account for a **period of six years** from the end of the latest year to which they relate:

- ✓ Persons carrying on a business or engaged in a commercial activity
- Persons who are required to file a GST/HST return or remit payroll deductions

This pertains to the traditional and electronic methods of record retention.

Note: For taxpayers who keep <u>records electronically</u>, electronic records must also be retained for six years even when hard copy is available.

- IC78-10R5 Books and Records Retention/Destruction
- ❖ IC05-1R1 Electronic Record Keeping

13

13

General Overview - Revenues

You are required to report all revenues from your business such as:

- Products sold (sales)
- Services rendered (commissions, fees, etc.)
- Subsidies
- Rents
- Tips

Keep in mind that you must report all revenue, regardless of "how" you are paid.

 For example: cash, credit units with monetary value, barter transactions, etc.

General Overview - Revenues

	Steps	Methodology
1.	Original document	 Issue a sales receipt/invoice for every transaction and keep a copy for your records Original documents also include cash register tapes, appointment books, bank deposit slips, bank statements, contracts, etc.
2.	Sales journal or summary	 ✓ Should show the date, the invoice number, the amount, source of income, taxes (GST/HST) and client payment method ✓ Can be in paper or electronic format (electronic spreadsheet, adding machine tape, accounting software,
		etc.).
3.	T2125 & GST34	 Complete a separate form for each business or professional activities

15

15

General Overview - Revenues

STEP 1: Sales receipt/invoice should include the following:

- business identification (name and address)
- transaction date
- quantity, description and price of the products sold or services rendered
- sales tax amounts and GST/HST account number (when applicable)
- total amount
- payment method/terms
- pre-numbered receipt/invoice



16

General Overview - Revenues

ABC Engineering 1234 Canada St INVOICE Example Toronto, ON receipt/invoice: Phone 416-999-9999 INVOICE NUMBER 138
INVOICE DATE March 3, 2020
GST/HST NUMBER 123456789 SOLD TO: C. Kent 12 Ottawa Street Invoice London, ON #138 to C. Kent NEW HOME DESIGNS - 345 CANADA AVE - 17 HOURS @\$185/HR \$3,145.00 GST/HST TOTAL

PAYMENT DUE IN FULL UPON RECEIPT

THANK YOU FOR YOUR BUSINESS!

\$408.85

\$3,553.85 PAY THIS

17

17

General Overview - Revenues

STEP 2: Recorded to Sales Journal (invoice #138)

Date	Invoice #	Customer	Source	Subtotal	GST/HST (13%)	Total
02-07-20	137	H. Pitt Inc.	Cheque	20,000.00	2,600.00	22,600.00
03-03-20	138	C. Kent	Cheque	3,145.00	408.85	3,553.85
04-15-20	139	B. Barrette	VOID	VOID	VOID	VOID
05-21-20	140	J. Patel	Cheque	24,500.00	3,185.00	27,685.00
06-04-20	141	R. Smith	Cash	1,457.00	189.41	1,646.41
07-06-20	142	A. Cooper	Cheque	14,300.00	1,859.00	16,159.00
08-07-20	143	V. Nguyen	Cheque	14,200.00	1,846.00	16,046.00
09-09-20	144	Bold Eng. Inc	Cheque	28,450.00	3,698.50	32,148.50
10-10-20	145	R. Wilson	Cheque	12,400.00	1,612.00	14,012.00
			Total	118,452.00	15,398.76	133,850.76

18

General Overview - Revenues

STEP 3: Recorded to the T2125 form

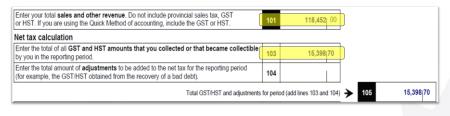
— Part 3A – Business income —	
Gross sales, commissions, or fees (include GST/HST collected or collectible)	133,85p.763A
GST/HST, provincial sales tax, returns, allowances, discounts, and GST/HST adjustmen	
	Subtotal: Amount 3A minus amount 3B 118,452.00 BC
If you are using the quick method for GST/HST – Government assistance calculat GST/HST collected or collectible on sales, commissions and fees eligible for the quic	
GST/HST remitted, (sales, commissions, and fees eligible for the quick method plus GST/HST collected or collectible) multiplied by the applicable quick method remittar	
	Subtotal: Amount 3D minus amount 3E
Adjusted gross sales: Amount 3C plus amount 3F (enter on line 8000 of Part 3C)	118,452,003G

19

19

General Overview - Revenues

STEP 3: Recorded to GST 34 return (invoice #138)



20

Generally, purchases and expenses are deductible if they are:

- ✓ Incurred or made to earn business income
- Supported by invoices
- ✓ Paid or payable by the taxpayer/registrant
- ✓ Reasonable in the circumstances.



Note: Don't forget to exclude the personal portion, where applicable.

21

21

General Overview - Expenses

Always get **receipts** or **other vouchers** when you buy something for your business.

The receipt or other voucher should show:

- date of the purchase
- name and address of the seller or supplier
- name and address of the buyer
- a full description of the goods or services
- vendor's business number if they are a GST/HST registrant

	Steps	Methodology
1.	Original document	 Retain a receipt or voucher for every transaction and maintain for your records Original documents also include cash register tapes, purchase invoice, monthly bills, contracts, etc.
2.	Expense journal or summary	 ✓ Should show the date, the amount, type of expense, taxes (GST/HST or PST) and payment method ✓ Can be in paper or electronic format (electronic spreadsheet, adding machine tape, accounting software, etc.)
3.	T2125 & GST34	 Should include this information even if you are filing your return using tax preparation software

23

23

General Overview - Expenses

Example receipt/invoice: Invoice Date: June 5, 2020 Invoice Number: 19785 Receipt #19785 Willis Office Supplies **Willis Office Supplies** Unit 14, 11111 1st Avenue, Toronto, Ontario, 416-888-8888 Bill to: ABC Engineering Inc., 1234 Canada St., Toronto, Ontario Description Price Quantity Total Blue pens 12/box 34.99 279.92 Subtotal 279.92 GST/HST 36.39 GST/HST#: 55555 5555 TOTAL 316.31 Payable on receipt

24

STEP 2: Recorded to Expense Journal (Ex: Willis Office Supplies)

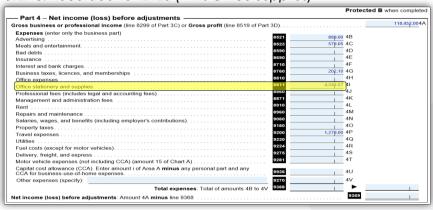
Date	Vendor	Payment Source	Subtotal	GST/HST (13%)	Total
02-02-20	Ally's Depot	Visa 7890	148.00	19.24	167.24
03-01-20	Wholesale Supply Inc	Cheque 401	448.00	58.24	506.24
06-05-20	Willis Office Supplies	Ch. account	279.92	36.39	316.31
06-15-20	Wholesale Supply Inc	Visa 7890	1,978.00	257.14	2,235.14
07-03-20	Ally's Depot	Visa 7890	500.00	65.00	565.00
08-27-20	Willis Office Supplies	Visa 7890	889.65	115.65	1,005.30
		Total	4,243.57	551,66	4,795.23

25

25

General Overview - Expenses

STEP 3: Recorded to T2125 (Willis Office Supplies)



26

STEP 3: Recorded to GST 34 return (Willis Office Supplies)

Total GST/HST and ad	ustments for period (add lines 103 and 104) > 105
Enter the GST/HST you paid or that is payable by you on qualifying expenses (input to credits – ITCs) for the current period and any eligible unclaimed ITCs from a previous	
Enter the total amount of adjustments to be deducted when determining the net tax for reporting period (for example, the GST/HST included in a bad debt).	the 107
Total IT	s and adjustments (add lines 106 and 107) > 108
	Net tax (subtract line 108 from line 105)
Expense	CST/UST maid alimible for ITCs
expense	GST/HST paid eligible for ITCs
Office supplies	551.66
Office supplies	
Office supplies Business-use-of-home	
Office supplies Business-use-of-home Vehicle	

27

27

Common Income Tax Errors Made By Small Businesses

1. Unreported / Underreported income

2. Over claimed expenses:

- business-use-of-home
- motor vehicle expenses
- utilities expenses
- meals and entertainment expenses
- capital cost allowance (CCA)

28

Common Reasons For Potential Errors

- Overlooked reporting of secondary or other sources of income
- Revenues are not all deposited or may be deposited but not recorded correctly



- Lack of bank reconciliation; discrepancy between declared revenues and bank deposits
- Claiming personal portion of expenses and ITCs (for example, motor vehicle expenses)

29

29

Common Reasons For Potential Errors

 Expenses are not supported with documentation or no supporting documents to explain the business vs. personal portion of expenses (for example, motor vehicle, travel expenses)



- No reasonable basis used to calculate shared expenses
- Lack of tax knowledge or tax rules (that is, amounts claimed that are limited by tax legislation – meals and entertainment, Capital cost allowance, etc.)

Deductible if one of the following conditions applies

Your home is your **principal place** of business

You use the space **only** to earn your business income

+

You use it on a **regular** and **ongoing basis** to meet your <u>clients</u>, <u>customers</u>, or <u>patients</u>

Note: Cannot be used to create or increase a business loss (unused portion can be deducted in a future year).

31

31

Business-use-of-home Expenses

Allowable expenses

Electricity Home insurance
Heat Mortgage interest
Maintenance Rent

Property taxes Capital cost allowance (CCA)

Non-exhaustive list

Allowable portion

Work space area vs. the total area of home, AND

 Prorata of 24 hours per day and 7 days per week if the work space is also used for personal purposes.

Note: If expense is incurred exclusively for the home office, 100% of the amount is deductible.

32

Calculation:	STEP 1	Expense	Cost	GST/HST Paid
Dedicated area		Electricity	\$2,200	\$286
		Insurance	650	0
STEP 2		Maintenance	350	45
Workspace usage		Mortgage interest	8,000	0
Business : 180 sq. ft.		Property taxes	1,800	0
Total : 1,800 sq. ft.		Total	13,000	331
Allowable portion 180 ÷ 1,800 10%				
Personal portion 90% Non deductible				
Non deductible				
33				

33

Business-use-of-home Expenses

Calculation:	STEP 1	Expense	Cost	GST/HST Paic
Dedicated area		Electricity	\$2,200	\$286
		Insurance	650	0
STEP 2		Maintenance	350	45
Workspace usage		Mortgage interest	8,000	0
Business: 180 sq. ff.		Property taxes	1,800	0
Total : 1,800 sq. ft.		Total	13,000	331
Allowable portion	STEP 3	Allowable deduction & ITC	\$1,300	\$0
180 ÷ 1,800				
10%				
Personal portion				
Personal portion 90%				

34

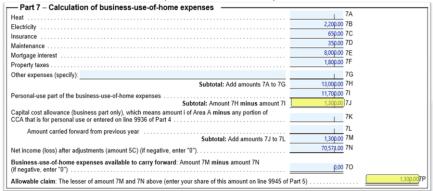
Calculation:	STEP 1	Expense	Cost	GST/HST Paid
Shared area		Electricity	\$2,200	\$286
		Insurance	650	0
STEP 2		Maintenance	350	45
Workspace usage		Mortgage interest	8,000	0
Business: 180 sq. ft.		Property taxes	1,800	0
Total : 1,800 sq. ft.		Total	13,000	331
Allowable portion	STEP 3	Allowable deduction & ITC	\$1,300	\$0
180 ÷ 1,800		Shared are	a calculation	
10% Personal portion		Business related	l usage 7/24 hou	ırs
90%		Business relate	d usage 5/7 day	
Non deductible	STEP 4	Allowable deduction & ITC	\$271	\$0

35

35

Business-use-of-home Expenses

Recorded to T2125 form (Dedicated area)



36

Recorded to GST 34 return (Dedicated area)

nd adji		for perio	od (add lines 103 and 104)	→ 105	15.3	00.76
put ta					,.	901/6
	period.	106) _	_	
tax fo	r the	107				
otal IT(s and ad	justmen	its (add lines 106 and 107)	→ 108		T
	Net ta	x (subt	ract line 108 from line 105)	109		
	GS	T/H	IST paid eli	gible	for ITCs	
			551.6	6		
			0			
			?)	
			?			
			- ????	?		
	_	Net ta	otal IT(s and adjustmen	Net tax (subtract line 108 from line 105) GST/HST paid eli 551.6	Net tax (subtract line 108 from line 105) GST/HST paid eligible 551.66	Net tax (subtract line 108 from line 105) GST/HST paid eligible for ITCs 551.66

37

37

Motor Vehicle Expenses

Travelling from home to the place of business is not an allowable expense, unless the principal place of business is at home.									
Examples of allowable motor vehicle travel	Documentation required								
 Distance between 2 different places of business 	Detailed logbook: date, destination, purpose and number of kilometres driven								
 Distance when travelling: To meet with a supplier or client To make purchases for business For training, conventions, or trips related to business Etc. 	 Record of the odometer reading of each vehicle at the start of the fiscal period. All receipts (gas, insurance, repairs, etc.). 								
Possibility of using the s	implified logbook method								

Motor Vehicle Expenses

Types of vehicles

The kind of vehicle you have can affect the expenses you deduct. For tax purposes, there are two types of vehicles:

- Motor vehicles, and
- Passenger vehicles

If you own or lease a passenger vehicle, there may be a limit on the amounts you can deduct for:

- Capital Cost Allowance (CCA)
- Interest
- Leasing costs, and
- Allowable purchase ITCs for GST/HST

39

39

Motor Vehicle Expenses

Eligible expenses	Expenses not eligible
✓ Licence and registration fees	x Traffic ticket
✓ Gasoline and oil	x Repair costs following an accident during
✓ Insurance	a personal trip
✓ Interest on money borrowed to buy a	
motor vehicle	
✓ Repairs and maintenance	
✓ Leasing costs (if you lease the vehicle)*	
✓ Capital Cost Allowance (CCA) (if you	
own the vehicle). *	
*If you own or lease a <u>passenger vehicle</u> , deduction	limits could apply.
Non-exh	austive lists

40

Motor Vehicle Expenses

Leased vehicle	STEP 1	Expense	Cost	GST/HST Paid
		Gas and oil	\$1,800	\$234
		Insurance	1,000	0
STEP 2		Licence and registration fees	300	0
Logbook information		Repairs and maintenance	200	26
Business km : 12,355 Total km : 20,592		Leasing cost	2,880	374
		Total	6,180	634
Allowable portion 12,355 ÷ 20,592 60%				
Personal portion 40% Non deductible				

41

Motor Vehicle Expenses

Leased vehicle	STEP 1	Expense	Cost	GST/HST Paid	
		Gas and oil	\$1,800	\$234	
		Insurance	1,000	0	
STEP 2		Licence and registration fees	300	0	
Logbook information		Repairs and maintenance	200	26	
Business km : 12,355 Total km : 20,592		Leasing cost	2,880	374	
		Total	6,180	634	
Allowable portion 12,355 ÷ 20,592	STEP 3	Allowable portion (60%)	\$3,708	\$380	
60%		Business parking fees (100%)	500	65	
Personal portion		Supplementary business insurance (100%)	200	0	
Non deductible		Allowable deduction & ITC	\$4,408	\$445	

Motor Vehicle Expenses

 Chart A – M 	otor vehicle expense	es ———					
	ve in the fiscal period that v		ess income		12,355 1		
otal kilometres yo	u drove in the fiscal period				20,592 2		
Fuel and oil					1,800 ₁ 00 3		
	nart B)				4		
	,				1,000 00 5		
	istration				300,00 6		
	nd repairs				200,00 7		
Leasing (see C	hart C)				2,880,00 8		
Other expenses	f				9		
					10		
		Total motor vehic	le expenses: Add ar	mounts 3 to 10	6,180 ₁ 00 ₁ 1		
Business use part:	amount 1 :	12,355 20,592	amount 11 :	6,180,00		.=	3,708,00 12
Business parkir	ng fees						500 ₁ 00 ₁₃
	business insurance						200,00 14
			ter this total on line 9				4,408,00

43

43

Motor Vehicle Expenses

Recorded to GST 34 return 15,398,76 Total GST/HST and adjustments for period (add lines 103 and 104) Enter the GST/HST you paid or that is payable by you on qualifying expenses (input tax credits – ITCs) for the current period and any eligible unclaimed ITCs from a previous period Enter the total amount of adjustments to be deducted when determining the net tax for the reporting period (for example, the GST/HST included in a bad debt). Total IT s and adjustments (add lines 106 and 107) Net tax (subtract line 108 from line 105) **Expense** GST/HST paid eligible for ITCs Office supplies 551.66 0 Business-use-of-home 445.40 Vehicle Computer purchase Total ITCs 44



45

45

Capital Cost Allowance (CCA)

- Your business might acquire a depreciable property such as a building, furniture, or equipment to use in the business activities.
- These properties wear out or become obsolete over time. You can deduct their cost over a period of several years. This yearly deduction is called a capital cost allowance (CCA).



46

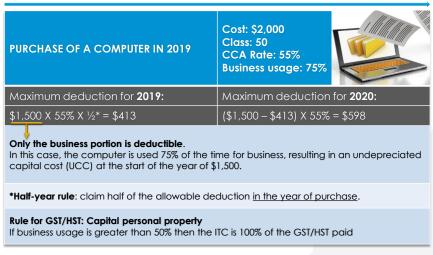
Capital Cost Allowance (CCA)

	Current expenses	Capital expenses
Definition	Recurring expenses that provide a short-term benefit	Expense that procures a long term advantage
Treatment	Cost is deducted in full from your gross business income in the year you incur it	Cost is spread out over several years according to the capital cost allowance (CCA) class
Example	The cost of repairs your business makes to keep an asset in the same condition as it was when acquired, such as painting the exterior of a building	Putting vinyl siding on the exterior walls of a wooden building

Capital Cost Allowance (CCA)

Commonly used CCA classes					
Class	Rate (%)	Brief description			
1	1 4 Most buildings you bought after 1987.				
8	Property that you use in your business that is not included in another class.				
10	30	Motor vehicles and some passenger vehicles.			
10.1	30	A passenger vehicle not included in Class 10.			
12	100	Tools, medical and dental instruments and kitchen utensils, acquired for less than \$500. (If \$500 or more, include the cost in Class 8)			
50	55	General-purpose electronic data-processing equipment (commonly called computer hardware) and systems software for that equipment.			

Capital Cost Allowance (CCA)



49

49

Capital Cost Allowance (CCA)

T2125 for 2019

Area	rea A - Calculation of capital cost allowance (CCA) claim											
1 Class number	2 Undepreciated capital cost (UCC) at the start of the year	3 Cost of additions in the year (see Area B and C below)	4 Cost of additions from column 3 which are AIIP (new property must be available for use before 2024) See note 1 below	5 Proceeds of dispositions in the year (see Area D and E below)	6° UCC after additions and dispositions (col. 2 plus col. 3 minus col. 5)	7 Proceeds of dispositions available to reduce additions of AIIP (col. 5 minus col. 3 plus column 4). If negative, enter "0"		9 Adjustment for current-year additions subject to the half year-rule 1/2 multiplied by (col. 3 minus col. 4 minus col. 5). If negative, enter "0."	10 Base amount for CCA (col. 6 plus col. 8 minus col. 9)	11 CCA Rate %	12 CCA for the year (col. 10 multiplied by col. 11 or a lower amount)	13 UCC at the end of the year (col. 6 minus col. 12)
50	0,00	1,500 ₁ 00	0,00	0,00	1,500 ₁ 00	0,00	0,00	750 ₁ 00	750 ₁ 00	55.00	413 ₁ 00	1,087 ₁ 00
	1							1				
								1				
								1				
	1							1				
	1							1				
								(enter the amount or A for business-use-o		•	413,00	i

Area E	Area B – Equipment additions in the year								
1 Class number	2 Property description	3 Total cost	4 Personal part (if applicable)	5 Business part (column 3 minus column 4)					
50	Computer	2,000 00	500 00	1,500,00					
Total equipment additions in the year: Total of column 5 9925									

50

Capital Cost Allowance (CCA)

T2125 for 2020

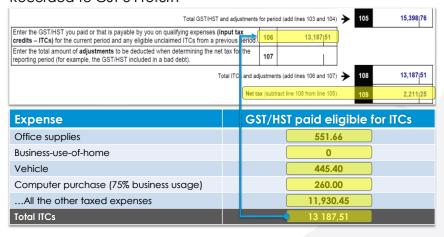
Class number	2 Undepreciated capital cost (UCC) at the start of the year	3 Cost of additions in the year (see Area B and C below)	4 Cost of additions from column 3 which are AIIP or zero-emission vehicles (ZEV) (new property must be available for use in the year) Note 1	5 Proceeds of dispositions in the year (see Area D and E below)	6° UCC after additions and dispositions (col. 2 plus col. 3 minus col. 5)	Proceeds of dispositions available to reduce additions of AIIP and ZEV (col. 5 minus col. 3 plus column 4). If negative, enter "0" Note 2	8 UCC adjustment for current-year additions of AIIP and ZEV (col. 4 minus col. 7) multiplied by the relevant factor. If negative, enter "0". Note 3	Adjustment for current-year additions subject to the half-year rule 1/2 multiplied by (col. 3 minus col. 4 minus col. 5). If negative, enter "0."	10 Base amount for CCA (col. 6 plus col. 8 minus col. 9)	11 CCA Rate %	12 CCA for the year (col. 10 multiplied by col. 11 or a lower amount)	13 UCC at the end of the year (col. 6 minus col. 12
50	1,087,00	0,00	0,00	0,00	1,087,00	0,00	0,00	0/00	1,087,00	55.00	598,00	489,00
			T			1	i i	1	- 1		1	i i
	1		T.	1		1.		1	- 1		1	
	1	T.	T.	i i	1	i i	i i	1	i i		ī	1
	1	1	1	1	1	10	1	1	1		1	i i
	1	10	1	1	1	1	1	1	1		1	1

5

51

Capital Cost Allowance (CCA)

Recorded to GST 34 return



52

Capital Cost Allowance (CCA) New Rules

Applies to eligible property acquired after November 20, 2018 and must be available for use before 2028 in order to qualify.

Accelerated Investment Incentive

- Provides an enhanced first-year allowance for certain eligible property subject to CCA
- Apply the prescribed CCA rate for a class up to one-and-a-half times the net addition to the class for the year
- Suspend the existing CCA half-year rule

Full Expensing for Manufacturers and Processors

 Immediately write-off the full cost of machinery and equipment used for the manufacturing or processing of goods (Class 53)

Full Expensing for Clean Energy Investments

 Immediately write-off the full cost of specified clean energy equipment (classes 43.1 and 43.2)

53

53

Capital Cost Allowance (CCA) New Rules

PURCHASE OF A COMPUTER IN 2019	Cost: \$2,000 Class: 50 CCA Rate: 55% Business usage: 75%
Maximum deduction for 2019:	Maximum deduction for 2020 :
\$1,500 X 55% X 1½* = \$1,237.50	(\$1,500 – \$1,237.50) X 55% = \$144.38
Only the business portion is deductible.	

In this case, the computer is used 75% of the time for business, resulting in an undepreciated capital cost (UCC) at the start of the year of \$1,500.

*Accelerated Investment Incentive: claim up to one-and-a-half times the allowable deduction on eligible property in the year of purchase.

Rule for GST/HST: Capital personal property

If business usage is greater than 50% then the ITC is 100% of the GST/HST paid

54

Meals And Entertainment

Meal expenses must be incurred to earn business income

- Includes beverages, taxes and tips
 - ✓ Example: to meet with a client or supplier, attend a convention, etc.

Entertainment expenses can include

- The cost of tickets for a theatre, concert, athletic event or other performance
- The cost of private boxes at sports facilities

Note: Annual dues for recreational or dining clubs (e.g.: golf club) are not allowable.

55

55

Meals And Entertainment

Maximum allowable for food, beverages and entertainment is limited to **50% of the lesser** of:

- · Actual amount incurred; or
- Amount that is reasonable in the circumstances.

Few **exceptions** to the 50% rule. For example:

- Your business regularly provides food, beverages, or entertainment to customers for compensation
- You incur meal and entertainment expenses for an office party or similar event, and you invite all your employees from a particular location. The limit is six such events per year.

Note: Keep all receipts/invoices, including the name of the client(s) entertained, purpose, and contact number.

General Expenses

Expense	Deductible	Non-Deductible
Clothing and uniforms	Safety gear and uniforms (and related cleaning costs)	Clothing in general that can be used personally (i.e. suits, ties, etc.) and related cleaning costs.
2. Conventions	Limit of 2 conventions per calendar year: Related to your business or professional activity; and Be held by business or organization within the geographical area where the organization usually conducts its business.	Personal portion (i.e. spouse, children, vacation vs. business portion, etc.).

General Expenses

Expe	ense	Deductible	Non-Deductible
3. Trave	el	You can deduct travel expenses you incur to earn business and professional income. These include: Transportation fares Hotel Meals (in most cases, the 50% limit applies)	Personal portion (i.e. spouse, children, vacation vs. business portion, etc.)
4. Sala	ries	Reasonable expense (Fair Market Value - FMV) for job performed – applies in non-arm's length situations.	N/A

Telephone and Utilities

Telephone/Cell Phone/Internet

- Only the portion used to earn business income is deductible
- A reasonable basis must be used when calculating the expense for the usage of a telephone, cell phone, or Internet that is used for both personal and business purposes

Utilities (other than home office utilities)

- Gas
- Oil and heating
- Electricity
- Water

59

59

Common GST/HST Errors Made By Small Businesses

- Not collecting or remitting the GST/HST on sales when required
- Failing to register and collect/remit GST/HST on sales after surpassing the small supplier threshold
- Claiming an Input Tax Credit (ITC) in error or without proper documentation
- Electing to use the quick method of accounting, but still claiming the ITC
- Charging the incorrect amount of GST/HST based on the place of supply rules
- Include GST / HST in expenses claimed (Registrant using the usual method)

GST/HST

- Generally, you must register for GST/HST if your total gross revenue from your worldwide taxable supplies of property and services is more than \$30,000 in a single calendar quarter or over four consecutive calendar quarters.
- Taxable supplies are property and services that are made in the course of a commercial activity and are subject to the GST/HST.
- If your gross revenue from taxable supplies is equal to or less than \$30,000, you do not have to register as you are considered to be a small supplier.
 However, you can do so if you want to claim input tax credits.
- Taxi operator or commercial ride-sharing driver must register regardless of revenue.
- Input tax credits (ITCs) allow you recover the GST/HST paid or payable on purchases and expenses related to your commercial activities.

61

61

GST/HST - Small Supplier?

Example 1

What happens if you exceed the \$30,000 limit in one particular quarter?

First quarter (January 1 to March 31, 2021)	\$2,000
Second quarter (April 1 to June 30, 2021)	\$10,000
Third quarter (July 1 to September 30, 2021)	\$38,000

In this example, a sale that exceeded the small supplier limit was made on September 23. Therefore, in the third quarter, you <u>cease immediately to be a small supplier</u> as you exceeded the limit.

Start collecting GST/HST

 On the September 23 sale that made you exceed the \$30,000 limit, even if you are not yet registered.

Register for a GST/HST account

By October 22, which is 29 days after you cease to be a small supplier.

62

GST/HST - Small Supplier?

Example 2

What happens if you exceed the \$30,000 limit in two consecutive quarters?

First quarter (January 1 to March 31, 2021)	\$25,000
Second quarter (April 1 to June 30, 2021)	\$25,000
Total revenues for 2 consecutive quarters	\$50,000

In this example, you exceeded the \$30,000 limit by the end of the second consecutive calendar quarter but not in one quarter. You will be a small supplier for the following month (July 2021) provided you don't go over \$30,000 in that one month.

Start collecting GST/HST

✓ in August 2021 after you cease to be a small supplier.

Register for a GST/HST account

✓ Within 29 days after you make your first sale other than as a small supplier.

63

63

GST/HST - Small Supplier?

Example 3

What happens if you exceed the \$30,000 limit in four consecutive quarters?

Second quarter (April 1 to June 30, 2020)	\$2,000
Third quarter (July 1 to September 30, 2020)	\$10,000
Fourth quarter (October 1 to December 31, 2020)	\$12,000
First quarter (January 1 to March 31, 2021)	\$8,000
Total revenues for 4 consecutive quarters	\$32,000

In this case, you cease to be a small supplier at the end of the month following the first quarter (end of April 2021), as you exceeded the \$30,000 limit in the last four consecutive calendar quarters.

Start collecting GST/HST

✓ In May 2021, even if you are not yet registered.

Register for a GST/HST account

Within 29 days after you make your first sale other than as a small supplier.

64

Differences In Tax Status

Tax status	What this means	If you are a GST/HST registrant then
Taxable supplies	Most supplies made/provided in Canada or imported in are subject to GST/HST.	 You charge the GST/HST on these supplies You may be eligible to claim ITCs to recover the GST/HST paid on purchases made to provide these supplies.
Zero- rated supplies	Some supplies are zero-rated. GST/HST applies to these supplies at the rate of 0%. Basic groceries Prescription drugs Exports	 GST/HST of 0% is charged. You do not collect the GST/HST on these supplies. You may be eligible to claim ITCs to recover the GST/HST paid on property and services acquired to provide these supplies
Exempt supplies	Some supplies are exempt. GST/HST does not apply to these supplies. Most health/medical services Many education services Child care services	 You do not charge the GST/HST. Generally you cannot claim ITCs to recover the GST/HST paid or payable on property and services acquired to provide these supplies.

65

65

GST/HST – Reporting Periods

Usually, the **assigned reporting period** is based on your **annual total revenue**. This will generally determine how many times a year you have to file GST/HST returns.

Annual taxable supplies	Assigned reporting period	Optional reporting periods
\$1,500,000 or less	Annual	Monthly or quarterly

66

Payroll – Common Errors Made by Small Businesses

- 1. Employers don't remit their source deductions by the due date.
- The deduction amounts on T4 do not equal the amounts remitted to the CRA throughout the year.
- Employers fail to report or incorrectly report taxable benefits such as bonuses, commissions, vehicle allowances or personal living expenses.
- * T4130 Employers' Guide Taxable Benefits and Allowances
- * T4001 Employers' Guide Payroll Deductions and Remittances

67

67

Payroll - Employee Or Self-employed?

It is important to determine whether people who work for you are **employees** or **self-employed individuals**.

The **facts of the working relationship as a whole** decide the employment status (e.g. the carrying out the work, relationship of subordination and degree of control or independence).

Note: If you are not sure of a worker's employment status, request a ruling. Find out how at **canada.ca/payroll**.

* RC4110 - Employee or Self-employed?

68

Benchmarking

What is Benchmarking?

Benchmarking involves using **Financial Performance Data** to help both new and existing businesses to better understand how competing firms operate in their chosen industry.

It can:

- provide insight on the operations of similar small businesses in your industry;
- identify areas in which your business deviates from the relevant industry average; and
- identify opportunities to make changes that may help you to grow your business.



69

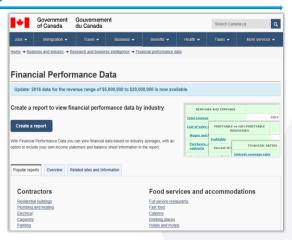
69

Benchmarking

Benchmark Tool

With **Financial Performance Data** you can:

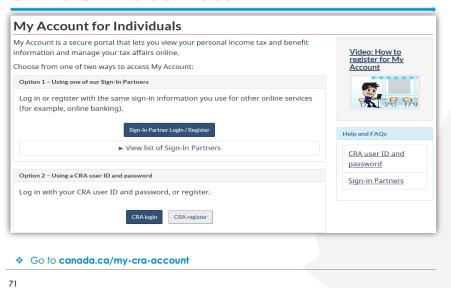
- View financial data based on industry averages
- Include your incorporated business income statement and balance sheet information in the report



Go to ic.gc.ca/eic/site/pp-pp.nsf/eng/home

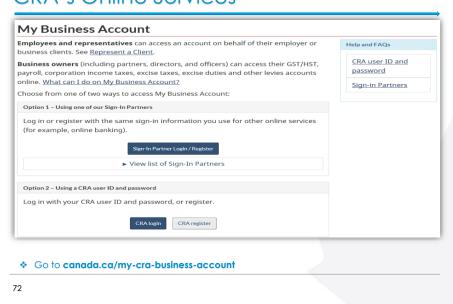
70

CRA's Online Services



71

CRA's Online Services



CRA's Online Services

My Account **My Business Account** Manage GST/HST account: View status of tax return and notice of assessment/reassessment + change my return ✓ File or adjust a return File or view elections View RRSP, Tax-Free Savings Account (TFSA), Account balance and activities Home Buyer's Plan and Lifelong Learning Plan Installment payment calculator Enquiries service etc. · View and update address and telephone numbers, change marital status Manage Payroll account: View proof of income statement, account File a return or view return status balance statement of account and installments ✓ View account balance, remitting requirements and account transactions View and authorize representatives Request a refund ✓ Request a CPP/El ruling etc. Arrange direct deposit and pay by preauthorized debit Manage all other accounts (Corporation, Excise, Contract payments (T5018), etc.) View Canada Child Benefit, GST/HST and Universal Child Care Benefit payments, account Manage representatives, addresses, direct balance and statement of account deposit and online mail Preauthorized debit View tax information slips (T4, T4A, T4A(P), T4A(OAS), T4E, T4RSP, T4RIF, T5007, T3, T5, T5008 View direct deposit transactions and RRSP Contribution Receipt)

73

73

CRA's Online Services

My Payment

My Payment is an electronic service that lets you make payments directly to the Canada Revenue Agency (CRA) using your bank access card. You cannot use credit cards with My Payment. For credit card payment options, go to Pay by credit card or PayPal.

You need a card with one or more of the following logos:

- · Visa® 1 Debit
- Debit MasterCard® 2
- Interac® 3

If your bank card has:

- · an Interac Online logo only, pay with the Interac option.
- both a Visa Debit logo and an Interac logo, pay with the Visa Debit option.
- both a Debit MasterCard logo **and** an Interac logo, pay with the Debit MasterCard option.

Start My Payment

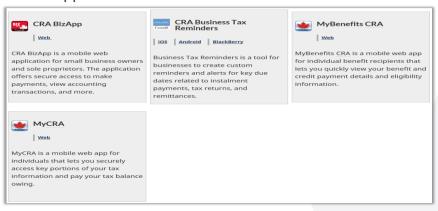
Pay now

Go to canada.ca/payments

74

CRA's Online Services

Mobile Apps

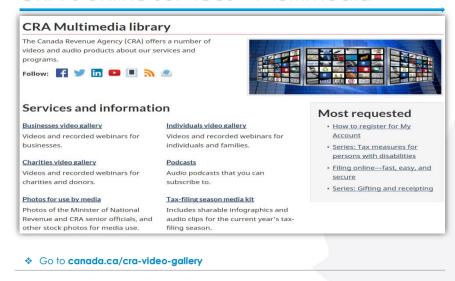


Go to canada.ca/cra-mobile-apps

75

75

CRA's online services - Multimedia



76

Canada Dental Benefit

- The interim Canada Dental Benefit is intended to help lower dental costs for eligible families earning less than \$90,000 per year. Parents and guardians can apply if the child receiving dental care is under 12 years old and does not have access to a private dental insurance plan.
- The first benefit period is for dental care received between October 1, 2022 and June 30, 2023.
 Applications for this period open on **December 1**, 2022.

77 This information is as of November 30 2022. For the most up-to date information see Canada.ca/dental

77

Canada Housing Benefit

- The one-time top-up to the Canada Housing Benefit aims to help low-income renters with the cost of renting.
- You may be eligible for a tax-free one-time payment of \$500 if your income and the amount that you pay on rent qualify. The CRA will administer the one-time payment.
- Applications open on December 12, 2022.

⁷⁸ This information is as of November 30 2022. For the most up-to date information see Canada.ca/one-time-housing-benefit.

Canada Emergency Business Account (CEBA)

Program Repayment Deadlines Have Changed

The Government of Canada has extended the December 31, 2022 repayment date to December 31, 2023 for CEBA loan holders. You will be contacted by your financial institution with details for your specific loan.

Please note, financial institutions are contacting loan holders with an update from the CEBA Program that outlines specific details on repayment deadlines and forgiveness eligibility, as determined by the Government of Canada.

79 This information is as of November 30 2022. For the most up-to date information see https://ceba-cuec.ca/

79

Government assistance programs for the self employed

You may have received federal, provincial, or territorial government program assistance that was provided for self employed individuals, businesses, farmers, or fishers. You are responsible for reporting the amount of assistance received when you file your income tax return.

Government assistance income is taxable and will either be included in business, farming or fishing income or, if you elect, will reduce your business, farming or fishing expenses. You may also have received a government loan. The loan itself is not taxable. However, any part of the loan that is forgivable is taxable in the year in which the loan is received.

Examples of assistance: Canada Emergency Wage Subsidy (CEWS), Canada Emergency Rent Subsidy (CERS), Canada Recovery Hiring Program (CRHP), Canada Emergency Business Account (CEBA)

⁸⁰ This information is as of November 30 2022. For the most up-to date information see Canada.ca.

Benefits Finder

Answer a few questions to show you a list of benefits that may help in your situation. It will also have links for more information.

	Business Benefits Finder	
	Find the right programs and services, whether you're starting out or scaling up.	
	We just need a few details to find your best matches. Tell us your story.	
	I'm looking for for my business. My main goal is to	
	canada.ca/business-benefits-finder	
81		

81

For more information

CRA web addresses and phone numbers	
Canada's COVID-19 Economic Response Plan	canada.ca/en/department- finance/economic-response-plan
My Account	canada.ca/my-cra-account
E-services	canada.ca/cra-electronic-services
Questions and Answers on the Canada Recovery Benefit	www.canada.ca/en/services/benefits/ei/cerb-application/transition/questions
Frequently asked questions - Canada emergency wage subsidy (CEWS)	canada.ca/en/revenue- agency/services/subsidy/emergency-wage- subsidy/cews-frequently-asked-questions
Individual enquiries (Account specific questions about the Canada emergency response or recovery benefits and to get forms)	1-800-959-8281
Business enquiries (Information about COVID-19 benefits for Businesses, eligibility requirements, calculating the benefit, or how to apply)	1-800-959-5525
CRA's business subsidy payment arrangement line	1-833-615-2087
Service Canada - El	1-800-206-7218

Are you interested in talking to a Liaison Officer?

To request virtual visit by phone or videoconference, register online at

canada.ca/cra-liaison-officer



83

83

Questions



84

Your feedback is important to us!

Please remember to complete our survey.



Thank you!

85