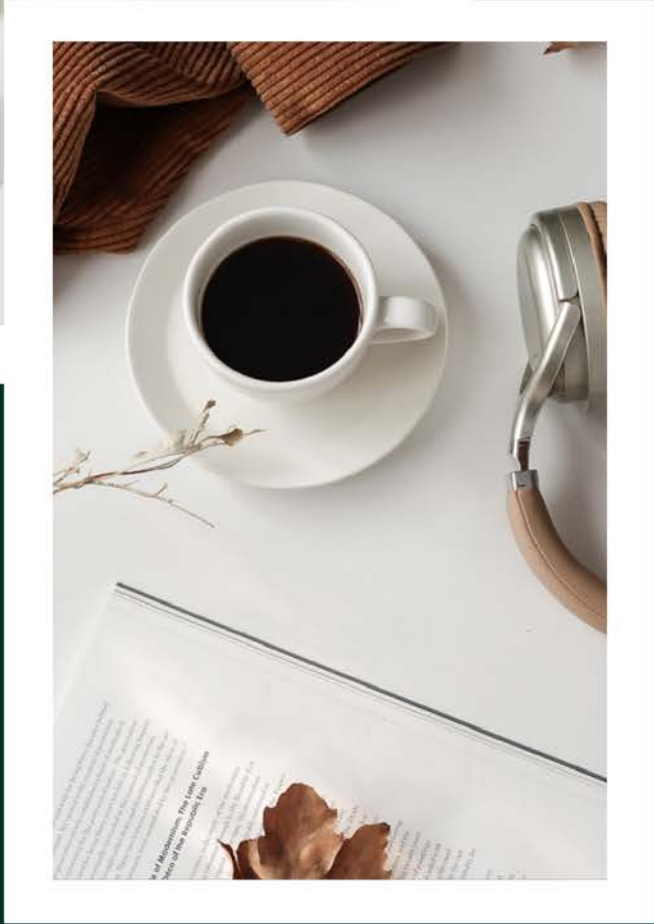
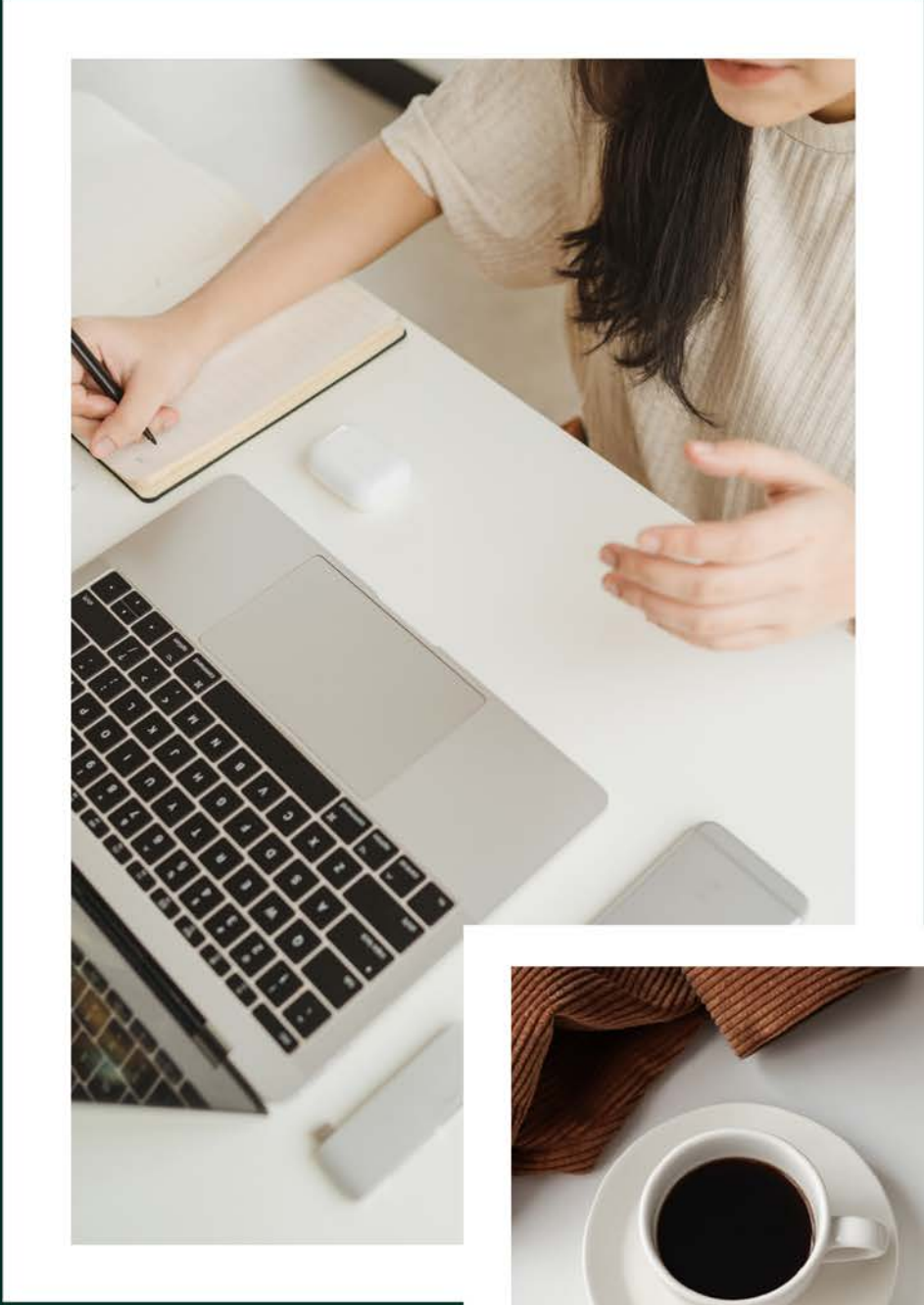


# STARTING A BUSINESS





# CONGRATS!

*So, you decided to start a business - Congratulations!*

*Now you are thinking, what have I got myself into and where do I start?*

*Hopefully, this will guide you on some key decisions you need to make right away.*

*The first is to determine the structure of the new business as either a corporation or a sole proprietor.*

*Please do consult a lawyer for any legal advice as this memo is not intended to take the place of any legal advisory services. The following is a general overview of the main differences and items to consider; however, please note that we will not be held liable for any decisions made based on this memo.*

# CORPORATION

## A CORPORATION IS A SEPARATE LEGAL ENTITY.

*This is a more complex business structure that requires a separate financial statement and corporate tax return to be prepared annually.*

*You must declare all income that is taken from the entity for yourself personally, to record on a personal tax return. This is done by way of a T4/T5 filing requirement in February each year.*

*A corporation is beneficial due to limited liability and potential tax advantages. The disadvantage of a corporation is that record keeping is more extensive and filing requirements are increased. As a result, the professional fee expense to maintaining a corporation is higher.*

## INCORPORATION

*You need to file incorporation documents with the Government of Alberta. There are companies that can assist you with this, or you can go to an Alberta Registry to do it yourself. Please note, you must file an annual return with the Alberta Government every year after incorporation to keep the company active; this is separate from the corporate tax return and is your responsibility to file. It is also important to note, at this point, you will need to determine ownership of the company. If you need an advisory on share structure, please contact a lawyer.*

## FEDERAL BUSINESS NUMBER

*CRA will normally automatically issue you a federal business number upon incorporation. This comes via mail and is normally provided within a few weeks. Make sure to keep this number as it is an important document for filing your corporate tax return. If you do not receive it within a few weeks, you will need to contact CRA to apply for a business number.*



# CORPORATION

## YEAR END DATE

*An important step upon incorporation is choosing the year-end date. The year-end must be within 365 days of the incorporation date. It can be any month-end date; therefore, it is suggested that you consider when a slower time of the year is for you, or what your preference would be due to personal factors. The corporate tax filing deadline is 6 months after year-end; however, if you owe any taxes, it is due within 3 months of year-end. As a rule of thumb, we aim to complete the corporate tax return within 3 months of year-end.*

## GST REGISTRATION

*GST/HST is required to be remitted to CRA if you exceed sales of \$30,000 within a year. If you intend to exceed this threshold at any point, it is suggested you simply register immediately upon incorporation to be eligible to claim any GST paid on expenses while starting the business. Depending on the income level, there are various periods to file. Typically, in a new company, you will file annually, and this should be filed when preparing for the year-end. Make sure you understand the deadline for the GST return, as this is a separate return from the tax return.*

## BANK AND CREDIT CARD ACCOUNTS

*It is important to understand that when you incorporate, you are not the business. Therefore, upon incorporation, you will need to open a bank account in the corporate name, and if you intend to use a credit card, this should also be set up in the corporate name. If you have problems setting up the corporate credit card, ask the bank if you can guarantee the credit card in order to have it in the corporate name. All transactions from incorporation onwards should be in these accounts. In order to reduce the costs at year-end, this is an important step as every transaction through these accounts must be accounted for in the bookkeeping.*



# CORPORATION

## BOOKKEEPING

*This is where things get a bit more complicated. I suggest you set up a good system right away as this is often where individuals get overwhelmed or fall behind.*

*If you do not love to look at numbers or are not skilled on a computer, hire a bookkeeper. Reach out to us and we can discuss options for you. Alternatively, there are great courses online that I can help direct you to in order to learn how to set yourself up for success in bookkeeping.*

*If you choose to take this on yourself, there are a couple of recommendations depending on the complexity of the corporation. QuickBooks Online is great software, or if the business operations are simple then we have some Excel templates that could work for you. Both methods have pros and cons, however, if you want to generate any monthly reporting or link invoicing, then QuickBooks Online is a great option.*

*When doing bookkeeping it is very important to understand that every asset/liability must be reconciled to supporting documentation. If you have a bank account, the balance on the Excel document or in the QuickBooks Online balance sheet report, needs to agree to the bank statement at that date. When it comes time for the year-end, I will be confirming all balance sheet accounts agree to supporting documents. If you need further guidance on what this requires, please do reach out.*

*Stay on top of it; try not to procrastinate to the point where you must do it all at once at the year-end. You will feel very overwhelmed if you do this!*



# CORPORATION

## MILEAGE

*If you are driving for the corporation, please do ensure you are keeping a mileage log. You are able to deduct a per KM allowance if using a personal vehicle however, you are unable to deduct expenses such as fuel if the company does not own the vehicle.*

## YEAR END

*You need to prepare financial statements and a corporate tax return annually; this is essentially the "year-end package", which an accountant should assist with. This needs to agree to the GST return(s) filed as noted above!*

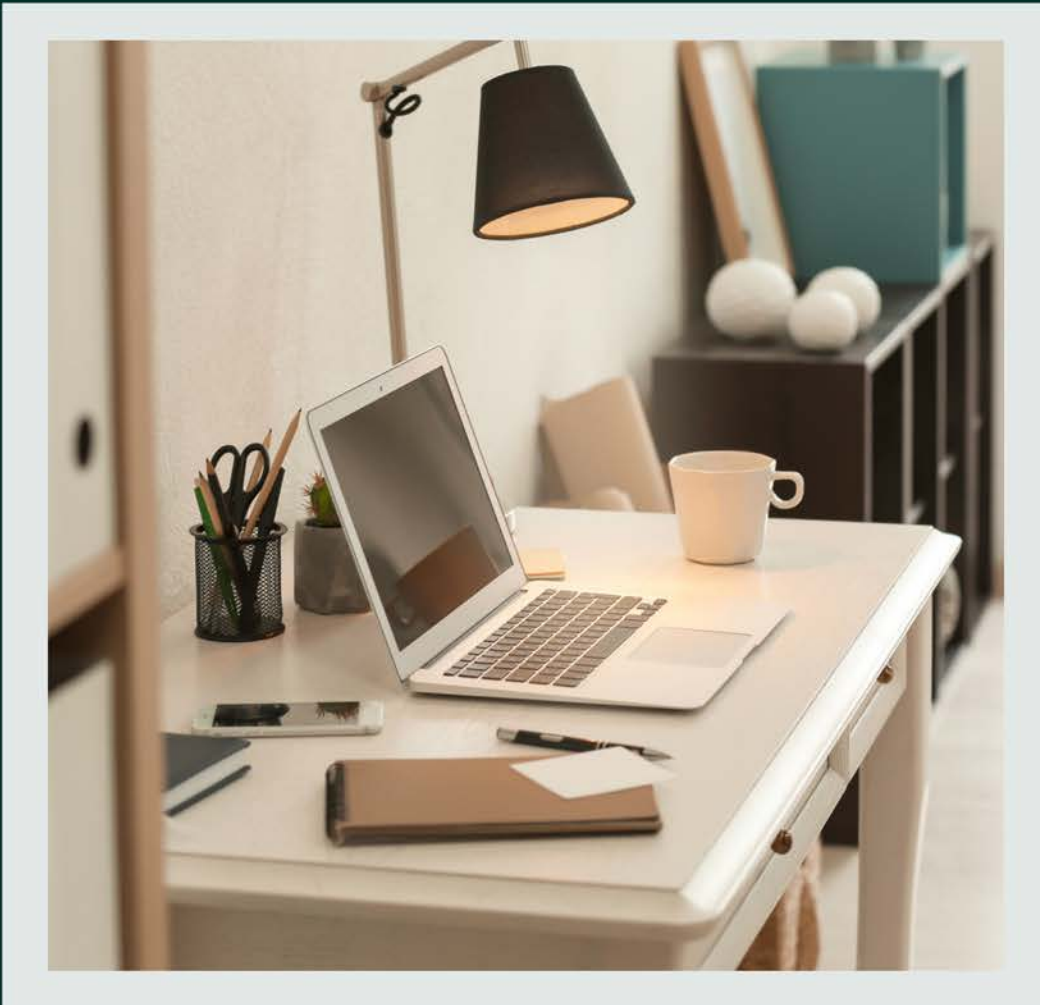
## PAYING YOURSELF

*You started a company to likely receive some of the profits! A key decision is how to set yourself up for payments. Please refer to our blog post on salary and dividends for more details. If you determine you want to pay yourself via salary, you must register for a payroll account and remit deductions monthly. One important item to note: as an owner, unless you register for EI deductions you are not required to remit EI on any salary.*

## PAYROLL

*If you are planning to have employees beyond just yourself, there are third-party payroll services available that can assist you here if needed. Alternatively, software such as QuickBooks Online has a payroll service that can help. Please do reach out if you need any further guidance here.*





## SOLE PROPRIETOR

*This is an unincorporated business that is owned by an individual or a partnership. This is the simplest business structure. All business income and expenses are included on the personal tax return. This business structure may have lower professional fees due to the simplicity, however, there is no protection against liability (essentially you are the business and therefore, all personal assets are at risk if any debt or legal issues arise).*

# SOLE PROPRIETOR

## BOOKKEEPING

*Sole proprietor bookkeeping is a little bit different and can be set up in a variety of ways. Since you are the business, you are not required to set up separate accounts to track the details. For personal tax season, you simply need to be able to track the income and expenses throughout the year with the GST (if required) broken out from these details. Depending on organization/complexity level of the business, it may be recommended to still prepare the bookkeeping like a corporation. If you have a more complex business and separate bank accounts, please do see the notes above regarding the bookkeeping under a corporation. We do have a great template for bookkeeping available as a resource for you to use.*

## AUTOMOBILE EXPENSES

*You must keep every receipt related to the vehicle expenses and a very detailed mileage log. If you rarely drive for business purposes, this may not be worth the deduction as there is a lot of summarization and receipts required to claim this deduction.*

## GST RETURN

*GST/HST is required to be remitted to CRA if you exceed sales of \$30,000 within a year. If you intend to exceed this threshold at any point, it is suggested you simply register immediately upon set up to be eligible to claim any GST paid on expenses while starting the business. Depending on the income level, there are various periods to file. Typically, in a new company, you will file annually, and this should be filed when preparing the tax return. Make sure you understand the deadline for the GST return, as this is a separate return from the tax return.*







## OUTSTANDING

*"Michelle has provided me with Sage advice for a number of years. She is extremely responsive and always happy to answer questions as they come up through the year. I would highly recommend Michelle Arnason for her expertise and professionalism."*

*J. White*

REVIEWS

## 5-STAR

"Michelle has always been very professional and able to give us strategic advice to manage our finances. She is quick to respond and very knowledgeable. Highly recommended!"

*J. Griggs*



## KNOWLEDGEABLE

"Michelle is very knowledgeable and helpful with all my inquiries. Her work is very expeditious and professional."

*A. Buzinawski*