

## ***What you can do to reduce S.O.H.O. stress at income tax time.***

Most *Small Office Home Office* businesses take their information to a professional for tax return preparation. If you have not already implemented an organized system for your records here are some tips that will save you time and money.

### **This year before you see your income tax professional:**

1. Get organized. Sort your information into separate file folders that are labelled according to Expense and Revenue types.
2. Create a separate folder for your GST, Income Tax, Bank Statements, Bank Loans, Credit Card Statements, Charitable Receipts, Investments (RRSP, GIC, etc.), and Medical Receipts. (The medical receipts may be used for your personal income tax.)
3. Store the folders in alphabetical order in a portable accordion file folder or banker's box (depending on how much paperwork you have). Label with your name and contact information.
4. Make sure that all related documents are accounted for. E.g. Utility bills for each business month are in the Utilities folder. Bank loan information should include interest expense information, etc.
5. Be realistic about your expenses and get rid of all receipts that are not business related. Revenue Canada will not allow the following expenses for most of us:
  - a) Hair cuts
  - b) Dry cleaning
  - c) Holiday excursions
  - d) Pet expenses
  - e) Clothing and jewellery
6. Include your mileage log or the number of kilometres travelled for business. You will need this to determine how much of your Vehicle Insurance, Vehicle Maintenance, and Gas/Oil can be expensed.
7. Make a list of all business equipment purchased and/or discarded this year.
8. Make a list of any accounts receivable invoices that might be uncollectible.
9. How many rooms are there in your home and how many of those are used for business? This information is required to calculate the percentage of business portion of expenses.
10. Invest in an RRSP or increase your contribution total before the February deadline if your budget allows.

### **For your next business year:**

- Start at number one from the above list and keep on top of things to avoid last minute panic.

- Buy a user friendly accounting package like Simply Accounting or hire someone to keep your accounting records up to date, so you can get a better handle of how your business is doing.
- Keep your business and personal transactions separated as much as possible.
- Keep the number of business credit card and bank accounts to a minimum. With each account that you have, additional time will be required to reconcile information, which in turn will cost you more money.
- Start your RRSP program if you haven't already done so.
- Apply for a GST number if you have not already got one and your projected sales for this year will be over \$30,000.00.

