In our newsletter, we try to offer a variety of current information and helpful business advice. We welcome any comments.

WHY HIRE AN ACCOUNTANT TO FILE YOUR TAXES?

In this day and age, do-it-yourself renovations, photography, investing, and so on are commonplace. However when it comes to filing your taxes, hiring an accountant to file your taxes may be a better alternative.

Tax software can be easily obtained which can prepare tax returns that are mathematically correct, provide "intuitive" guidance to your tax questions and allow ease of filing with the Canada Revenue Agency (CRA). However, when dealing with tax filings, maintaining a strong relationship with a tax advisor helps to avoid the following mistakes:

1. **Taxpayers may miss available deductions** – there are a myriad of deductions available to taxpayers depending on your specific situation that can easily be overlooked if you are preparing your own tax return
2. **Taxpayers tend to favourably interpret tax rules and regulations** – for example, being self employed does not automatically entitle you to a deduction for clothing expense
3. **Taxpayers often misinterpret CRA regulations** – for example, tradespeople often spend money on tools thinking they can deduct them on their taxes but many don't realize that they can only deduct the cost of tools purchased when they spend in excess of $1,117 (2013 threshold) and subject to a maximum claim of $500
4. **Taxpayers frequently overlook benefits of carryforwards** – examples of carryforwards overlooked include tuition fees, capital and non-capital losses, medical expenses and donations
5. **Taxpayers often think they can claim what their friends claim** – each taxpayer situation is unique, for example just because one person deducts vehicle expenses does not mean that another person automatically can as well
6. **Taxpayers do not keep their tax files long enough** – tax records must be kept for six years after the date filed
7. **Taxpayers get frustrated when dealing with the CRA** – if you are inexperienced in dealing with tax matters, you may misinterpret what information the CRA is requesting and further drag out the process
8. **Taxpayers who are owner-managers of a corporation may fail to record draws and loans from their company as income** – failure to properly record this income may result in additional taxes, interest and penalties
9. **Taxpayers will not receive help from CRA** – if you fail to report income from a tax slip CRA will undoubtedly catch the omission when they do their matching procedures and reassess you accordingly; however, if you miss a deduction that you could have made, CRA will not notify you
10. **Taxpayers may miss opportunities to file corrections** – if errors or omissions occur in tax filings, taxpayers may not know how to file an adjustment to make the correction

Hiring a Chartered Professional Accountant (CPA) to deal with your tax filings will make your life a lot easier. As CPA's we are familiar with the *Income Tax Act* and how to interpret tax rules and regulations. We also maintain years of records and notes regarding your tax history and have the knowledge and experience to deal with CRA on your behalf. Finally, maintaining a continuous relationship with your CPA will ensure that your tax filing is the most advantageous and allow you to rest easy.

Qualifying For The Capital Gains Exemption

If the shares of your company are qualified small business corporation (QSBC) shares and held personally you may qualify for the lifetime $800,000 capital gains exemption to offset all or part of the capital gain. However, in order to qualify for the exemption, the shares of your corporation must meet the following requirements:

- At the time of sale at least 90% of the fair market value (FMV) of the assets were used to carry on an active business in Canada and/or were shares of a connected QSBC.
- Throughout the 24 months immediately before the share was disposed of at least 50% of the FMV of the assets of the corporation were used mainly in an active business.
- Throughout the 24 months immediately before the share was disposed of, no one owned the share other than the seller or someone related to the seller.

If you are contemplating a share sale in the future it is important to evaluate these tests to determine if you qualify. If you don't qualify there may be steps that can be taken so that you do qualify such as:

- Excess cash not used in operations can be considered a non-active asset – this can be paid out as a dividend or used to pay off debt or other liabilities.
- Excess cash or investments can be moved to another company.
- Other non-active assets such as vacant land not used in the business can be sold.

Determining if shares of a small business corporation qualify for the capital gains exemption can be complicated so professional advice should be sought in order to ensure taxes are minimized upon disposition of those shares.

When the Owner-Manager Can't Be There

Although nobody likes to think about it, someday you will no longer be able to run your business. That day could happen sooner than you think if an accident makes you suddenly incapacitated. In order to ensure that your business continues to operate smoothly in your absence, steps should be taken as soon as possible.

Someone to take over
Every business should have someone who can take over the business if the owner-manager can't be there. If you can't think of that person then you should consider either training or hiring someone you think is up to the task. This designated person should know your business well enough that they could do your job at a moment's notice.

Computer passwords
The designate should have access to all computer systems to ensure that business activity continues uninterrupted while you are away. In addition, they should have the ability to change passwords in the event an employee is dismissed in order to protect company data.

Key contacts
The designate should meet with key individuals such as accountants, lawyers, bankers and insurance agents in the event there is an emergency that requires their input.

Experience and know-how
The designate should have the breadth of experience necessary to manage the company's projects. Field experience is a must as it will give this individual the opportunity to understand how the company operates. In addition, they should be familiar with the job responsibilities and personalities of all the company's employees.

Important information
The designate should be knowledgeable about the company's contracts, financial position, loan agreements, etc. to avoid blunders while company personnel attempt to get this information from suppliers, clients and financial institutions.

Shareholder agreement
A signed and dated shareholder agreement is the most important document shareholders can have. It should outline what happens to the owner's shares in the event of disability or death. It also deals with a myriad of other issues that protect the company and the owner-manager from actions that could be to their detriment.

Start planning now
It is never too soon to plan for your absence so start planning now. Knowing your business is in good hands in the event you can't be there will allow you and your family to focus on more important matters in the event of an accident.