

## NEW BUSINESS/INCORPORATION CHECKLIST

### Business details

Purchasing existing business? \_\_\_\_\_ Shares or assets? Set up holding company? \_\_\_\_\_

Type of business \_\_\_\_\_

Date of startup \_\_\_\_\_ GET BIN# \_\_\_\_\_

Projected income \_\_\_\_\_

Should you incorporate? \_\_\_\_\_

What types of shares to set up? \_\_\_\_\_

Year-end: Depends on business cycle; 53 weeks from incorporation date. \_\_\_\_\_

If incorporating existing business:

- value current business \_\_\_\_\_
- get new BIN \_\_\_\_\_
- do rollover of assets \_\_\_\_\_
- advise banks, insurance company, landlord, leasing companies, loan entities of incorporated status \_\_\_\_\_

Employees/partners? \_\_\_\_\_

Draft shareholder agreement \_\_\_\_\_

Business use of home? Primary place of business or where you regularly meet clients. \_\_\_\_\_

Business use of vehicle (business km/total km or \$0.54/\$0.48 per km? \_\_\_\_\_

Set up bank account \_\_\_\_\_

List of assets brought in business with market value and approximate age \_\_\_\_\_

Family members as employees? Possibly EI exempt and possibility of income splitting \_\_\_\_\_

### HST issues

Register ASAP for ITCs (on-line or 1-800-959-5525 or CRA-ARC.GC.CA) \_\_\_\_\_

Business in more than 1 province? \_\_\_\_\_

HST rate depends on place of supply of goods or address of recipient of service

Quick method = 8.8% of HST-included sales \_\_\_\_\_

GST 74 (QM election) – file by end of first quarter \_\_\_\_\_

Simplified method for claiming ITCs = 13/113 of tax included pricing\_\_\_\_\_

Annual/Quarterly/Monthly filer? \_\_\_\_\_ Quarterly instalments?\_\_\_\_\_

Track HST separately (See Cash disbursement Excel spreadsheet )\_\_\_\_\_

Add HST on reimbursable expenses = HST on total invoice\_\_\_\_\_

Indicate HST # on invoices \_\_\_\_\_

### **Record keeping**

Keep all receipts (credit card statements are not acceptable)\_\_\_\_\_

Pay all business expenses by cheque, debit or credit (preferably corporate cards)\_\_\_\_\_

Keep transactions manually, Excel or accounting program (only recommended if have experience with debits and credits)\_\_\_\_\_

Familiarize with bank reconciliations; credit card reconciliations\_\_\_\_\_

Accrual method of accounting required...not cash basis (At least on income) \_\_\_\_\_

Create budget, cash flow, periodic financial reporting, comparative reporting to prior periods

### **Financing**

Are you investing money in your own business? If took out personal loan, interest could be deductible

Borrowing from banks? Consider personal guarantees, LOC, term (for asset purchases), interest rates, terms of repayment, leasing \_\_\_\_\_

DO NOT USE the CRA (Canada Revenue Agency) as a source of financing...interest is expensive and not deductible; penalties often apply \_\_\_\_\_

### **Remuneration**

Pay back shareholder loans = tax free\_\_\_\_\_

Salary – see below – no EI; build RRSP room, monthly source deductions by 15th of next month\_\_\_\_\_

Fill out CPP exempt form if over 65\_\_\_\_\_

Dividends = not eligible to build RRSP room, no contributions to CPP (CPP is close to \$5,000/year)\_\_\_\_\_

Maximize lowest income tax bracket - \$40K x 2 means less tax than \$80K\_\_\_\_\_

Income split (with family members based on market value of similar work for third party)\_\_\_\_\_

**Employees vs. contractors**

If you control their actions (dictate their hours of work and method of work), supply their tools/equipment, prohibit them from getting other work while they work for you, they are likely employees \_\_\_\_\_

Set up payroll account # \_\_\_\_\_

How often pay employees (weekly, biweekly, 2x/month, monthly)? \_\_\_\_\_

CPP, EI, tax tables per CRA website; Ontario Pension Plan costs, WSIB possible; EHT if payroll over \$500,000  
\_\_\_\_\_

Available employee benefits – taxable/non-taxable per CRA publication (T4130) \_\_\_\_\_

**Insurance**

Contents (furniture, computers) check with broker to ensure home policy is sufficient \_\_\_\_\_

Errors and omissions \_\_\_\_\_

Liability \_\_\_\_\_

Medical \_\_\_\_\_

Disability, Critical Illness \_\_\_\_\_

**Corporate income tax**

15.5% in Ontario on profit (income less expenses) \_\_\_\_\_

No instalments in first year (Possible monthly or quarterly after 1st year) \_\_\_\_\_

Dividends do not count as an expense \_\_\_\_\_

Balance of tax due 3 months after year-end; tax return due 6 months after year-end \_\_\_\_\_

Other provincial tax if permanent establishment in that province \_\_\_\_\_

## CORPORATE INCOME TAX

	<u>SALARY</u>	<u>DIVIDENDS</u>
Sales	\$100,000	\$100,000
Expenses	(25,815)	(25,815)
Salary	(74,185)	-
Net profit	\$0	\$74,185
Corporate income tax (ONTARIO) 15.5%	\$0	11,500
Dividend	\$0	\$62,685
Personal income tax	\$16,363	\$5,494
CPP	4,851	-
NET TAKE HOME	<u>\$52,971</u>	<u>\$57,191</u>

## HST OPTIONS

	<u>REGULAR</u>	<u>QUICK Method</u>
Taxable income	\$100,000	\$100,000
HST collectible	<u>13,000</u>	<u>13,000</u>
Total receivable	\$113,000	\$113,000
QUICK METHOD 8.8%	-	9,644
Expenses subject to HST	<u>25,815</u>	-
HST on expenses	<u>3,356</u>	-
<b>HST to remit</b>	<u><b>\$9,644</b></u>	<u><b>\$9,644</b></u>

If expenses subject to HST are less than \$25,815, elect the Q.M.