Canada Revenue Agency   Agence du revenu du Canada

Information for Canadian Small Businesses

This guide is available only in electronic format.

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Canada

Is this guide for you?

Are you starting a new small business in Canada? Are you operating one already? Then this guide is for you. It will introduce you to the Canada Revenue Agency (CRA) programs and online services you need to know about, and give an overview of your obligations and entitlements under the laws that we administer.

Many activities of a small business are subject to different forms of taxation. This guide will help you with each of these, and will explain how to plan for taxes, keep records, and make and report payments.

It will also explain:

- different kinds of business structures;
- goods and services tax/harmonized sales tax (GST/HST);
- excise tax, excise duties, and the softwood lumber products export charge;
- payroll deductions;
- income tax reporting and payment;
- audits (how to prepare for and handle an audit);
- objections and appeals; and
- electronic services.

For details on some topics, we will refer you to other publications which are available at **cra.gc.ca/forms**.

> **Note**
> This guide includes no GST/HST information that is specific to small businesses that are financial institutions for GST/HST purposes. For this information, see Guide RC4022, *General Information for GST/HST Registrants.*

The success of small businesses is an essential part of Canada's economic growth. At the CRA, our goal is to provide all the support we can. We work closely with small businesses to improve services, reduce paperwork, reduce the cost and time of compliance, and maintain confidence in Canada's tax system.

If you are blind or partially sighted, you can get our publications in braille, large print, etext, or MP3 by going to **cra.gc.ca/alternate**. You can also get our publications and your personalized correspondence in these formats by calling **1-800-959-5525**.

Unless otherwise noted, all legislative references are to the *Income Tax Act* and the *Income Tax Regulations*.

La version française de cette publication est intitulée *Renseignements pour les petites entreprises canadiennes*.

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Definitions

Adjusted cost base (ACB) – The cost of a property plus any expenses you incur to acquire it, such as commissions and legal fees.

The cost of a capital property is its actual or deemed cost, depending on the type of property and how you acquired it. It also includes capital expenditures, such as the cost of additions and improvements to the property. You cannot add current expenses, such as maintenance and repair costs, to the cost base of a property.

For more information on ACB, see Interpretation Bulletin IT-456, *Capital Property – Some Adjustments to Cost Base*, and its Special Release.

Appeal – A process by which you ask a court to review the decision that the CRA's Appeals Branch made for the Minister of National Revenue.

Arm's length – Refers to a relationship or a transaction between persons who act in their separate interests. An arm's length transaction is generally a transaction that reflects ordinary commercial dealings between parties acting in their separate interests.

"Related persons" are not considered to deal with each other at arm's length. Related persons include individuals connected by blood relationship, marriage, common-law partnership, or adoption (legal or in fact). A corporation and another person or two corporations may also be related persons. For purposes of the GST/HST, a member of a partnership is related to the partnership.

''Unrelated persons'' may not be dealing with each other at arm's length at a particular time. Each case will depend upon its own facts. The following criteria will be considered to determine whether parties to a transaction are not dealing at arm's length:

- whether there is a common mind which directs the bargaining for the parties to a transaction;
- whether the parties to a transaction act in concert without separate interests; "acting in concert" means, for example, that parties act with considerable interdependence on a transaction of common interest; or
- whether there is de facto control of one party by the other because of, for example, advantage, authority or influence.

For more information, see Income Tax Folio S1-F5-C1, *Related persons and dealing at arm's length*.

Articles of incorporation – A legal document a corporation files with a provincial, territorial, or federal government that sets out its purpose and regulations.

Assessment – The CRA's formal calculation of taxes, duties or other amounts to be paid or refunded. This definition also applies to a reassessment.

Assets – Any property that you or your business owns. Assets include money, land, buildings, investments, inventory, cars, trucks, boats, and other valuables. Assets can also include intangibles such as goodwill.

Bad debt – Money owed to you that you cannot collect.

Balance – The amount left in an account after deposits and withdrawals.

Budget – A plan outlining an organization's financial and operational goals.

Business expenses – Costs that are considered reasonable that your business incurs to operate and earn income. You can deduct business expenses for tax purposes.

Business number (BN) – A nine-digit number given to your business to simplify its dealings with the federal, provincial or territorial, and municipal governments. A business will have one BN.

Calendar year – The one-year period that begins on January 1 and ends on December 31.

Canada Pension Plan (CPP) – A pension plan that gives Canadians income for their retirement. It also gives them income if they become disabled.

Capital cost allowance (CCA) – The deduction you can claim over a period of several years for the cost of depreciable property, which is property that wears out or becomes out of date over time. Buildings, furniture, and equipment that you use in your business or professional activities are examples of depreciable property.

Capital gains – The profit you make when you sell, or are considered to have sold, a capital property for more than the total of its adjusted cost base and the amount it cost to sell it.

Capital loss – The loss you realize when you sell, or are considered to have sold, a capital property for less than the total of its adjusted cost base and the amount it cost to sell it.

Capital property – Generally, any property of value, including depreciable property, that you buy for investment purposes or to earn business income. Common types of capital property include principal residences, cottages, stocks, bonds, land, buildings, and equipment used in a business or rental operation.

Commercial activity – Any business or adventure or concern in the nature of trade carried on by a person but does not include:

- the making of exempt supplies; or
- any business or adventure or concern in the nature of trade carried on without a reasonable expectation of profit by an individual, a personal trust, or a partnership where all the members are individuals.

Commercial activity also includes the making of a supply of real property, other than an exempt supply, by any person, whether or not there is a reasonable expectation of profit, and anything done in the course of making the supply or in connection with the making of the supply.

Confidentiality – The CRA protects income tax, GST/HST, excise duty, excise tax, and other related tax and duty information. The only people with access to this information are those who are authorized by law or those whom the taxpayer, registrant, or licensee has:

- authorized online through My Account for Individuals or My Business Account; or
- authorized by completing Form RC59, *Business Consent*, or Form T1013, *Authorizing or Cancelling a Representative*.

Corporation – A form of business authorized by federal, provincial, or territorial law to act as a separate legal entity. A corporation's purpose and regulations are set out in its articles of incorporation. A corporation may be owned by one or more persons.

Cost of goods sold – The actual cost of items sold in the normal course of business during a specific period.

Debt – An amount that is owed. If you borrow money or buy something on credit, you have created a debt.

Deemed – A legal term used for something that is considered something else in a specific situation. It is also used to describe something that has not yet happened but is thought to have happened in a specific situation.

Depreciable property – Capital property you use to earn income from a business or property. You can claim capital cost allowance (CCA) on depreciable property, and you can write off the capital cost as CCA over a number of years. Depreciable properties are grouped into classes. For example, diggers, drills, and tools that cost $500 or more belong in class 8. You have to base your CCA claim on the specific rate assigned to each class of depreciable property.

Disposition – Generally, this is the disposal of property by sale, gift, transfer, or change in use.

Duty – The tax imposed under the *Excise Act, 2001* and the *Excise Act*, as well as the tax charged under certain sections of the *Customs Tariff*.

Election – A formal choice made between different options available under tax legislation that may be applied to your financial tax affairs. Generally, you make an election using a specific form and have to submit it by a set deadline.

Employment insurance premiums – Amounts that an employer has to deduct from the employees' insurable earnings. These deductions are sent to the CRA. Employers must also pay their share of employment insurance premiums.

Employment Insurance Program – A federal program that gives financial support to Canadians if they are temporarily out of work. The employee and the employer pay amounts into the Employment Insurance Fund.

Excise – Taxes and duties on the manufacture, sale, or use of goods and items.

Exempt supplies – Supplies of property and services that are not subject to the GST/HST. This means you do not charge GST/HST on your supplies of these property and services. You generally cannot claim input tax credits for the GST/HST paid or payable on property and services you acquired to make exempt supplies.

Fair market value (FMV) – Generally, it is the highest dollar value that you can get for your property or a service in an open market from an informed and willing buyer. You must be an informed and willing seller and deal with the buyer at arm's length.

Fiscal period – The 12-month period for reporting income-earning activities. The fiscal period may or may not match the calendar year. Your business creates its fiscal period when it files its first income tax return.

Goodwill – An intangible asset that belongs to a business. When you purchase a business at arm's length for more than the fair market value of its assets less its liabilities, the excess is goodwill.

Income – The total sum of money or other assets you earn in a period of time from your work, business, or investments. It includes money from salaries, wages, benefits, tips, commissions, and profits from operating a business or profession.

Income statement – A financial statement that sums up the profits or losses of your business for a specified period of time. An income statement is also known as a profit and loss statement.

Information slips – The forms that an employer, a trust, or a business prepares to tell employees and the CRA how much income the employee earned, and how much tax was deducted.

Input tax credit (ITC) – A credit that GST/HST registrants can claim to recover the GST/HST paid or payable for property or services they acquired, imported into Canada, or brought into a participating province for use, consumption, or supply in the course of their commercial activities.

Instalments – A periodic payment you have to pay to the CRA on certain dates. For GST/HST, instalments are periodic payments that may also be payable by persons who file annual returns.

Inventory – Generally, the total value of the goods on hand that your business intends to sell, use to manufacture goods, or use to provide a service. In certain cases, inventory can include services.

Lease – A contract to rent property to a person or a business for a set period of time at a specified rate.

Liability – Money or a debt you or your business owes.

Licensee – A person who holds a licence issued under the *Excise Act, 2001*, the *Excise Tax Act*, or the *Excise Act*.

Loss – What you have when your expenses are more than your revenues.

Motor vehicle – An automotive vehicle designed or adapted for use on highways and streets. A motor vehicle does not include a trolley bus or a vehicle designed or adapted to use only on rails.

Net income – The income that is the result of your gross income minus your allowed expenses. You have to pay income tax on your net income.

Non-arm's length – Generally refers to a relationship or transaction between persons who are related to each other.

However, a non-arm's length relationship might also exist between unrelated individuals, partnerships, or corporations, depending on the circumstances. For more information, see the definition of "arm's length."

Notice of assessment – A document that the CRA sends to you after it assesses your tax return or rebate application. It tells you if the CRA made any changes to your return or rebate application and explains the changes. The notice of assessment also tells you if you owe tax or will get a refund.

Objection – The first step in the formal process to resolve a dispute between you and the CRA.

Operating expenses – The routine costs of running your business. They include expenses for gasoline, electricity, and office supplies. They do not include the cost of buildings or machinery that are expected to last for several years. See the related topic "capital cost allowance."

Participating province – A province that has harmonized its provincial sales tax with the GST to implement the harmonized sales tax (HST). Participating provinces include New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, and Prince Edward Island. They do not include the Nova Scotia offshore area or the Newfoundland offshore area except to the extent that offshore activities are carried on in that area.

Passenger vehicle – A motor vehicle designed or adapted primarily to carry people on highways and streets. It seats a driver and no more than eight passengers. Most cars, station wagons, vans, and some pick-up trucks are passenger vehicles. The CCA rate, and limits for interest, and leasing apply to these vehicles.

A passenger vehicle is **not** any of the following:

- an ambulance;
- a clearly marked police or fire emergency-response vehicle;
- a motor vehicle you bought to use more than 50% as a taxi, a bus in the business of transporting passengers, or a hearse in a funeral business;
- a motor vehicle you bought to sell, rent, or lease in a motor vehicle sales, rental, or leasing business;
- a motor vehicle (except a hearse) you bought to use in a funeral business to transport passengers;
- a van, pick-up truck, or similar vehicle that seats no more than the driver and two passengers and that, in the fiscal year you bought or leased it, you used more than 50% to transport goods and equipment to earn income;
- a van, pick-up truck, or similar vehicle that, in the tax year you bought or leased it, you used 90% or more to transport goods, equipment, or passengers to earn income;
- a pick-up truck that, in the tax year you bought or leased it, you used more than 50% to transport goods, equipment, or passengers while earning or producing income at a remote work location or at a special work site that is at least 30 kilometres from the nearest community having a population of at least 40,000 persons; or
- a clearly marked emergency medical service vehicle used to carry paramedics and their emergency medical equipment.

Payroll deductions – Amounts deducted from an employee's wages or salary, including deductions for income tax, Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) contributions, and Employment Insurance (EI) premiums.

These deductions are sent to the CRA regularly. Employers must also pay their share of CPP or QPP contributions and EI premiums.

Penalties – Amounts that you have to pay if you do not file returns or pay amounts owing on time. You have to pay penalties if you knowingly, or under circumstances that amount to gross negligence, make a false statement, leave out information on your return, or do not give the required information on a form that you must fill out.

Person– A person means an individual, a partnership, a corporation, the estate of a deceased individual, a trust, or any organization such as a society, a union club, an association, or a commission.

Prepaid expense – An expense you pay in advance. It is an expense that you will incur for property and services in a later fiscal period, or an amount you pay in interest, income tax, municipal tax, rent, dues, or insurance for later fiscal periods. A prepaid expense is listed on your balance sheet as an asset at the end of a fiscal period.

Proceeds of disposition – Generally, the amount you received or will receive for your property. In most cases, it refers to the sale price of the property. It could also include compensation you received for property that has been destroyed, expropriated, or stolen.

Quebec Pension Plan (QPP) – A pension plan equivalent to the Canada Pension Plan (CPP) but offered in the province of Quebec. The Quebec provincial government handles the contributions to the QPP.

Rates of tax – The percentage of income for each income tax bracket that must be paid as tax. The Canadian Parliament sets the basic income tax rates. These tax rates increase with the amount of taxable income.

Records – Documents such as account books, sales and purchase invoices, contracts, bank statements, and cancelled cheques. Your records must be in English or French. You must keep them organized at your business or residence in Canada. You must keep your records for at least six years from the end of the last fiscal year they relate to. You must make these books and documents available to our CRA officers when requested.

Refund – An amount of money the CRA gives back to you as a result of an assessment or reassessment of your tax return.

Regional excise duty office – An office that serves as the CRA's liaison with you on matters relating to the excise duty program.

Registrant – A person that is registered or has to be registered for the GST/HST.

Remittance – A payment you send through a financial institution or directly to the CRA to pay CPP or QPP contributions, EI premiums, income tax, or GST/HST. It also includes your employer's share of CPP contributions and EI premiums.

Reserves – Funds you set aside to cover future expenses, losses, or claims.

Salary – The amount an employer pays an employee for work done. Each employer records this type of employment income on a T4 slip.

Shareholder – The owner of shares of a corporation.

Small business – For income tax purposes a small business is defined as a business entity with less than 100 employees.

Social insurance number (SIN) – A nine-digit number that identifies you for federal income tax purposes. You need this number in order to work in Canada or to have access to government programs and benefits. Everyone who files an income tax and benefit return must give their SIN.

Sole proprietorship – A form of business that one individual owns entirely and that is not incorporated.

Spouse – For income tax purposes, the person you are legally married to. The term common-law partner includes partners who meet certain conditions. For more information, see the *General Income Tax and Benefit Guide*.

Supply – The provision of property or a service in any way, including sale, transfer, barter, exchange, licence, rental, lease, or a gift.

Tax centres – CRA offices located in different parts of Canada where we process tax returns.

Tax payable – The amount of income tax that you have to pay based on the amount of your taxable income for the tax year. It is also the amount of tax payable on a taxable supply (for GST/HST purposes).

Tax services offices – CRA offices located across the country that service various local areas. For the address of your tax services office, go to **cra.gc.ca/tso**.

Taxable benefits – Amounts of money, or the value of property or services, that an employer pays or gives an employee in addition to their salary. For example, the premium an employer pays to a provincial or territorial health insurance plan for an employee is a taxable benefit.

Taxable income – The amount of income after all allowable deductions have been subtracted from net income. The CRA uses this amount to calculate tax payable.

Taxable supplies – These are supplies of property and services that are made in the course of a commercial activity and are subject to GST/HST (including zero-rated supplies).

Tax year – The term used to identify the period of time such as a calendar year or fiscal period to assess tax amounts.

Tobacco products – Manufactured tobacco, packaged raw leaf, or cigars. Generally, you have to have a tobacco licence from the CRA to manufacture tobacco products in Canada.

Workers' compensation – Money paid as a benefit to you if you are injured on the job. The money is paid out of an insurance plan funded by employers and administered by a provincial or territorial workers' compensation organization.

Zero-rated supplies – Supplies of property and services that are taxable at a rate of 0%. This means there is no GST/HST charged on these supplies, but GST/HST registrants may be eligible to claim an input tax credit (ITC) for the GST/HST paid or payable on property and services acquired to provide these supplies.

Chapter 1 – General information

Finding information on the web

You can find information for businesses and search by topic at **cra.gc.ca/business**.

You can also find a list of websites for small businesses on page 31.

For more information on starting a business, see Canada Business (Services for Entrepreneurs) at **canadabusiness.ca.** There you will find information from the federal, provincial, and territorial governments, and other sources.

About the CRA

The CRA is the federal government agency responsible for administering tax laws for the Government of Canada and most of Canada's provinces and territories. The CRA also delivers various social and economic benefit and incentive programs through the tax system.

The CRA collects federal, provincial (except in Quebec), and territorial individual income taxes.

The CRA administers and collects the GST/HST (except in Quebec), the air travellers security charge, the softwood lumber products export charge, Canada Pension Plan (CPP) contributions, employment insurance (EI) premiums, excise duties on alcohol and tobacco products, excise taxes on gasoline and fuel-inefficient vehicles, and a tax on insurance premiums (other than marine).

Revenu Québec administers the Provincial Parental Insurance Plan (PPIP), and GST/HST in Quebec, except for selected listed financial situations. For more information on selected listed financial institutions, go to **cra.gc.ca/slfi**.

For all provinces and territories (except Alberta and Quebec), the CRA administers federal, provincial, and territorial corporate income taxes.

The CRA also administers Canada's international tax agreements with other countries. Therefore, we have a key role in helping Canadian businesses and industries compete in world markets by making sure they have a fair environment in which to trade.

The CRA is committed to helping small businesses in Canada. It recognizes that, as entrepreneurs, you are very busy making your business profitable. You may not always have the time, expertise, or be inclined to do it all yourself. At times you probably will consult with professionals, such as lawyers, accountants, or customs brokers, to help you with your business. Although these individuals will help you, you are the one who is responsible for the actions of your business. You need to stay informed so that you can work with the professionals you hire and with the CRA.

Your responsibilities are found in the following laws of Canada:

- *Income Tax Act* (federal);

- provincial and territorial income tax acts;
- *Excise Tax Act*;
- *Excise Act*;
- *Excise Act, 2001*;
- *Air Travellers Security Charge Act*; and
- *Softwood Lumber Products Export Charge Act, 2006*.

The CRA administers these laws. However, the Department of Finance Canada is responsible for establishing the fiscal and tax policies of the Government of Canada.

A refund shall not be paid to a person until that person has sent to CRA or Canada Border Services Agency all returns or other records that are required to be filed under the *Excise Act, 2001*, the *Air Travellers Security Charge Act*, the *Customs Act*, *the Excise Act*, *the Excise Tax Act*, and the *Income Tax Act.*

If you owe money to the CRA see "When you owe money – collections at the CRA" at **cra.gc.ca/collections**.

When the Minister of Finance introduces a budget, it may include proposed amendments to existing legislation. The Department of Finance Canada then issues budget documents to explain the reasons behind the changes. The amendments proposed in the budget bill have to be debated and approved by the Canadian House of Commons and considered and approved by the Senate of Canada. The bill becomes law when it receives royal assent by the Governor General of Canada.

Chapter 2 – Setting up your business

The definition of a business from the *Income Tax Act* is:

- a profession;
- a calling;
- a trade;
- a manufacture; and
- an undertaking of any kind.

For income tax purposes only, a business also includes an adventure or concern in the nature of trade. For more information, see Interpretation Bulletin IT-459, *Adventure or Concern in the Nature of Trade*. It also includes any activity where there is a reasonable expectation of profit and there is evidence to support that intention.

For GST/HST purposes only, a business also includes any activity whether or not it is engaged in for profit and any regular or continuous activity that involves supplying property by way of lease, licence or similar arrangement.

The three most common types of business structures are:

- sole proprietorship;
- partnership; and
- corporation.

The type of structure you choose for your business has a significant effect on the way you report your income. The business structure impacts the type of tax returns you file each year, and many other matters.

Sole proprietorship

A sole proprietorship is an unincorporated business that is owned by one individual. It is a simple business structure.

The individual owner of a sole proprietorship has sole responsibility for making decisions, receives all profits, and claims all losses. An individual proprietor does not have a separate legal status from the business.

If you are a sole proprietor, you pay personal income tax on the net income generated by your business. You also assume all the risks of the business. The risks extend to your personal property and assets.

You may choose to register a business name or operate under your own name or both.

Partnership

A partnership is an association or relationship between two or more individuals, corporations, trusts, or partnerships that join together to carry on a trade or business.

Each partner contributes money, labour, property, or skills to the partnership. In return, each partner is entitled to a share of the profits or losses of the business. The business profits (or losses) are usually divided among the partners based on the partnership agreement.

Like a sole proprietorship, a partnership is easy to form. In fact, a simple verbal agreement is enough to form a partnership. However, most partnerships are governed by a written agreement setting out rules for partners entering or leaving the partnership, the division of partnership income, and other matters.

The partnership is bound by the actions of any member of the partnership, as long as these are within the usual scope of the partnership's operations.

A partnership is considered to be a person for GST/HST purposes. Therefore, it is important that you structure your affairs in a clear and understandable manner, since your reporting and remittance of GST/HST will depend on the type of structure you choose. If you are a partnership, you may want to set up a separate bank account, have a written partnership agreement, and take other steps to make sure that it is clear that the business is not a sole proprietorship.

Corporation

A corporation is a separate legal entity. It can enter into contracts and own property in its own name, separately and distinctly from its owners.

A corporation may have some of the following features:

- It is a separate legal entity with a lasting existence;
- It can raise large amounts of capital (money or other assets) more easily than a sole proprietorship or partnership;
- The shareholders cannot claim any loss the corporation incurs.

When forming a corporation, the owners transfer money, property, or services to the corporation in exchange for shares. The owners of these shares are shareholders.

You can buy and sell shares of a corporation without affecting the corporation's existence. A corporation continues to exist unless it winds up, merges, or gives up its charter for reasons such as bankruptcy.

You set up a corporation by completing articles of incorporation and sending the documents to the appropriate provincial, territorial, or federal governments.

Corporation's debts

As a shareholder of your corporation, you have limited liability. This means that you and the other shareholders are not responsible for the corporation's debts. However, limited liability may not always protect you from creditors. For example, if a smaller, more closely held corporation wants to borrow money from a bank or other creditor, the creditor may ask for the shareholder's guarantee that the debt will be repaid. If you agree to this condition, you will be personally liable for that debt if the corporation does not pay it back.

This applies to taxes owing as well. If your corporation owes taxes and has obtained a loan or secured a line of credit, an advance under the loan or line of credit can be seized on account of the corporation's tax arrears. Even though the proceeds of the advance have been paid to the CRA, the corporation is deemed to have received the advance and is liable to the lender as such. When you have personally guaranteed the loan or the line of credit for the corporation, you and the corporation will be jointly accountable for the amounts seized.

Directors may also be liable to pay amounts owed by the corporation if it has failed to deduct, withhold, remit or pay amounts as required by the *Income Tax Act*, the *Employment Insurance Act*, the *Canada Pension Plan*, the *Excise Act 2001*, and the *Excise Tax Act*.

For more information on director's liability, see Information Circular IC89-2R3, *Directors' Liability*.

Business number

Your first step to doing business with the CRA

The first time you register a business with us, we assign it a nine-digit business number (BN). The BN system is in place to streamline the interactions between businesses and the CRA.

The BN is part of a program account. There are four common CRA business program accounts. The common program account identifiers are as follows:

- **RT** – GST/HST
- **RP** – payroll deductions
- **RC** – corporation income tax
- **RM** – import/export

A program account number has three parts – a business number, a program identifier, and a reference number. The program account number is 15 characters, which breaks down to:

- the nine-digit BN;
- the program identifier which is two letters; and
- the reference number which is four digits.

For example, your account number might look like this:

123456789 RP 0002

If you had only one account (GST/HST for example), it would be designated as follows:

123456789 RT 0001

When making payments or enquiries related to your account, provide the nine-digit BN, the two-letter program identifier, and the four-digit reference number.

You can register for a BN by Internet, telephone, fax, or mail. The Business Registration Online service at **businessregistration.gc.ca** is easy to use, and secure. It is a one-stop, self-serve application that lets you register for a BN and any of the four common CRA business program accounts. At the same time, you can register for Ontario, New Brunswick, Nova Scotia, and British Columbia programs. If your business's mailing address is in Quebec, visit Revenu Québec's website at **revenu.gouv.qc.ca**.

Note
Not all businesses are required to have a BN. It is important that you review the information for each type of account before registering. For more information on these accounts and registering for any of these accounts, go to **cra.gc.ca/bn**.

Are you doing business in Quebec?

For businesses located in Quebec, you have to register your program accounts for payroll, import-export, or corporation income tax with the CRA. However, you will have to register your GST/HST program accounts with Revenu Québec, instead of the CRA, unless you are a selected listed financial institution.

If you are registering for GST/HST program accounts only

If you are registering for GST/HST program accounts only and you are not a selected listed financial institution, you do not need to register for a BN with us. For more information or to register, visit Revenu Québec's website at **revenu.gouv.qc.ca** or contact Revenu Québec at:

Revenu Québec
3800, rue de Marly
Québec QC G1X 4A5

Telephone: **1-800-567-4692**
Outside Canada: **1-418-659-4692**

Do you need a BN?

If you need any of the four common CRA program accounts, you need a BN.

Before you register for a BN, you need to decide on some details about your business operation. For example, decide on the name of the business, its location, the legal structure (sole proprietorship, partnership, or corporation), and the fiscal year-end. You should have an idea of what the amount of sales your business will generate each year. This information will help you complete Form RC1, *Request for a Business Number*.

If you are registering for a GST/HST account, it is important that you provide all of the information required to register. If you register for the GST/HST and your business claims a net tax refund, the refund may not be paid if this information is inaccurate or incomplete.

Notes
If you are a sole proprietor or a partner in a partnership, you will use your social insurance number to file your income tax and benefit return, even if you have a BN.

If you decide to incorporate, you will need a BN to identify your instalment payments of corporate income tax to your corporate income tax account.

For more information about the BN, go to **cra.gc.ca/bn**, or see Booklet RC2, *The Business Number and Your Canada Revenue Agency Program Accounts*.

Reasons to register

You only need to register for those business accounts for which you need a BN to meet your legal obligations.

For example, you do not have to register for the GST/HST if you are a small supplier, unless you carry on a taxi business. You are a small supplier if your total revenues from worldwide taxable supplies of property and services (including those of your associates) were $30,000 or less in the last four consecutive calendar quarters combined and in any single calendar quarter. The threshold is $50,000 if you are a public service body (such as a charity, non-profit organization, municipality, university, public college, school authority, or hospital authority).

If you think your revenues will be more than $30,000, (or $50,000 if you are a public service body), it is probably wise to register for the GST/HST. Registering for the GST/HST is the same as registering for a BN. However, once you are registered, you must charge GST/HST on your taxable supplies of property and services (other than zero-rated supplies) as well as file a GST/HST return whether or not you are a small supplier. You have to stay registered for at least one year before you can deregister if you are still a small supplier.

A person may incur a number of expenses in the course of starting a business, even before any taxable supplies are made. Registering for GST/HST early may give you certain benefits. For example, if you register you may be eligible to claim input tax credits (ITCs) for the GST/HST paid or payable on property and services you acquire to start your business when certain conditions are met. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

If you intend to import goods into Canada, you should open an import/export account before you import the goods. This will help avoid delays at the port of entry.

If you plan to have employees, you should open a payroll deductions account. This account will let you make regular payroll deductions for your employees and make payroll deduction payments on time. For information on how to make payroll deductions, see “Chapter 5 – Payroll deductions and remittances.“

Keeping records

The benefits of keeping records

1. **Complete and organized records help identify the sources of your income and can help you decide if you should charge GST/HST.**
   You may receive cash or property from many different sources. If you do not have records showing your income sources, you may not be able to prove that some sources are non-business or non-taxable for income tax purposes. You also need to have complete and organized records to show that your supplies are zero-rated or not subject to GST/HST.

2. **Complete and organized records can mean tax savings.**
   Good records serve as a reminder of the expenses you can deduct and the input tax credits (ITCs) you may be eligible to claim. If you do not record your transactions, you may forget some of your expenses or ITCs when you prepare your income tax or GST/HST returns. For more information on ITCs, see Guide RC4022, *General Information for GST/HST Registrants*.

3. **Complete and organized records are helpful if we audit your income tax or GST/HST returns.**
   If auditors cannot determine your income or taxable revenues because your records are incomplete, they will have to use other methods to establish your income and GST/HST net tax. This will cost you time. In addition, if your records do not support your claims, they could be disallowed.

4. **Your records will help keep you informed about the financial position of your business.**
   You need good records to establish your profit or loss, as well as the value of your business. Information from good records can also tell you what is happening in your business and why. The successful use of records can show you trends in your business, let you compare performance in different years, and help you prepare budgets and forecasts.

Legal requirements for keeping records

All records, including paper documents and those stored in an electronic medium, must be kept in Canada or made available in Canada at our request. The records must be in English or French.

You can keep your documents outside Canada if you get written permission from us.

What records should you keep?

You must keep records of all your income. Also, keep all receipts, invoices, vouchers, and cancelled cheques concerning outlays of money. These outlays include:

- salaries and wages;

- operating expenses such as rent, advertising, and capital expenditures; and
- miscellaneous items such as charitable donations.

If you import goods into Canada, your records must show the price you paid for imported goods and list their origin and description. They must also include any paperwork about the reporting, release, and accounting of the goods, as well as the payment of duties and taxes.

Your records must be permanent

Regardless of the accounting method you use, your records must be permanent. They must contain a systematic account of your income, deductions, credits, and other information you need to report on your income tax and GST/HST returns.

What information should your records contain?

Your records must:

- let you determine how much tax you owe, or the tax, duties, or other amounts to be collected, withheld, or deducted, or any refund or rebate you may claim; and
- be supported by vouchers or other necessary source documents. If you do not keep your receipts or other vouchers to support your expenses or claims, and there is no other evidence available, we may reduce the expenses or claims you have made.

Your records must meet the requirements of the law. Therefore, incomplete records that use approximate amounts instead of actual amounts are not acceptable.

> **Note**
> If you are required to charge GST/HST, you have to include specific information on your invoices. The information you have to include depends on the amount of the invoice. For more information, see Guide RC4022, *General Information for GST/HST Registrants.*

Retaining and destroying records

The six-year requirement

You have to keep records (other than certain documents for which there are special rules) for six years:

- from the end of the last tax year to which they relate for income tax purposes;
- after the end of the last year to which they relate for GST/HST reporting purposes; and
- after the goods are imported or exported.

If you filed your income tax return late, keep your records and supporting documents for six years from the date you filed the late return.

The time frame for keeping records usually starts from the last year you used the records, not the year the transaction occurred or the record was created.

If you filed an objection or appeal, you must keep all necessary records until the latest of the following dates:

- the date the objection or appeal is resolved;
- the date for filing any further appeal has passed; or
- the six-year record keeping period has passed.

Request for early destruction

If you want to destroy your records early, you have to get written permission from the CRA. To get this permission, apply in writing to the director of the tax services office in your area or by submitting a completed Form T137, *Request for Destruction of Records*.

In addition to our requirements, there might be other federal, territorial, provincial, and municipal laws that require you to keep records. Any permission received from the CRA for early record destruction does not extend to records you are required to keep because of these other laws.

For more information, see Information Circular IC78-10R5, *Books and Records Retention/Destruction*.

Bringing assets into a business

You might transfer your personal assets to your business.

If you are operating a sole proprietorship, this is a reasonably simple process. The *Income Tax Act* requires that you transfer these assets to the business at their fair market value (FMV). This means that we consider you to have sold the assets at a price equal to their FMV at that time. If this amount is greater than your original purchase price, you must report the difference as a capital gain on your income tax and benefit return.

Your business will show a purchase of these assets, with a cost equal to the FMV at the time of the transfer. The value of these assets will need to be added to the capital cost allowance (CCA) schedule for income tax purposes.

For income tax purposes, when you transfer the property to a Canadian partnership or a Canadian corporation, you can transfer the property for an elected amount. This amount may be different from the FMV, as long as you meet certain conditions. The elected amount then becomes your proceeds for the property transferred, as well as the cost of the property to the corporation or partnership.

The rules regarding these transfers of property are technical. They allow you to change your business type from a sole proprietorship to a corporation or a partnership, or from a partnership to a corporation, on a tax-free basis.

For more information, see Interpretation Bulletin IT-291R3, *Transfer of Property to a Corporation Under Subsection 85(1)*, Information Circular IC76-19R3, *Transfer of Property to a Corporation Under Section 85*, and Interpretation Bulletin IT-413R, *Election by Members of a Partnership Under Subsection 97(2)*.

For GST/HST purposes, you may be eligible to claim an ITC for the GST/HST paid or payable on property such as capital property and inventory, that you have on hand on the day you register. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Buying a business

When you are considering becoming a business owner, you have the option of buying an existing business or starting a new one. The option you choose will affect how you will account for the purchase of the business assets for income tax purposes.

When you buy a business, you generally pay a set amount for the entire business. In some cases, the sale agreement sets out a price for each asset, a value for the inventory of the business, and if applicable, an amount that can reasonably be attributed to goodwill.

If the individual asset prices are set out in the sale agreement, and the prices are reasonable, then you could use these prices to calculate your claim for capital cost allowance (CCA).

If the individual asset prices are not set out in the contract, you have to determine how much of the purchase price you should reasonably attribute to each asset, how much to inventory, and how much, if any, to goodwill. These amounts should coincide with the amounts the vendor determined when reporting the sale.

The amount you attribute to each asset should be its FMV. You should attribute to goodwill the balance which is the result of the purchase price that remains after you attribute the FMV to each asset and to inventory.

Example
You buy a business for $480,000. The FMV of the net identifiable assets of the business is as follows:

Accounts receivable	$ 80,000
Inventory	40,000
Land	120,000
Building	200,000
Total net identifiable assets	**$440,000**

You can determine the value of the goodwill by subtracting the total value of the net identifiable assets from the purchase price:

Purchase price	$480,000
Minus	
Net identifiable assets	440,000
Amount assigned to goodwill	**$ 40,000**

Once you have determined the values for the assets and the goodwill, sort the fixed assets (such as buildings and equipment) into the appropriate classes for the purpose of claiming the capital cost allowance (CCA). The goodwill is considered to be an eligible capital expenditure, which is treated in a manner similar to assets eligible for CCA.

Treat the value of the inventory as a purchase of goods for resale, and include it in the calculation of cost of goods sold in your income statement at the end of the year.

For GST/HST purposes, if you buy a business or part of a business and acquire all or substantially all (at least 90%) of the property that can reasonably be regarded as necessary to carry on the business, you and the vendor may be able to jointly elect to have no GST/HST payable on the sale by completing Form GST44, *Election Concerning the Acquisition of a Business or Part of a Business*. You cannot use this election if the seller is a registrant and you are not a registrant. In addition, you must buy all or substantially all of the property, not only individual assets.

For the election to apply to the sale, you have to be able to continue to operate the business with the property acquired under the sale agreement. You have to file Form GST44 on or before the day you have to file the GST/HST return for the first reporting period in which you would have otherwise had to pay GST/HST on the purchase.

Even when you use the election, GST/HST will still apply to a taxable supply of a service made by the seller; a taxable supply of property made by way of lease, licence, or similar arrangement; and, if the buyer is not a GST/HST registrant, a taxable sale of real property.

Another way of acquiring an existing business is to buy the shares of a corporation. This does not affect the cost base of the assets of the business. A corporation is a separate legal entity and can own property in its own name. A change in the ownership of the shares will not affect the tax values of the assets the corporation owns. Generally, the purchase of shares of a corporation is not subject to GST/HST.

For more information on changes to your business, go to **cra.gc.ca/tx/bsnss/tpcs/lf-vnts**.

Chapter 3 – Goods and services tax/ harmonized sales tax (GST/HST)

What is the GST/HST?

The GST is a tax that applies to most supplies of goods and services made in Canada. The GST also applies to many supplies of real property (for example, land, buildings and interests in property) and intangible property such as trademarks, rights to use a patent, and digitized products downloaded from the Internet and paid for individually.

The participating provinces harmonized their provincial sales tax with the GST to implement the harmonized sales tax (HST) in those provinces. Generally, the HST applies to the same base of property and services as the GST. In some participating provinces, there are point-of-sale rebates equivalent to the provincial part of the HST on certain qualifying items. For more information, see "Point-of-sale rebates" in Guide RC4022, *General Information for GST/HST Registrants*.

GST/HST registrants that make taxable supplies (other than zero-rated supplies) in the participating provinces collect tax at the applicable HST rate. The HST rate can vary from one participating province to another. GST/HST registrants collect tax at the 5% GST rate on taxable supplies (other than zero-rated supplies) they make in the rest of Canada. Specific rules apply for determining whether a supply is made in Canada and in a participating province. For more information on the HST rates and the place-of-supply rules, refer to Guide RC4022, *General Information for GST/HST Registrants*.

Who pays the GST/HST?

Almost everyone has to pay the GST/HST on purchases of taxable supplies of property and services (other than zero-rated supplies). However, Indians and some groups and organizations, such as certain provincial and territorial governments, do not always pay the GST/HST on their purchases. For more information, refer to "Supplies to diplomats, governments, and Indians" in Guide RC4022, *General Information for GST/HST Registrants*.

False GST/HST exemptions

Some individuals, businesses, and organizations are falsely claiming to be exempt from paying the GST/HST. In some cases, they may even present a fake exemption card to avoid paying the tax on their purchases.

If you do not collect the GST/HST from someone who falsely claims to be exempt from paying the GST/HST, you still have to account for the tax you should have collected.

Some provinces exempt farmers, municipalities, and certain businesses from paying the provincial sales tax. However, these provincial exemptions do not apply to the GST/HST.

Do you have to charge the GST/HST?

Generally, GST/HST registrants have to charge the GST/HST on all taxable (other than zero-rated) supplies of property and services they provide to their customers. You are a GST/HST registrant if you are registered or are required to register.

Should you register for the GST/HST?

You have to register for the GST/HST if:

- you provide taxable supplies in Canada; and
- you are not a small supplier.

You do not have to register if:

- you are a small supplier that does not carry on a taxi business;
- your only commercial activity is the sale of real property, other than in the course of a business (although you do not have to register for the GST/HST in this case, your sale of real property may still be taxable and you may have to charge and collect the tax). For more information, see Guide RC4022, *General Information for GST/HST Registrants*; or
- you are a non-resident who does not carry on business in Canada (see Guide RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*).

  Note
  For information on registration if you are a public service body (charity, non-profit organization, municipality, university, public college, school authority, or hospital authority), see Guide RC4022, *General Information for GST/HST Registrants*.

Small supplier

You do not have to register if you are a small supplier and you meet one of the following conditions:

- you are a sole proprietor and your total revenues (before expenses) from taxable supplies from all your businesses are $30,000 or less over the last four consecutive calendar quarters combined and in any calendar quarter; or
- you are a partnership, a corporation, or another organization and your total revenues (before expenses) from taxable supplies are $30,000 or less (or $50,000 or less if you are a public service body) over the last four consecutive calendar quarters combined and in any calendar quarter.

Total revenues from taxable supplies means your revenues from your worldwide supplies of property and services that are subject to the GST/HST (including zero-rated supplies), or that would be subject to the tax if supplied in Canada. It does not include goodwill, supplies of financial services, or sales of capital property. You also have to include the total revenues from taxable supplies of all of your associates in this calculation. For more information about your total revenues from taxable supplies, see Guide RC4022, *General Information for GST/HST Registrants*.

Note
If your total revenues from taxable supplies are over $30,000 (or over $50,000 if you are a public service body) in a calendar quarter or over four consecutive calendar quarters combined, you are no longer a small supplier and you have to register for the GST/HST. If you are a public service body that is a charity or a public institution, you may still be a small supplier if your gross revenues are $250,000 or less in a fiscal year.

Exception
Taxi and limousine businesses and non-resident performers selling admissions to seminars, performances, and other events must register for the GST/HST, even if they are small suppliers.

Effective date of registration

The effective date of your GST/HST registration depends on when you go over the small supplier threshold of $30,000 (or $50,000 if you are a public service body).

If your revenues are over the threshold in a single calendar quarter, you are considered a registrant and must collect the GST/HST on the taxable supply (other than a zero-rated supply) that made you go over the threshold. Your effective date of registration will be the day you made this supply. You have 29 days after this day to register.

Example
Zuly began her business on January 1, 2016. Her total revenues from taxable supplies (sales) were $5,000 during the first calendar quarter and $7,000 during the second calendar quarter, meaning she was still a small supplier. In the quarter from July 1 to September 30, she had sales of $40,000, which included an order on August 20 for $25,000 that pushed her sales above $30,000 for the quarter. Zuly is no longer a small supplier as of August 20 and she has to charge the GST/HST on the $25,000 sale and any taxable sales made after this sale. She has 29 days after that day to register. In this case, although she is considered to be a GST/HST registrant as of August 20, she has up to September 18, 2016, to register for the GST/HST.

If you are under the threshold amount in a single calendar quarter, but you are over the threshold during four (or fewer) consecutive calendar quarters combined, you are considered to be a small supplier for those calendar quarters and a month after those quarters. Your effective date of registration would be the day you make your first taxable supply after you stop being a small supplier. You have 29 days after this day to register for the GST/HST.

Example
Using the previous example, Zuly had the same sales, with the exception of the August 20 sale. Her total revenues from taxable sales in her first three calendar quarters combined were $27,000, and were $15,000 in the quarter that ended December 31, 2016 (each quarter is less than $30,000 but the last four quarters combined are more than $30,000). In this case, she is a small supplier until January 31, 2017. Any taxable sale she makes after January 31, 2017, is subject to GST/HST.

The day Zuly makes her first taxable sale after January 31, 2017, is her effective date of registration. She has 29 days after this date to register for the GST/HST.

Voluntary registration

If you are a small supplier and you are engaged in a commercial activity in Canada, you can choose to register for GST/HST voluntarily, even though you do not have to. If you register voluntarily, you have to charge and remit the GST/HST on your taxable (other than zero-rated) supplies of property and services. You may be eligible to claim input tax credits (ITCs) for the GST/HST paid or payable on property and services you acquired for making these supplies. You have to be registered for at least one year before you can cancel your registration if you are still a small supplier. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

If you choose not to register, you do not charge the GST/HST (other than on certain taxable supplies of real property), and you cannot claim ITCs.

How to register

You can register for a GST/HST account when you register for a business number (BN). Your BN will be your business identification for all your dealings with us. If you are incorporated, you may already have a BN and a corporation income tax account.

Note
It is the person that registers for the GST/HST. Since a partnership is a person for GST/HST purposes, it is the partnership that registers for the GST/HST and not each partner separately.

Fiscal year for GST/HST purposes

Usually, your fiscal year for GST/HST purposes is the same as your tax year for income tax purposes. Generally, the tax year of the following persons is a calendar year:

- individuals and certain trusts;
- professional corporations that are members of a partnership (such as a corporation that is the professional practice of an accountant, a lawyer, or a doctor); and
- partnerships, where at least one member of the partnership is an individual, a professional corporation, or another affected partnership.

However, some persons use non-calendar tax years. If you use a non-calendar tax year approved by the CRA, you may want to use that same year as your GST/HST fiscal year.

A corporation generally uses the same fiscal year for income tax purposes and GST/HST purposes. If a corporation has a non-calendar tax year for income tax purposes, it can elect to use a calendar year for its GST/HST fiscal year.

If you are a corporation that uses a non-calendar year for income tax purposes and GST/HST purposes, and you change to another non-calendar tax year for income tax purposes, inform us of the change as soon as possible and we will change your GST/HST fiscal year to match it.

You or your authorized representative can change your fiscal year by using our online services through My Business Account at **cra.gc.ca/mybusinessaccount** or through Represent a Client at **cra.gc.ca/representatives**, or by sending a completed Form GST70, *Election or Revocation of an Election to Change a GST/HST Fiscal Year*.

Reporting periods

Reporting periods are the periods of time for which you file your GST/HST returns. Your reporting period is determined based on the revenue from your total taxable supplies of property and services made in Canada in your immediately preceding fiscal year or in all preceding fiscal quarters ending in your current fiscal year.

This revenue includes zero-rated supplies of property and services made in Canada, as well as those of your associates.

This revenue does **not** include:

- supplies made outside Canada;
- zero-rated exports of goods and services;
- supplies of financial services;
- taxable sales of capital real property; and
- goodwill.

When you register for the GST/HST, we generally assign an annual reporting period. However, you may choose a more frequent reporting period. The following chart shows the threshold revenue amounts that determine the assigned reporting periods, as well as the optional reporting periods available if you want to file a return more frequently.

Assigned and optional reporting periods		
Annual taxable supplies threshold amounts	**Assigned reporting period**	**Optional reporting periods**
$1,500,000 or less	Annual	Monthly, Quarterly
More than $1,500,000 up to $6,000,000	Quarterly	Monthly
More than $6,000,000	Monthly	Nil

You or your authorized representative can change your assigned reporting period by using our online services through My Business Account at **cra.gc.ca/mybusinessaccount**, or through Represent a Client at **cra.gc.ca/representatives**, or by sending us a completed Form GST20, *Election for GST/HST Reporting Period*.

Input tax credits

As a GST/HST registrant, you may be eligible to claim ITCs to recover the GST/HST paid or payable on property and services to the extent that you acquired them for consumption, use or supply in the course of your commercial activities. You would claim these ITCs on your GST/HST return. ITCs are deducted from the tax you have to collect, so you remit only the difference. This difference is your net tax.

There are some property and services you acquired for which you **cannot** claim an ITC, such as the following:

- certain capital property. For more information on these properties, see Guide RC4022, *General Information for GST/HST Registrants*;
- taxable supplies of property and services acquired or imported to make exempt supplies of property and services;
- membership fees or dues to any club whose main purpose is to provide recreation, dining, or sporting facilities (including fitness clubs, golf clubs, and hunting and fishing clubs), unless you acquire the memberships to resell in the course of your business; and
- property or services you acquired or imported for your personal consumption, use, or enjoyment;
- property or services your corporation acquired or imported for the personal consumption, use, or enjoyment of an officer, employee, or shareholder of the corporation.

To claim an ITC, the property or services that you acquired must be reasonable in quality, nature, and cost, and be related to the nature of your business.

Note
The invoices for the property and services you acquired must contain specific information. This information includes the supplier's business number (BN), and the total amount of GST/HST paid or payable or it indicates that the amount includes the GST/HST at the applicable rate. For more information on the specific information that these invoices must contain, see Guide RC4022, *General Information for GST/HST Registrants*.

Becoming a registrant

When you become a GST/HST registrant, you may be eligible to claim an ITC to recover the GST/HST you paid or owe on certain property and services you acquired before you became a registrant.

In the case of property, you are considered to have purchased the property when you became a registrant if you held the property for consumption, use or supply in the course of your commercial activities just before you became a registrant. You are also considered to have paid GST/HST on the purchase. The amount of tax paid is equal to the basic tax content of the property. As a result, you may be eligible to claim an ITC for the tax you are considered to have paid.

In addition, certain services, such as legal and accounting fees and regulatory fees acquired to set up a corporation, may be treated as eligible capital expenditures for income tax purposes. In this case, the services would be treated as property and an ITC may be available. For more information, see Interpretation Bulletin IT-143R3, *Meaning of Eligible Capital Expenditure.*

For information on the meaning of basic tax content, and the availability of ITCs for start-up costs, see Guide RC4022, *General Information for GST/HST Registrants;* Policy Statement P-018R, *Limitation on ITC Eligibility where a Person Becomes a Registrant;* and Policy Statement P-019R, *Eligibility for ITC on start-up costs – Eligible capital property*.

Operating expenses

The following are examples of operating expenses for which you may be eligible to claim an ITC:

- commercial rents;
- equipment rentals;
- advertising;
- utilities; and
- office supplies (such as postage, paper, and pens).

You can claim an ITC equal to 100% of the GST/HST paid or payable by you for a particular operating expense (property or service) if substantially all (90% or more) of your consumption or use of that property or service is (or is intended to be) in the course of your commercial activities and all the other ITC criteria are satisfied.

You cannot claim an ITC for any of the GST/HST paid or payable by you for a particular operating expense (property or service) if substantially all of your consumption or use of that property or service is (or is intended to be) other than in the course of your commercial activities (for example, consumed or used to make exempt supplies).

Exception
If you have both commercial activities and non-commercial activities (such as exempt supplies), and at least 90% of an operating expense cannot reasonably be allocated to either your commercial or your non-commercial activities, you apportion the GST/HST paid or payable for the property or service between these two activities for ITC purposes. You can generally only claim ITCs for the portion of the GST/HST paid or payable for the property or service that relates to its consumption or use in your commercial activities. Any method used to apportion must be fair, reasonable, and used consistently throughout the year.

Home office expenses

You may be eligible to claim ITCs for your home office expenses only if the work space is:

- your principal place of business; or
- consumed or used 90% of the time or more to earn income from your business and used on a regular and continuous basis for meeting your clients, customers, or patients.

This restriction for home office expenses is similar to that used for income tax purposes. For more information, see Income Tax Folio S4-F2-C2, *Business Use of Home Expenses*.

Meal and entertainment expenses

You may be eligible to claim an ITC for the GST/HST you pay on reasonable meal and entertainment expenses that relate to your commercial activities. When the deduction for income tax purposes is limited to 50% of the cost of meals and entertainment, you can only claim 50% of the GST/HST you pay on those expenses as an ITC.

Passenger vehicles and aircraft

Corporations follow a primary use rule (more than 50% use in commercial activities) to determine their ITCs for passenger vehicles and aircraft.

However, individuals and partnerships usually claim ITCs for passenger vehicles and aircraft based on the capital cost allowance (CCA) claimed for income tax purposes. If the use in commercial activities is 10% or less, you cannot claim any ITC. If the use in commercial activities is 90% or more, you may be eligible to claim a full ITC.

You usually calculate your CCA for income tax purposes at the end of your fiscal year. Once you have calculated your CCA, you can calculate your ITC.

Note that ITC claims relating to passenger vehicles are subject to the capital cost limitations for passenger vehicles, which are currently $30,000 for purchases and $800 per month for leases.

For more information on calculating and claiming ITCs, restrictions for ITCs, time limits for claiming ITCs, and special rules that apply to charities, refer to Guide RC4022, *General Information for GST/HST Registrants*.

Calculating your net tax

You have to calculate your net tax for each GST/HST reporting period and report this on your GST/HST return. To do so, calculate:

- the GST/HST collected or that became collectible by you on your taxable supplies made during the reporting period; and
- the GST/HST paid or payable on the acquisition of property and services for which you can claim an ITC.

The difference between these two amounts, including any adjustments, is called your net tax. It is either your GST/HST remittance or your GST/HST refund. If you charged or collected more GST/HST than the amount of eligible ITCs you claimed, send us the difference. If the amount of eligible ITCs you claimed is more than the GST/HST you charged or collected, you can claim a refund of the difference.

For more details on calculating your net tax, see Guide RC4022, *General Information for GST/HST Registrants*. To help reduce paperwork and bookkeeping costs, most small businesses can use the quick method of accounting to calculate their GST/HST remittance. For more information, see Guide RC4058, *Quick Method of Accounting for GST/HST.*

Bad debt adjustments

If you have already reported and remitted the GST/HST for a credit sale on your GST/HST return, and all or part of the amount owed to you became a bad debt, you can recover the GST/HST that relates to that bad debt as a tax adjustment when you calculate your net tax.

If you claimed a GST/HST adjustment on a previous GST/HST return for a bad debt you wrote off and later you receive a payment toward that debt, you have to add back the GST/HST part of that payment as a tax adjustment in the calculation of your net tax on the GST/HST return for the reporting period in which you received the payment for the bad debt.

GST/HST returns

Unless you have filed a GST/HST return electronically, we will automatically send you Form GST34, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*, which includes personalized pre-printed information about your account. You can stop receiving the GST/HST returns automatically by using our online service through My Business Account at **cra.gc.ca/mybusinessaccount** or through Represent a Client at **cra.gc.ca/representatives**.

Filing and remitting due dates

Monthly and quarterly filers

If you have a monthly or quarterly reporting period, you have to file your GST/HST return and send any amount owing no later than one month after the end of your reporting period.

Annual filers

If you have an annual reporting period, you usually have to file your return and send any amount owing no later than three months after the end of your fiscal year.

Exceptions

Usually, your GST/HST payment is due by April 30 if all of the following conditions are met:

- you are an individual with business income for income tax purposes;
- you file annual GST/HST returns; and
- you have a December 31 fiscal year-end.

Although your payment is due April 30, you have until June 15 to file your GST/HST return.

As an annual filer, you may also have to pay quarterly instalments. If so, they are due no later than one month after the last day of each fiscal quarter. For more information, see RC4022, *General Information for GST/HST Registrants*.

Chapter 4 – Excise taxes, excise duties, the softwood lumber products export charge, and the Air Travellers Security Charge

What are excise taxes and excise duties?

There are two types of federal levies on products manufactured or produced in Canada: excise taxes and excise duties.

These levies are applied to a limited range of goods at different rates and in different ways, depending on the product. Excise tax and excise duty apply to goods before the GST/HST is added.

Excise taxes

Excise taxes are charged on:

- fuel-inefficient vehicles;
- automobile air conditioners; and
- certain petroleum products.

The *Excise Tax Act* sets out the excise tax rate for each of these goods.

When goods are made in Canada, excise tax is payable when the goods are delivered to the buyer. When they are imported, excise tax is payable by the importer at the time the goods were imported.

Under certain circumstances, you may be able to claim a refund of the excise taxes you paid.

Manufacturers need an excise tax licence ("E" licence) unless they qualify as a small manufacturer. You qualify as a small manufacturer if your total annual sales are not more than $50,000.

A wholesaler licence ("W" licence) lets you buy goods for resale without paying excise taxes. You may qualify for a W licence under certain limited circumstances. When you have this licence, you collect and send the excise tax when you sell the goods.

For more information, go to **cra.gc.ca/etsl** or call **1-866-330-3304**.

Excise duties

Excise duties are charged on spirits, wine, beer, and tobacco products. The rates of duty on spirits, wine, and tobacco products are given in the *Excise Act, 2001* and duty rates on beer are given in the *Excise Act*.

When these goods are manufactured in Canada, duty is payable on the goods at the point of packaging rather than at the point of sale. Generally, when they are imported into Canada, duty is payable by the importer when the goods are imported.

All persons who manufacture these goods in Canada must be licensed. Most licensees must provide security of at least $5,000.

For more information, go to **cra.gc.ca/exciseduty** or contact the nearest regional excise duty office. For a listing of their offices and numbers, see Excise Duty Memoranda EDM1-1-2, *Regional Excise Duty Offices*, at **cra.gc.ca/forms**.

Softwood lumber products export charge

The *Softwood Lumber Products Export Charge Act, 2006* is the legislation for an export charge introduced under the *Softwood Lumber Agreement, 2006 (SLA 2006)* between the governments of Canada and the United States (U.S.). The Act imposes a charge on certain softwood lumber products exported to the U.S. after October 11, 2006. Products subject to the export charge are defined by the agreement, and are included on the Export Control List under the *Export and Import Permits Act*, administered by Foreign Affairs, Trade and Development Canada.

Every person who exports to the U.S. softwood products subject to the charge has to register with the CRA on or before the day on which the products are exported.

To register, exporters must complete Form B253, *Softwood Lumber Products Export Charge – Registration Form*. Send the form to:

Surrey Tax Centre
Softwood Lumber Division
9755 King George Boulevard
Surrey BC V3T 5E1

Every person who is registered must file, on a monthly basis, Form B275, *Softwood Lumber Products Export Charge Return*, on which they calculate the charge(s) imposed during the calendar month. The return and the export charge payment are due on or before the last day of the month after the month during which a charge was imposed. For example, a return and a payment for the month of January will be due on or before the last day of February. For information on how to file this return online, go to **cra.gc.ca/businessonline**.

For more information, go to **cra.gc.ca/softwood**. For information on registration or returns and payments, call **1-800-935-0313**.

For technical enquiries regarding the *Softwood Lumber Products Export Charge Act, 2006*, call **1-866-330-3304.**

Air Travellers Security Charge

The CRA is responsible for administering the Air Travellers Security Charge (ATSC). The ATSC is collected by registered air carriers, and their agents, when an airline ticket is purchased.

All designated air carriers that provide air transportation to individuals on an aircraft having a maximum certified take-off weight greater than 2,730 kilograms and whose service includes chargeable enplanements must register to collect the ATSC.

These air transportation services, regularly scheduled flights, and charter flights generally include:

- flights from listed airports in Canada to other listed airports;
- transborder flights; and
- international flights.

If you provide such air transportation services, you must complete registration Form B248, *Registration Form Under the Provisions of the Air Travellers Security Charge Act*, and mail it to:

Prince Edward Island Tax Centre
275 Pope Road
Summerside, PE C1N 6E7

Registered air carriers must file Form B249, *Air Travellers Security Charge Return*, on a monthly basis, unless they have been approved by the CRA to file semi-annually.

The current ATSC rates are highlighted in Notice ETSL 0072. For more information on the ATSC, go to **cra.gc.ca/atsc**.

Individuals in Canada or the United States with ATSC registration or account-related questions can call the SBR Unit toll free at **1-877-432-5472**. Individuals outside these countries can call **902-432-5472**. Individuals in Canada or the United States with technical questions can call the CRA toll free at **1-866-330-3304**.

Chapter 5 – Payroll deductions and remittances

If you are an employer, you must make regular deductions from your employees' remuneration also known as pay for services rendered.

You are an employer if:

- you pay salaries, wages (including advances), bonuses, vacation pay, or tips to your employees; or
- you provide certain taxable benefits or allowances such as board and lodging to your employees.

An individual is an employee if the employment arrangement between the worker and the payer is an employer-employee relationship. Although a written contract might say that an individual is self-employed (working under a contract for services), we may not consider the individual to be self-employed if there is evidence of an employer-employee relationship. For more information on employment status, see Guide RC4110, *Employee or Self-Employed?*

Your responsibilities

As an employer, you have to:

- deduct Canada Pension Plan/Quebec Pension Plan (CPP/QPP) contributions, employment insurance (EI) premiums, and income tax from the amounts you pay to your employees;
- send the deducted amounts plus your share of CPP/QPP contributions and EI premiums that you pay to CRA throughout the year for your employees; and
- report the employees' remuneration and deductions on a T4 information return and give an information slip to each of your employees.

Do you need to register for a payroll program account?

You need to register for a payroll program account if you:

- pay salaries or wages;
- pay tips and gratuities;
- pay bonuses and vacation pay;
- provide benefits and allowances to employees; or
- need to deduct amounts, send those amounts, and report amounts from other types of remuneration (such as pension or superannuation).

If you already have a business number (BN), you only need to add a payroll program account to that BN. If you don't have a BN, you have to get one and register for a payroll program account before your first remittance due date.

What to deduct from your employees' remuneration

To calculate the various deductions, you can use the Payroll Deductions Online Calculator at **cra.gc.ca/pdoc**, or see Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*, Guide T4032, *Payroll Deductions Tables*, or Guide T4127-JAN, *Payroll Deductions Formulas for Computer Programs*. The calculator and these publications can help you determine how much to deduct and what type of income is pensionable, insurable or taxable.

Payroll deductions can be complex. If you need more information, go to **cra.gc.ca/payroll**.

Canada Pension Plan/Quebec Pension Plan

The Canada Pension Plan (CPP) came into effect as a way to provide financial assistance to Canadians when they retire from the workforce. Every person who works in Canada is eligible to get benefits when he or she retires.

If you run a business in Quebec, instead of CPP contributions, you deduct Quebec Pension Plan (QPP) contributions. Any deducted QPP contributions should be sent to Revenu Québec, instead of the CRA.

Both employees and employers contribute to the CPP or the QPP. As an employer, you have to deduct CPP or QPP contributions from your employees' pensionable earnings and send them. You also have to contribute and send an amount equal to these contributions in the employees' respective CPP or QPP plans.

For information on the QPP, visit the Revenu Québec web site at **revenuquebec.ca/en/entreprises/ras/calculer-ras/rrq/default.aspx**.

Employment insurance

The Employment Insurance Program is a federally administered program that gives financial assistance to people who are unemployed. The program also helps people get training for jobs.

As an employer, you are responsible for deducting employment insurance (EI) premiums from your employees' insurable earnings.

The rates for EI premiums may vary from year to year. For the most current rates, go to **cra.gc.ca/payroll**.

> **Note**
> You must also make contributions to the EI program for your employees. Generally, the employer's contribution will be slightly more than the employee's.

You also have to deduct provincial parental insurance plan (PPIP) premiums such as the Quebec Parental Insurance Plan (QPIP) premiums. You must contribute employer amounts for PPIP premiums.

Income tax

As an employer, you are responsible for deducting income tax from the salaries, wages, or other remuneration you pay your employees.

To help you calculate the amount of income tax to deduct from the remuneration of your employees, you may need various federal and provincial forms, such as Form TD1, *Personal Tax Credits Return*.

For more information on these forms, see Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*.

Remittances

As an employer, you have to send to the CRA all CPP contributions, EI premiums, and income tax that is deducted from your employees' income. Also send your employer share of CPP contributions and EI premiums.

Your payment for deductions, along with your remittance form, must be received by CRA on or before your remittance due dates. Due dates vary depending on the type of remitter you are.

Most employers have to send the deducted amounts monthly. Small business employers may be able to send their deductions quarterly.

For more information on the remittance methods, go to **cra.gc.ca/payroll** or see Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*.

You can check your payroll remittance requirements using the "View remitting requirements" service in My Business Account at **cra.gc.ca/mybusinessaccount**.

How to report payroll deductions

Generally, you report your employees' salary, wages taxable benefits, and deductions on the T4 slip, *Statement of Remuneration Paid*.

You have to fill out and give your employees their copies of the T4 slip no later than the end of February after the calendar year to which the slip relates. There is a penalty for missing this deadline. For more information on this penalty, go to **cra.gc.ca/penaltyinformationreturns**.

For more information about T4 reporting requirements and filing methods, go to **cra.gc.ca/slips** or see Guide RC4120, *Employers' Guide – Filing the T4 Slip and Summary*.

Chapter 6 – Income tax

This chapter introduces you to the process of reporting income and paying income tax on your business's profits. We explain how to account for the amount your business earns and the kind of income you have to report. This chapter explains what expenses you can deduct. It also tells you how the three most common business structures pay tax.

Accounting for your earnings

Generally, you have to report business income using the accrual method of accounting. Farmers or fishers can use the cash method or the accrual method, but not a combination of both.

The accrual method

Under the accrual method, you have to report income in the fiscal period you earn it, regardless of when you receive the amount for payment.

You can deduct allowable expenses in the fiscal period that you incur them, whether or not you pay for them in that period. Incur usually means you paid or will have to pay the expense.

The cash method

If you use the cash method, you report income in the year you receive the amount whether it is in cash, property, or services. You deduct allowable expenses in the year you pay them. If you are a farmer, fisher, or self-employed commissioned sales agent, you can use the cash method.

For more information about the cash method, see guides T4002, *Business and Professional Income*, and T4003, *Farming and Fishing Income*.

How to keep sales and expense journals

You should keep a day-to-day record of your receipts and expenses. Keep this record with your duplicate deposit slips, bank statements, cancelled cheques, and receipts. This will support your sales income and expense claims.

How to record your business expenses

You can deduct business expenses only if you incur them to earn income. Keep all your business-related vouchers and receipts, as well as a record of your expenses in a journal, a computerized file, or a software accounting program.

Fiscal period for income tax purposes

You have to report your business income on an annual basis.

For sole proprietorships, professional corporations that are members of a partnership, and partnerships in which at least one member is an individual, professional corporation, or another affected partnership, your business income is generally reported on a calendar-year basis.

If you are a sole proprietor or if you are in a partnership in which all the members are individuals, you can elect to have a non-calendar-year fiscal period. To make this change complete Form T1139, *Reconciliation of Business Income for Tax Purposes*. For more information, see Guide RC4015, *Reconciliation of Business Income for Tax Purposes*.

A corporation's tax year is its fiscal period. A fiscal period cannot be longer than 53 weeks (371 days). A new corporation can choose any tax year-end as long as its first tax year is not more than 53 weeks from the date the corporation was incorporated or formed as a result of an amalgamation. The corporation has to file its income tax return within six months of the end of its fiscal period. When the fiscal year ends on the last day of the month, the return is due on or before the last day of the sixth month after the end of the tax year. When the fiscal year ends on a day other than the last day of the month, the return is due on or before the same day of the sixth month after the end of the tax year.

It is a good idea to become familiar with the rules of fiscal periods when planning your business. For more information, see Guide RC4015, *Reconciliation of Business Income for Tax Purposes,* and Guide T4002, *Business and Professional Income*.

> **Note**
> If you are a GST/HST registrant, how you set up your fiscal period-end for income tax purposes may affect your GST/HST reporting periods, filing, and remitting due dates. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Income

This part of the guide gives an overview of the business income that you account for in your business records.

Types of income

You may receive income from sources other than your sales. If they relate to your business, you have to include them in your business income.

What is business income

Business income is income you earn from a profession, a trade, a manufacture or undertaking of any kind, an adventure or concern in the nature of trade, or any other activity you carry on for profit and there is evidence to support that intention. For example, income from a service business is business income. Business income does not include employment income, such as wages or salaries received from an employer.

> **Note**
> You have to report all amounts of income that are required for calculating income for tax purposes. If you do not report all your income, you may be subject to a penalty of 10% of the amount of income that you did not report.

How to account for your business income

Business owners have to provide information about their business income and expenses.

Although we accept other types of financial statements, we encourage you to use any of the following forms that apply to you:

- Form T2125, *Statement of Business or Professional Activities*;
- Form T2042, *Statement of Farming Activities*;
- Form T1163, *Statement A – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals*;
- Form T1164, *Statement B – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations*;
- Form T1273, *Statement A – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals*;
- Form T1274, *Statement B – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations*; and
- Form T2121, *Statement of Fishing Activities*.

We have designed the forms to accommodate the most common income and expense categories used in business. You can use the categories included on the forms when you start up your own accounting records.

You also have to record as income any amount credited to your account or set aside for you as payment for providing goods and services. This includes amounts credited to your accounts as offsets against an amount you owe.

You have to support all income entries in your records with original documents—sales invoices, cash register tapes, receipts, fee statements, and contracts. Keep these supporting documents in calendar order or numerical order. Keep them available in case we ask to see them.

You should keep a separate record of your income from all other sources, such as professional fees and income from property, investments, taxable capital gains, estates, trusts, employment, and pensions.

Bad debts

If, during the year, you received any amount that you wrote off as a bad debt in a previous year, you have to include that amount in your income for the current year.

For more information, see Interpretation Bulletin IT-442R, *Bad Debts and Reserves for Doubtful Debts*.

There may be GST/HST implications on the recovery of bad debts. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Reserves

You have to bring any reserve you claimed in a previous year back into income the next year. The *Income Tax Act* lets you take a new reserve based on your circumstances at that time.

For more information, see Interpretation Bulletin IT-154R, *Special Reserves*.

Vacation trips and awards

If you received vacation trips or other kinds of awards (such as jewellery or furniture) as a result of your business activities, you must include the value of these awards in your business income.

Vacation trips and awards may have GST/HST implications. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Government grants and subsidies

If you receive a grant or subsidy from a government or government agency, you have to report it as income or as a reduction of an expense. Generally, a grant or subsidy:

- increases your income or reduces your expenses;
- relates to an income deficiency; or
- relates to specific expenses.

For example, if you are a farmer and you received a payment to subsidize your income in a drought year, you would add the payment to your income. However, if you are a business that receives a government employment grant to allow you to hire more students, you would generally deduct the amount of the grant from the wage expense you are claiming.

Government assistance that enables you to acquire capital property does not increase your net income. However, for depreciable property, you reduce the capital cost of the property by the amount of assistance received. For other capital property, reduce the adjusted cost base accordingly.

For more information, see Interpretation Bulletin IT-273R2, *Government Assistance – General Comments*.

Surface rentals for petroleum or natural gas exploration

If you have land that you usually use in your farming or business operation, and you are leasing it out for petroleum or natural gas exploration, you may have to include the leasing proceeds in your income as a capital receipt or an income receipt.

Surface rentals for the exploration of petroleum or natural gas may also have GST/HST implications. For further information, you may call **1-800-959-8287**.

For more information, see Interpretation Bulletin IT-200, *Surface Rentals and Farming Operations*.

Rental income

Rental income can be income from property or income from business. For income tax purposes, income from rental operations is usually income from property.

The rental of real property may have GST/HST implications. For more information, see Guide RC4022, *General Information for GST/HST Registrants.*

Rental income, whether from farm property or real estate, is reported separately on your tax return. This income is not reported with your income from business or farming.

For more information on rental income and how to report it, see Guide T4036, *Rental Income*.

Barter transactions

A barter transaction takes place when any two persons agree to exchange goods or services between them.

If you are involved in a barter transaction, the goods or services you receive could be considered proceeds from a business operation.

If you are in a business or profession that provides goods or services, and you exchange these goods or services in a barter transaction, you have to include the value of the goods or services you exchanged in your income.

Barter transactions may also have GST/HST implications. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Selling a property

If you sell a capital property, you may have:

- a recovery of capital cost allowance, known as recapture;
- an undepreciated balance in a class and no property remaining in that class, known as a terminal loss;
- a capital gain or a capital loss. For example, if you sell a capital property for more than it cost, you have a capital gain, and if you sell it for less than it cost, you have a capital loss.

For more information on recaptures and terminal losses, see Interpretation Bulletin IT-478R2, *Capital Cost Allowance – Recapture and Terminal Loss*.

For more information on capital gains and capital losses, see Guide T4037, *Capital Gains,* and for additional rules relating to farmers, see Guide T4003, *Farming and Fishing Income*.

There may be GST/HST implications when you sell a property. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Inventory and cost of goods sold

You need to do an annual inventory. This is usually a list of goods held for sale. If you are a manufacturer, this includes raw materials as well as packaging material and supplies, work-in-progress (goods and services that you have not yet completed at the end of your fiscal period), and finished goods that you have on hand. Inventory is used to calculate the cost of goods sold and net income on Form T2125, *Statement of Business or Professional Activities*.

However, if you have a professional practice and you are an accountant, dentist, lawyer, medical doctor, notary, veterinarian, or chiropractor, you can elect to leave out your work-in-progress when you determine inventory.

How to value your inventory

The value you place on the items in your year-end inventory is important in determining your income.

For income tax purposes, the two acceptable methods of valuing your inventory are by determining:

- the fair market value of your entire inventory (use either the price you would pay to replace an item or the amount you would get if you sold an item); or
- the value of individual items (or classes of items, if specific items are not easy to distinguish) in the inventory, at their cost or their fair market value, whichever is lower.

After you choose a method of inventory valuation, you have to continue to use the same method in later years. For more information, see Interpretation Bulletin IT-473R, *Inventory Valuation*.

Expenses

This part of the guide gives you an overview of the business expenses that you can claim for income tax purposes. For more information, go to **cra.gc.ca/business** or see Guide T4002, *Business and Professional Income*.

What are business expenses?

A business expense is a cost you incur for the sole purpose of earning business income.

If you pay cash for any business expenses, be sure to get receipts or other vouchers. Receipts should include the vendor's name and the date.

Running a business from your home

You can deduct expenses for the business use of a work space in your home, as long as you meet one of these conditions:

- it is your main place of business; or
- you use the space only to earn your business income, and to meet your clients or customers.

You can deduct part of your maintenance costs, such as heating, home insurance, electricity, and cleaning materials. You can also deduct part of your property taxes, mortgage interest, and capital cost allowance (CCA). To calculate the part you can deduct, use a reasonable basis, such as the area of the work space divided by the total area of your home.

For more information, see Guide T4002, *Business and Professional Income*.

Types of operating expenses

Personal or living expenses

In most cases, you cannot deduct personal or living expenses. However, you can deduct travel expenses you incur in the course of carrying on a business while away from home.

The general rule is that you cannot deduct outlays or expenses that are not related to earning business income.

Prepaid expenses

A prepaid expense is an expense you pay ahead of time. If you use the accrual method of accounting, you can claim any expense you have prepaid in the year or years in which you receive the benefit related to that expense.

For more information, see Interpretation Bulletin IT-417R2, *Prepaid Expenses and Deferred Charges*.

Accounting and legal fees

You can deduct fees you incurred for external professional advice, services, and consulting fees.

You can deduct fees you incur for preparing and filing income tax and GST/HST returns.

For more information, see Interpretation Bulletin IT-99R5-CONSOLID, *Legal and Accounting Fees*.

Advertising expenses

You can deduct expenses for advertising, which include ads in Canadian newspapers, on Canadian television and radio stations. You can include any amount you paid as a finder's fee.

Certain restrictions apply to the amount of the expense you can deduct for advertising in a periodical. You can deduct all the expense if your advertising is directed to a Canadian market and the original editorial content in the issue is 80% or more of its total non-advertising content.

You can deduct 50% of the expense if your advertising is in a periodical directed to a Canadian market and the original editorial content in the issue is less than 80% of its total non-advertising content.

You cannot deduct expenses for advertising directed mainly to a Canadian market when you advertise with a foreign broadcaster.

Business tax, fees, licences, and dues

You can deduct any annual licence fees and business taxes you incur to run your business.

You can deduct annual dues or fees to keep your membership in a trade or commercial association. However, you cannot deduct club membership dues (including initiation fees), if the main purpose of the club is to provide dining, recreational, or sporting facilities for its members.

Insurance expenses

You can deduct regular commercial insurance premiums that you pay for buildings, machinery, and equipment that you use for your business.

Interest and bank charges

You can deduct the interest you pay on money you borrow to run your business.

However, there are some limits. There is a limit on the interest you can deduct on money you borrow to buy a passenger vehicle. For more information, see "Motor vehicle expenses" in Guide T4002, *Business and Professional Income*.

There is also a limit on the amount of interest you can deduct for vacant land.

You can choose to capitalize the interest expense you pay on the money you borrow for any of the following purposes:

- to buy depreciable property;
- to buy a resource property; or
- for exploration and development.

For exploration and development, when you choose to capitalize interest, you add the interest to the cost of the property or the exploration and development costs.

Do not deduct the capitalized interest as a current expense. For more information, read "Interest" in Guide T4002, *Business and Professional Income*.

Maintenance and repairs

You can deduct the cost of labour and materials for any minor repairs or maintenance done to property you use to earn income. However, you cannot deduct the value of your own labour.

Repairs that are capital in nature are claimed differently. You may be able to claim capital cost allowance on repaired property. A capital expense generally gives a lasting benefit or advantage. For example, the cost of putting vinyl siding on the exterior walls of a wooden house is a capital expense.

For more information about capital cost allowance, see Guide T4002, *Business and Professional Income*.

Meals and entertainment

The maximum part you can claim for food, beverages, and entertainment expenses is 50% of either the amount you incur or an amount that is reasonable in the circumstances, whichever is less.

The 50% limit also applies to the cost of your meals when you travel or go to a convention, conference, or similar event. Special rules can, however, affect your claim for meals in these cases. For more information, see "Meals and entertainment," "Convention expenses," or "Travel," in Guide T4002, *Business and Professional Income*.

For more information, see Interpretation Bulletin IT-518R, *Food, Beverages, and Entertainment Expenses*.

Motor vehicle expenses

You can deduct expenses you incur to run a motor vehicle that you use to earn business income. However, several factors can affect your deduction.

What kind of vehicle do you own?

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

- motor vehicle;
- passenger vehicle.

For more information about capital cost allowance limits, interest limits, and leasing costs, see Guide T4002, *Business and Professional Income*.

You can deduct motor vehicle expenses only when they are reasonable and you have receipts to support them.

The types of expenses you can deduct include:

- fuel and oil;
- maintenance and repairs;
- insurance;
- licence and registration fees;
- capital cost allowance;
- interest you pay on a loan used to buy a motor vehicle; and
- leasing costs.

For more information about motor vehicles, see Guide T4002, *Business and Professional Income*.

Office expenses

You can deduct office expenses for small items such as pens, pencils, paper clips, stationery, and stamps. Expenses for capital items such as calculators, filing cabinets, chairs, and desks are claimed differently. For more information, see capital cost allowance in the Guide T4002, *Business and Professional Income*.

Salaries, including employer's contributions

You can deduct the cost of salaries you pay to employees. You report each salary by the end of February on a T4, *Statement of Remuneration Paid*, or T4A, *Statement of Pension, Retirement, Annuity and Other Income*. For more information on these slips, see Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*.

Can you deduct business start-up costs?

To deduct a business expense, you need to have carried on the related business in the fiscal period in which the expense was incurred. You need to be clear about the date your business started.

To determine what you can claim as a start-up expense, see Interpretation Bulletin IT-364, *Commencement of Business Operations*, or Guide RC4022, *General Information for GST/HST Registrants*.

How to report your business income

Sole proprietor

A sole proprietor pays taxes by reporting income (or loss) on a T1 income tax and benefit return.

If you are a sole proprietor, you or your authorized representative have to file a T1 return if you:

- have to pay tax for the year;
- disposed of a capital property or had a taxable capital gain in the year;
- have to make Canada Pension Plan/Quebec Pension Plan (CPP/QPP) payments on self-employed earnings or pensionable earnings for the year;
- want to access employment insurance (EI) special benefits for self-employed persons;
- received a demand from us to file a return.

You also need to file a return if you are claiming an income tax refund, a refundable tax credit, a GST/HST credit, or the Canada Child Benefit. You also might have to file if you are entitled to and want to receive provincial tax credits.

The list above does not include every situation where you might have to file.

> **Note**
> As a sole proprietor, you may have to pay your income tax by payments called instalments. You may also need to make instalment payments for CPP contributions on your own income. For more information, go to **cra.gc.ca/instalments**.

When you file your income tax and benefit return, you must include financial statements or one or more of the forms that applies to your business income listed previously at "Income - How to account for your business income."

Partnership

A partnership by itself does not pay income tax on its operating results and does not file an annual income tax return. Instead, each partner includes a share of the partnership income (or loss) on a personal, corporate, or trust income tax return.

Each partner has to file financial statements or one of the forms referred to above that outlines the statement of business activities.

A partnership that carries on a business in Canada, or a Canadian partnership with Canadian or foreign operations or investments, has to file Form T5013, *Statement of Partnership Income*, for each of the fiscal periods of the partnership where:

- at the end of the fiscal period, the partnership has an absolute value of revenues plus an absolute value of expenses of more than $2 million, or has more than $5 million in assets; or
- at any time during the fiscal period:
  - the partnership is a tiered partnership (has another partnership as a partner or is itself a partner in another partnership);
  - the partnership has a corporation or a trust as a partner;
  - the partnership invested in flow-through shares of a principal-business corporation that incurred Canadian resource expenses and renounced those expenses to the partnership; or
  - the Minister of National Revenue asked in writing for a completed Form T5013, *Statement of Partnership Income*.

For more information, go to **cra.gc.ca/partnership** or see Guide T4068, *Guide for the Partnership Information Return (T5013 Forms)*.

Corporation

A corporation has to file a T2 corporation income tax return no later than six months after the end of every tax year, even if it does not owe taxes. It also has to attach complete financial statements and the necessary schedules to the return. A corporation usually pays its taxes in monthly or quarterly instalments. For more information on instalment payments and the filing requirements for corporations, see Guide T4012, *T2 Corporation – Income Tax Guide,* or Guide T7B-CORP, *Corporation Instalment Guide*, or go to **cra.gc.ca/payments**.

The tax year for a corporation is its fiscal period. For more information on corporations, go to **cra.gc.ca/t2return**.

Chapter 7 – Audits

What is an audit?

Auditing is a way for the CRA to monitor and inspect GST/HST, income tax and benefit returns, excise taxes and duties, and payroll records. There is a high standard of compliance with the law in Canada. Audits help us maintain public confidence in the fairness and integrity of Canada's tax system.

How we choose returns to audit

Your return is recorded in a computer system that lets us choose returns to be audited and sort them into different groups.

In some cases, we compare selected financial information for current and previous years of taxpayers involved in similar businesses or occupations.

The four common ways of choosing returns are:

1. **Computer-generated lists**
   Most returns are selected for audit review from computer-generated lists. For example, the computer system can compare the selected financial information of taxpayers involved in similar businesses or occupations and generate lists of returns with audit potential. From these lists, we choose returns to be audited.

2. **Audit projects**
   In some cases, we test the compliance of a particular group of taxpayers. If the test results show that there is significant non-compliance within the group, we may audit its members on a local, regional, or national basis.

3. **Leads**
   Leads include information from other audits or investigations, as well as information from outside sources.

4. **Secondary returns**
   Sometimes we select returns for audit because of their association with other previously selected returns. For example, if you are in partnership with another taxpayer, and that person's return has been selected for audit, it is usually more convenient to examine all the records at the same time.

How we conduct audits

If your return is selected, an auditor will review your records at a CRA office or at your place of business.

The auditor will examine books and records, documents, and information such as:

- information available to the CRA such as tax returns previously filed, credit bureau searches, or property database information;
- your business records such as ledgers, journals, invoices, receipts, contracts, and bank statements;
- your personal records such as bank statements, mortgage documents, and credit card statements;
- adjustments made by your bookkeeper or accountant to arrive at income for tax purposes; and
- the personal or business records of other individuals or entities not being audited; for example, a spouse, family members, corporations, partnerships, or a trust settlor, beneficiary, and trustee.

The auditor will contact you and ask that you send specific records to a CRA office, or arrange a convenient date and time to start the audit at your place of business.

If an auditor arrives at your place of business, the auditor will present an identification card. Before examining your records, the auditor may want to discuss the general nature of your business, or tour the premises to get a better understanding of the transactions recorded in your books.

Throughout the process, the auditor may request information and help from your employees, particularly those who do your accounting.

Your personal records and the personal or business records of other individuals or entities are legally considered to be part of the items that relate, or may relate, to the business being audited. An auditor can also examine the records of family members.

Delays in the audit, and how to avoid them

The time an audit takes depends on the state of your accounting records and related documents, and the size and complexity of your business. Your co-operation will help keep this time to a minimum.

Finalizing an audit

When an audit is completed, the auditor may propose adjustments to your return and provide you with a summary of the proposed adjustments.

If the auditor finds that your return has to be assessed or reassessed, you will receive a proposal letter explaining the reason for the adjustments. You will have 30 days to agree or disagree with the proposed assessment or reassessment. The auditor can explain the proposed adjustments if required.

If you provide more information within this period, the auditor will consider it and will issue a new proposal letter, if applicable.

If there are no proposed adjustments to your return, the auditor will advise you when the audit is completed.

If there are changes, we will issue a notice of assessment or a notice of reassessment.

> **Note**
> The auditor's role is to determine the correct amount of duty or tax payable. At times this may result in your taxes being reduced and you receiving a refund.

What are your responsibilities?

By law, you have to keep books and records. Generally, books and records must be kept for a minimum of six years after the last year they relate to.

You must keep your books and records in good order. Using the service of a tax professional does not relieve you of your responsibilities.

If you are audited, make available to the auditor your records (both paper and electronic), supporting documents, and answers to the auditor's questions.

Underground economy

The underground economy typically involves economic activity that is not reported or that is under-reported for tax purposes.

The activities that classify as underground economy include failure:

- to file;
- to register;
- to report a business activity;
- to report business income; or
- to report employment income.

For more information,
go to **cra.gc.ca/undergroundeconomy**.

Tax alert

Protect yourself!

Most taxpayers, given the proper information and tools, will voluntarily meet their tax obligations.

Our website contains information that will help taxpayers understand how to protect themselves against tax schemes, and understand the consequences they might face.

For example, some taxpayers don't realize the financial and personal risks they are exposed to by paying cash for jobs for home renovations. Other taxpayers don't know that participating in certain tax shelter schemes to avoid paying taxes could mean a loss of their principal, the repayment of taxes owed, penalties and interest, and lead to fines and imprisonment.

For information about how to protect yourself against tax schemes, go to **cra.gc.ca/alert**.

Chapter 8 – Objections and appeals

If you disagree with an assessment, you can get an explanation by calling **1-800-959-5525**. Many disputes are resolved this way, without having to file a formal dispute.

Income Tax

If you want to change your assessment because of new or additional information, you can:

- go to **cra.gc.ca/changereturn**; or
- send a letter to the tax centre address shown on your notice of assessment.

  Note
  In your letter include your social insurance number and any documents supporting the request.

If you still disagree with the assessment, you have the right to register a formal dispute.

How to register a formal dispute

If you disagree with your assessment or reassessment, you can register a formal dispute. Filing an objection is the first step in the formal process of resolving a dispute.

Income Tax

The time limit for filing a dispute is as follows:

- If you are an individual other than a trust, or if you are filing for a graduated rate estate, the time limit for filing a dispute or an objection is either one year after the due date for the return in question or within the 90 days after the date on the notice of assessment or notice of reassessment, whichever is latest. If you did not file your objection on time, you can apply for a time extension within one year of your original time limit to file an objection. You can apply by writing to the Chief of Appeals at your Appeals Intake Centre or by using the My Account or My Business Account online services on the CRA Internet site and include the reasons why you were prevented from filing on time.
- In every other case, including taxes that were assessed for over-contributions to an RRSP or a TFSA, you have to file an objection within the 90 days following the date on the notice of assessment or notice of reassessment.

You or your authorized representative can file an objection by:

- using the online services:
  - "Register my formal dispute" for individuals through My Account at **cra.gc.ca/myaccount** or through Represent a Client at **cra.gc.ca/representatives;**
  - "Register a formal dispute (Notice of Objections)" for business through My Business account at **cra.gc.ca/mybusinessaccount** or through Represent a client at **cra.gc.ca/representatives**;
- sending us a completed Form T400A, *Objection – Income Tax Act*; or
- sending a signed letter to the Chief of Appeals at your appeals intake centre.

GST/HST

To file an objection, use Form GST159, *Notice of Objection (GST/HST)*. The time limit for filing an objection is within 90 days after the day we send you the notice of assessment or reassessment.

In the province of Quebec, Revenu Québec administers the GST/HST unless you are a selected listed financial institution. To get information on time limits and how to file an objection to a GST assessment or reassessment completed by Revenu Québec, contact them directly. For more information, visit the Revenu Québec website at **revenu.gouv.qc.ca/en/entreprise/taxes/tvq_tps/default.aspx**.

Excise duty – You or your authorized representative can file a notice of objection within the 90 days following the day of your notice of assessment or notice of reassessment using:

- the "Register a formal dispute (Notice of Objection)" service through My Business Account at **cra.gc.ca/mybusinessaccount**, or through Represent a Client at **cra.gc.ca/representatives**; or,
- Form E680, *Notice of Objection (Excise Act, 2001)*.

Other taxes – You or your authorized representative can file a notice of objection using:

- the "Register a formal dispute (Notice of Objection)" service through My Business Account at **cra.gc.ca/mybusinessaccount**, or through Represent a Client at **cra.gc.ca/representatives**;
- Form E413, *Notice of Objection (Excise Tax Act)*;
- Form RC45, *Notice of Objection (Softwood Lumber Products Export Charge Act, 2006)*; or
- Form E676, *Notice of Objection (Air Travellers Security Charge Act)*.

If you are using one of these forms, send a completed form to your tax service office.

Canada Pension Plan and employment insurance – If you think we have misinterpreted the facts or not applied the law correctly, you have the right to appeal assessments and rulings related to the Canada Pension Plan (CPP) and employment insurance (EI).

If you disagree with the explanation you have received, you may be able to file an appeal to the Minister. In all cases, you have to explain why you disagree. Include all relevant facts and supporting documents. To do so, you have three options:

Online: through My Account at **cra.gc.ca/myaccount** or through My Business Account at **cra.gc.ca/mybusinessaccount**. If you are a level 2 or 3 representative, go to Represent a Client at **cra.gc.ca/representatives**. Click on "Register a formal dispute (Appeal)". To send supporting documents, click on "Submit documents."

In writing: Send Form CPT100 *Appeal of a Ruling under the Canada Pension Plan and/or Employment Insurance Act*; or Form CPT101 *Appeal of an Assessment under the Canada Pension Plan and/or Employment Insurance Act*, or a letter to the Chief of Appeals to the following address:

CPP/EI Appeals Division
Canada Revenue Agency
451 Talbot Street
London ON N6A 5E5

By fax: Send your documents to **1-888-287-7800**.

In all cases, you can send us a letter detailing your request, signed by you, the appellant or by an authorized officer of a corporation.

For more information on the formal process of resolving a dispute, go to **cra.gc.ca/resolvingdisputes**.

Chapter 9 – At your service

Electronic services for businesses

Electronic services help businesses by streamlining communications with the CRA and simplifying the preparation and submission of tax information. For more information, go to **cra.gc.ca/businessonline**.

Registering your business

Business Registration Online is a CRA web page that is a one-stop registration service that lets you apply for a business number (BN) and register for programs administered by British Columbia, Nova Scotia, and Ontario.

You can also use this online service if you have a BN and need to register for any of the four common program accounts (GST/HST, payroll deductions, corporate income tax, and import/export). Businesses with a physical address in Quebec that need a GST account will be linked automatically to the Revenu Québec website. For more information, go to **cra.gc.ca/bro**.

Filing returns

File your income tax and benefit return using NETFILE

NETFILE is one of our electronic tax-filing options. This service lets you file your income tax return with us using the Internet. You can only send your own return to us using NETFILE. Authorized representatives cannot send returns for their clients through NETFILE. When you use this service, you cannot change any of your personal information such as your name, address, date of birth, or direct deposit information.

If you have registered with the My Account service, you can change your address before using NETFILE by going to **cra.gc.ca/myaccount**.

If you are not registered, call **1-800-959-8281** to make the necessary changes to your address before using NETFILE.

File your corporate income tax return over the Internet

You can file your corporation income tax return with us using the Internet. All corporations with annual gross revenue of more than $1 million must file their corporate income tax return electronically using the Internet. Businesses can use our corporate Internet filing service or file through My Business Account, and authorized representatives can file through Represent a Client without a web access code.

Mandatory electronic filing for GST/HST registrants

Some GST/HST registrants have to file their GST/HST return electronically. Your filing options, however, depend on your reporting circumstances. For more information on options for the electronic filing of GST/HST returns, go to **cra.gc.ca/gsthst-filing**.

You may also be able to electronically file your return and make your payment through a participating financial institution or third-party service provider. Contact your local branch or service provider to see if they offer this service, or go to **cra.gc.ca/gsthst-edi**.

> **Note**
> Eligible corporation income tax, GST/HST, and information returns can be filed electronically by business owners through My Business Account, at **cra.gc.ca/mybusinessaccount**. Authorized representatives can file through Represent a Client at **cra.gc.ca/representatives**.

The GST/HST Registry

The GST/HST Registry is an online service that you can use to validate the GST/HST number of a business. This ensures that the ITCs you claim only include GST/HST charged by GST/HST registrants.

For more information, go to **cra.gc.ca/gsthstregistry**.

You can validate a Quebec sales tax (QST) registration number for a person who is registered for the QST, other than a selected listed financial institution, by accessing the QST registry on the Revenu Québec website at **revenu.gouv.qc.ca/en/sepf/services/sgp_validation_tvq/default.aspx**.

Getting help

To get help using My Business Account, GST/HST NETFILE, GST/HST TELEFILE, Information Returns, Electronic Filing, Represent a Client, and the Payroll deductions online calculator, you or your authorized representative can call Business enquiries at **1-800-959-5525.**

To find other telephone numbers go to **cra.gc.ca/cntct/phn-eng.html.**

Note
The e-Services Helpdesk is not available on weekends, statutory, or civic holidays.

For help with corporate Internet filing, call **1-800-959-2803**.

For general business enquiries, call **1-800-959-5525**.

For more information about our electronic services for businesses, go to **cra.gc.ca/businessonline**.

Advance income tax rulings and interpretations

An advance income tax ruling is a written statement from CRA that says how we will interpret and apply Canadian income tax law to transactions a taxpayer is considering. For more information, see Information Circular IC70-6R7, *Advance Income Tax Rulings*.

Ruling for a Canada Pension Plan (CPP) or employment insurance (EI)

You can ask for a ruling on the status of a worker or workers under the *Canada Pension Plan* or the *Employment Insurance Act*, using the "Request a CPP/EI ruling" service in My Business Account at **cra.gc.ca/mybusinessaccount**, or if you are an authorized representative through Represent a Client at **cra.gc.ca/representatives**. To ask for a ruling for a given year, you have to send your request by June 29 of the next year.

GST/HST rulings and interpretations

You can ask for a written ruling or interpretation on how the GST/HST applies to your operations or transactions. We will provide guidance, and as much certainty as possible, about how the GST/HST applies and the consequences of your transactions or proposed transactions. If you need general information about GST/HST, go to **cra.gc.ca/gsthst** or call **1-800-959-5525**.

We provide our GST/HST rulings and interpretations service from rulings centres across Canada (except in Quebec). You or your authorized representative can call us at **1-800-959-8287**. For service in Quebec, call Revenu Québec at **1-800-567-4692**.

For more information, see Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation* and GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretations Service*.

Excise duty rulings and interpretations

You can ask for a written ruling or interpretation on how excise duties apply to certain goods such as alcohol and tobacco products. For more information, contact a regional excise duty office. For a listing of their numbers, see Excise Duty Memoranda EDM1-1-2, *Regional Excise Duty Offices*, at **cra.gc.ca/forms**.

Excise taxes and other levies rulings and interpretations

You can ask for a written ruling or interpretation on how the excise tax or air travellers security charge applies to your operations or transactions. For more information on requesting an excise tax or other levies ruling, go to **cra.gc.ca/E/pub/et/contacts/contacts-e.html**.

Scientific Research and Experimental Development (SR&ED) Program

The Scientific Research and Experimental Development (SR&ED) Program is a federal tax incentive program designed to encourage Canadian businesses of all sizes and in all sectors to conduct research and development (R&D) in Canada. Whether you are a first-time claimant, or need help to understand the requirements of the program, we have various free services and tools that can help you. For more information on this credit and these sessions, go to **cra.gc.ca/sred** or call **1-800-959-5525**.

Canada business service centres

On the Government of Canada website, **canada.ca**, you can find a list of links to the websites of Government of Canada departments, agencies, and Crown corporations. You can also find links to websites maintained by organizations for which federal departments and agencies are responsible.

Industry Canada

To access Industry Canada's extensive expertise and information resources, visit **ic.gc.ca**.

Your rights, entitlements, and obligations

The CRA operates on the fundamental belief that taxpayers are likely to comply with the law if they are treated fairly and have the information, advice, and services they need to meet their obligations. These obligations may include filing required returns, paying taxes, providing information, and properly declaring imported or exported goods.

What is the Voluntary Disclosures Program?

The Voluntary Disclosures Program allows you to come forward and correct inaccurate or incomplete information or to disclose information you had not previously reported to us.

You may avoid penalties and prosecution if you make a valid disclosure before you become aware of any compliance action being initiated against you by us. You will only have to pay the taxes owing plus interest.

A disclosure is valid if it:

- is voluntary;
- contains complete information;
- involves the application or the potential application of a penalty; and

- generally includes information that is more than one year overdue.

The Voluntary Disclosure Program provides an avenue for you to correct past errors and omissions and become compliant with tax laws.

For more information, go to **cra.gc.ca/voluntarydisclosures** or see Information Circular IC00-1R5, *Voluntary Disclosures Program*, or GST/HST Memorandum 16.3, *Cancellation or Waiver of Penalties and/or Interest*.

Cancellation of penalties or interest

The CRA administers legislation, commonly called the taxpayer relief provisions, that gives the CRA discretion to cancel or waive penalties or interest when taxpayers are unable to meet their tax obligations due to circumstances beyond their control.

The CRA's discretion to grant relief is limited to any period that ended within 10 calendar years before the year in which a request is made.

For penalties, the CRA will consider your request only if it relates to a tax year or fiscal period ending in any of the 10 calendar years before the year in which you make your request. For example, your request made in 2017 must relate to a penalty for a tax year or fiscal period ending in 2007 or later.

For interest on a balance owing for any tax year or fiscal period, the CRA will consider only the amounts that accrued during the 10 calendar years before the year in which you make your request. For example, your request made in 2017 must relate to interest that accrued in 2007 or later.

To make a request, fill out Form RC4288, *Request for Taxpayer Relief – Cancel or Waive Penalties or Interest*. For more information about relief from penalties or interest and how to submit your request, go to **cra.gc.ca/taxpayerrelief.**

Important dates for businesses

Sole proprietorships and partnerships	
Monthly, by the 15th	Send us the payroll deductions from your employees' remuneration, along with your part of Canada Pension Plan (CPP) contributions and employment insurance (EI) premiums by the 15th of the next month.
Quarterly, by the 15th	If you are self-employed, make your **instalment** payments of tax and CPP contributions by these dates: 1st instalment: March 15 2nd instalment: June 15 3rd instalment: September 15 4th instalment: December 15
Last day of February	File your T4 and T4A slips along with the related Summary form. Distribute the slips to your employees.
March 31	If required, partnerships (except those made up of corporations, or a combination of individuals, corporations, and trusts with different filing dates) must file a partnership information return before this date.
April 30	File your income tax and benefit return for the previous year. **Pay** any tax amounts owing. Self-employed individuals and their spouses or common-law partners have until June 15 to **file** their returns.
June 15	Self-employed individuals (and their spouses or common-law partners) must file their income tax and benefit returns by June 15. However, to avoid interest charges, you have to pay any balance owing **by April 30**.
December 31	For **farmers** and **fishers**, calculate and pay the amount of your current-year instalment payment.

Corporations	
Monthly, by the 15th	Send us the payroll deductions from your employees' remuneration, along with your part of CPP contributions and EI premiums, by the 15th of the next month.
Monthly or Quarterly	Corporations have to pay instalments of their current-year taxes, by the last day of each month or each quarter.
Last day of February	File your T4 and T4A slips along with the related Summary form. Distribute the slips to your employees.
Two months from your tax year-end	The balance of corporation income tax payable is due.
Three months from your tax year-end	For Canadian controlled private corporations claiming the small business deduction, the balance of the corporation tax payable is due.
Six months from your tax year-end	Corporations must file a T2, *Corporation Income Tax Return,* no later than six months after the corporation's year-end.

Note
It is important that you file required returns and remit payments on time. If you do not file and remit on time, penalties apply and interest is charged on unpaid taxes and penalties.

To help you remember important business dates, you can use the Business Tax Reminders mobile app. For more information go to **cra.gc.ca/mobileapps**.

For more information on important dates, go to **cra.gc.ca/importantdates**.

Due dates

When the due date falls on a Saturday, a Sunday, or a public holiday recognized by the CRA, we consider your payment to be on time if we receive it on the next business day. Your return is considered on time if we receive it or if it is postmarked on or before the next business day.

Addresses on our website

Visit our website at **cra.gc.ca**. Below is a list of some useful addresses for small businesses:

Topic	Website
Aboriginal peoples	**cra.gc.ca/aboriginalpeoples**
AgriInvest Program	**agr.gc.ca/agriinvest**
AgriStability Program	**agr.gc.ca/agristability**
Air Travellers Security Charge	**cra.gc.ca/atsc**
Businesses home page	**cra.gc.ca/business**
Business number (BN) registration	**cra.gc.ca/bn**
Business Tax Reminders mobile app	**cra.gc.ca/mobileapps**
Complaints and disputes	**cra.gc.ca/resolvingdisputes**
Conducting business on the Internet (e-commerce)	**cra.gc.ca/ecomm**
Contact us	**cra.gc.ca/contact**
Contract payment reporting	**cra.gc.ca/contract**
Corporation income tax	**cra.gc.ca/t2return**
Corporation Internet filing	**cra.gc.ca/corporation-internet**
Direct deposit – Business	**cra.gc.ca/dd-bus**
Electronic payments	**cra.gc.ca/payments**
Electronic mailing lists	**cra.gc.ca/lists**
Electronic services	**cra.gc.ca/electronicservices**
E-services for businesses	**cra.gc.ca/businessonline**
Excise and GST/HST News	**cra.gc.ca/formspubs/typ/gsthstnws-eng.html**
Excise taxes and special levies	**cra.gc.ca/etsl**
Frequently asked questions	**cra.gc.ca/faqs**
Filing information returns electronically	**cra.gc.ca/iref**
Forms and publications	**cra.gc.ca/forms**
Forms and publications – Online order forms	**cra.gc.ca/orderforms**
GST/HST Information for businesses	**cra.gc.ca/gsthst**
GST/HST electronic filing and remitting	**cra.gc.ca/gsthst-edi**
Informant Leads Program	**cra.gc.ca/leads**
Make a Service Complaint	**cra.gc.ca/complaints**
My Business Account	**cra.gc.ca/mybusinessaccount**
Payroll	**cra.gc.ca/payroll**
Payroll Deductions Online Calculator	**cra.gc.ca/pdoc**
Prescribed interest rates	**cra.gc.ca/interestrates**
Public holidays and due dates	**cra.gc.ca/duedates**
Represent a Client	**cra.gc.ca/representatives**
Security options – Taxable benefit	**cra.gc.ca/stockoptions**
Small businesses	**cra.gc.ca/smallbusiness**
T4 information returns (how to file)	**cra.gc.ca/slips**
Taxpayer Bill of Rights	**cra.gc.ca/rights**
Taxpayers' Ombudsman	**oto-boc.gc.ca**
Taxpayer relief provisions	**cra.gc.ca/taxpayerrelief**
Tax services offices and tax centres	**cra.gc.ca/tso**
Tax myths	**cra.gc.ca/myths**
Underground economy	**cra.gc.ca/undergroundeconomy**
Voluntary Disclosures Program	**cra.gc.ca/voluntarydisclosures**
What's new	**cra.gc.ca/whatsnew**

Forms and publications

Guides

- RC17, *Taxpayer Bill of Rights Guide: Understanding Your Rights as a Taxpayer*
- RC4015, *Reconciliation of Business Income for Tax Purposes*
- RC4022, *General Information for GST/HST Registrants*
- RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*
- RC4033, *General Application for GST/HST Rebates - Includes Forms GST189, GST288, and GST507*
- RC4058, *Quick Method of Accounting for GST/HST - Includes Form GST74*
- RC4060, *Farming Income and the AgriStability and AgriInvest Programs*
- RC4082, *GST/HST Information for Charities*
- RC4110, *Employee or Self-Employed?*
- RC4120, *Employers' Guide – Filing the T4 Slip and Summary*
- RC4408, *Farming Income and the AgriStability and AgriInvest Programs Harmonized Guide*
- RC4420, *Information on CRA – Service Complaints*
- T4001, *Employers' Guide – Payroll Deductions and Remittances*
- T4002, *Business and Professional Income*
- T4003, *Farming and Fishing Income*
- T4008, *Payroll Deductions Supplementary Tables*
- T4012, *T2 Corporation – Income Tax Guide*
- T4032, *Payroll Deductions Tables*
- T4036, *Rental Income*
- T4037, *Capital Gains*
- T4068, *Guide for the Partnership Information Return (T5013 Forms)*
- T4127-JAN, *Payroll Deductions Formulas for Computer Programs*
- T4130, *Employers' Guide - Taxable Benefits and Allowances*
- T7B-CORP, *Corporation Instalment Guide*

Pamphlets, brochures, and slips

- P148, *Resolving Your Dispute: Objections and Appeal Rights Under the Income Tax Act*
- RC2, *The Business Number and Your Canada Revenue Agency Program Accounts*
- RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*
- T4, *Statement of Remuneration Paid*
- T4A, *Statement of Pension, Retirement, Annuity and Other Income*

Forms

- B200, *Excise Tax Return*
- B248, *Registration Under the Provisions of the Air Travellers Security Charge Act*
- B249, *Air Travellers Security Charge Return*
- B253, *Softwood Lumber Products Export Charge – Registration Form*
- B275, *Softwood Lumber Products Export Charge Return*
- B284, *Election or Revocation of the Election for Semi-Annual Reporting*
- CPT100, *Appeal of a Ruling under the Canada Pension Plan and/or Employment Insurance Act*
- CPT101, *Appeal of an Assessment under the Canada Pension Plan and/or Employment Insurance Act*
- E413, *Notice of Objection (Excise Tax Act)*
- E676, *Notice of Objection (Air Travellers Security Charge Act)*
- E680, *Notice of Objection (Excise Act, 2001)*
- GST20, *Election for GST/HST Reporting Period*
- GST44, *Election Concerning the Acquisition of a Business or Part of a Business*
- GST70, *Election or Revocation of an Election to Change a GST/HST Fiscal Year*
- GST159, *Notice of Objection (GST/HST)*
- L15, *Application for Licence under the Provisions of the Excise Tax Act*
- N15, *Excise Tax Application for Refund/Rebate*
- RC1, *Request for a Business Number*
- RC45, *Notice of Objection (Softwood Lumber Products Export Charge Act, 2006)*
- RC59, *Business Consent*
- RC193, *Service-Related Complaints*
- RC257, *Request for an Information Return Program Account (RZ)*
- RC366, *Direct Deposit Request for Businesses*
- T137, *Request for Destruction of Records*
- RC4288, *Request for Taxpayer Relief – Cancel or Waive Penalties or Interest*
- T400A, *Objection – Income Tax Act*
- T1013, *Authorizing or Cancelling a Representative*
- T1139, *Reconciliation of Business Income for Tax Purposes*
- T1163, *Statement A – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals*

- T1164, *Statement B – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations*
- T1175, *Farming – Calculation of Capital Cost Allowance (CCA) and Business-use-of-home Expenses*
- T1273, *Statement A – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals*
- T1274, *Statement B – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations*
- T2042, *Statement of Farming Activities*
- T2121, *Statement of Fishing Activities*
- T2125, *Statement of Business or Professional Activities*
- T5013, *Statement of Partnership Income*
- TD1, *Personal Tax Credits Return*
- T2, *Corporation Income Tax Return*
- T4SUM, *Summary of Remuneration Paid*

Interpretation bulletins

- IT-99R5-CONSOLID, *Legal and Accounting Fees*
- IT-154R, *Special Reserves*
- IT-200, *Surface Rentals and Farming Operations*
- IT-273R2, *Government Assistance – General Comments*
- IT-291R3, *Transfer of Property to a Corporation Under Subsection 85(1)*
- IT-364, *Commencement of Business Operations*
- IT-413R, *Election by Members of a Partnership Under Subsection 97(2)*
- IT-417R2, *Prepaid Expenses and Deferred Charges*
- IT-442R, *Bad Debts and Reserves for Doubtful Debts*
- IT-456, *Capital Property – Some Adjustments to Cost Base*
- IT-459, *Adventure or Concern in the Nature of Trade*
- IT-473R, *Inventory Valuation*
- IT478R2, *Capital Cost Allowance – Recapture and Terminal Loss*
- IT-518R, *Food, Beverages, and Entertainment Expenses*

Income Tax Folios

- S1-F5-C1, *Related persons and dealing at arm's length*
- S4-F2-C2, *Business Use of Home Expenses*

Information circulars

- IC00-1R5, *Voluntary Disclosures Program*
- IC07-1, *Taxpayer Relief Provisions*
- IC70-6R7, *Advance Income Tax Rulings*
- IC76-19R3, *Transfer of Property to a Corporation Under Section 85*
- IC78-10R5, *Books and Records Retention/Destruction*
- IC89-2R3, *Directors' Liability*

Excise duty memoranda

- EDM1-1-1, *The Excise Duty Program*
- EDM1-1-2, *Regional Excise Duty Offices*
- EDM2-1-1, *Licence Types*
- EDM2-3-1, *Registration Types*

Excise tax and special levies memoranda

- X2-1, *Licences*
- X2-2, *Small Manufacturers*
- X2-3, *Bonds Given as Security by Licensed Wholesalers*
- X3-1, *Goods Subject to Excise Tax*
- X6-1, *Books and Records*
- X6-2, *Returns and Payments*

GST/HST memorandum

- GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretations Service*

Online services

My Account

Using the CRA's My Account service is a fast, easy, and secure way to access and manage your tax and benefit information online, seven days a week.

To register for My Account, go to **cra.gc.ca/myaccount**. Registration is a two-step process. You will be asked to enter some personal information and create a user ID and password or use a Sign-in Partner. Be sure to have your current and previous year's personal tax returns on hand. To register, a return for one of these two years must have been assessed. After you complete step one, you will have instant access to some of your tax and benefit information. Step two includes the mailing of the CRA security code. We will mail it to the address we have on file for you. The separate mailing of the security code is a measure used to protect you from identity theft and to ensure the security of your personal information. You will have access to the full suite of services available in My Account once you enter your code.

An authorized representative can access most of these online services through Represent a Client at **cra.gc.ca/representatives.**

Handling business taxes online

Save time using the CRA's online services for businesses. You can:

- authorize a representative, an employee, or a group of employees, who has registered with Represent a Client, for online access to your business accounts;
- request or delete authorization online through Represent a Client, if you are a representative;
- change mailing and physical addresses, as well as the address where you keep your books and records;
- file a return electronically without a web access code;
- register for online mail, get email notifications, and view your mail online;
- enrol for direct deposit, update banking information, and view direct deposit transactions;
- authorize the withdrawal of a pre-determined amount from your bank account;
- request remittance vouchers;
- transfer payments and immediately view updated balances, without having to calculate interest;
- stop or restart the mailing of the GST/HST return for registrants package;
- add another business to your profile;
- view answers to common enquiries, and if needed, submit account-related enquiries;
- view the account balance and instalment balance, including the corresponding transactions (for example, payments); and
- do much more.

To register or log in to our online services, go to:

- **cra.gc.ca/mybusinessaccount**, if you are a business owner; or
- **cra.gc.ca/representatives**, if you are an authorized representative or employee.

For more information, go to **cra.gc.ca/businessonline**.

Receiving your CRA mail online

You, or your representative (authorized at a level 2), can choose to receive most of your CRA mail for your business online.

When you or your representative registers for online mail, an email notification will be sent to the email address(es) provided when there is new mail available to view in My Business Account. Correspondence available through online mail will no longer be printed and mailed. To register, select the "Manage online mail" service and follow the steps.

Using our online mail service is faster and easier than managing paper correspondence.

Authorizing the withdrawal of a pre-determined amount from your bank account

Pre-authorized debit (PAD) is an online, self-service, payment option. Through this option, you agree to authorize the CRA to withdraw a pre-determined payment from your bank account to pay tax on a specific date or dates. You can set up a PAD agreement using the CRA's secure My Business Account service at **cra.gc.ca/mybusinessaccount**. PADs are flexible and managed by you. You can view historical records, modify, cancel, or skip a payment.

For more information, go to **cra.gc.ca/payments** and select "Pre-authorized debit."

MyCRA – Mobile app

Getting ready to file? Use MyCRA to:

- check your RRSP deduction limit;
- look up a local tax preparer; and
- see what tax filing software the CRA has certified.

Done filing? Use MyCRA to:

- check the status of your tax return; and
- view your notice of assessment.

Use MyCRA throughout the year to:

- view your personalized benefit and credit payment amounts;
- check your TFSA contribution room;
- update your contact details;
- manage your direct deposit and online mail information; and

- request your proof of income (option C).

To get more details on what you can do with MyCRA and to access the CRA's web-based mobile app, go to **cra.gc.ca/mobileapps**.

Electronic payments

Make your payment using:

- your financial institution's online or telephone banking services;
- the CRA's My Payment service at **cra.gc.ca/mypayment**; or
- pre-authorized debit at **cra.gc.ca/myaccount**.

For more information on all payment options, go to **cra.gc.ca/payments**.

For more information

What if you need help?

If you need more information after reading this guide, go to **cra.gc.ca/smallbusiness** or call **1-800-959-5525**.

Direct deposit

Direct deposit is a fast, convenient, reliable, and secure way to get your CRA payments directly into your account at a financial institution in Canada. To enrol for direct deposit or to update your banking information, go to **cra.gc.ca/directdeposit**.

Forms and publications

To get our forms or publications, go to **cra.gc.ca/forms** or call **1-800-959-5525**.

Electronic mailing lists

We can notify you by email when new information on a subject of interest to you is available on our website. To subscribe to our electronic mailing lists, go to **cra.gc.ca/lists**.

Tax Information Phone Service (TIPS)

For personal and general tax information by telephone, use our automated service, TIPS, by calling **1-800-267-6999**.

Teletypewriter (TTY) users

If you have a hearing or speech impairment and use a TTY call **1-800-665-0354** during regular business hours.

The Taxpayer Bill of Rights

The Taxpayer Bill of Rights describes and defines 16 rights and builds on the CRA's corporate values of professionalism, respect, integrity, and cooperation. It describes the treatment you are entitled to when you deal with the CRA. The Taxpayer Bill of Rights also sets out the CRA Commitment to Small Business to ensure their interactions with the CRA are conducted as efficiently and effectively as possible.

For more information about your rights and what you can expect when you deal with the CRA, go to **cra.gc.ca/rights**.

Service complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the Canada Revenue Agency (CRA); see the *Taxpayer Bill of Rights.*

You can file a service complaint if you are not satisfied with the service you get from the CRA.

There are three steps to resolve your service-related complaint.

Step 1 – Talk to us first

If you are not satisfied with the service you received, you can file a service complaint. Before you do this, we recommend that you try to resolve the matter with the employee you have been dealing with or call the telephone number provided in the CRA's correspondence. If you do not have contact information, go to **cra.gc.ca/contact**.

If you still disagree with the way your concerns were addressed, you can ask to discuss the matter with the employee's supervisor.

Step 2 – Contact the CRA Service Complaints Program

The CRA Service Complaints Program is for individuals and businesses. The program provides another level of review if you are not satisfied with the results from step 1 in the service complaint process. Generally, service-related complaints refer to the quality and timeliness of our work.

To file a complaint with the CRA Service Complaints Program, fill out Form RC193, *Service-Related Complaint*.

For more information on the CRA Service Complaints Program and how to file a complaint, go to **cra.gc.ca/complaints**.

Step 3 – Contact the Office of the Taxpayers' Ombudsman

If, after following steps 1 and 2, your service-related complaint is still not resolved, you can submit a complaint with the Office of the Taxpayers' Ombudsman.

For information about the Office of the Taxpayers' Ombudsman and how to submit a complaint, go to **oto-boc.gc.ca**.

Reprisal complaint

If you believe that you have experienced reprisal, fill out Form RC459, *Reprisal Complaint*.

For more information about reprisal complaints, go to **cra.gc.ca/reprisalcomplaints**.

Tax information videos

We have a tax information video series for new small businesses that provides an introduction to topics such as registering a business, GST/HST, and payroll. To watch our videos, go to **cra.gc.ca/videogallery**.