

Tax
Talk

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Five last minute tax tactics for 2014

Come the New Year, you're not just turning the page on the month gone by, you're taking down an entire calendar and replacing it with a fresh one. For a day or two, life is a series of empty boxes neatly lined up across the page, waiting to be filled. Until then, you have December to contend with. The weather. The traffic. The commitments. The lists.

The good news is that you have a month to make decisions that can save money on this year's tax bill. Here's where to start:

Keep the dates straight

Businesses use the accrual method of accounting. That means you report income in the fiscal period you earn it, not when you receive it, and you deduct expenses in the fiscal period you incur them, whether you actually paid them in that period or not.

For example, your first broker settlement in 2015 probably will be for a pay period ending Dec. 31, 2014. That income counts toward 2014. Likewise, the cell phone bill dated Dec. 28, 2014, is a 2014 expense even though

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you'll pay it just before it's due in the third week of January. Make sure 2014 income and expenses are reported on your 2014 return.

Make big purchases

If you plan to make a major purchase in the near future, consider doing so before Dec. 31. There's an advantage to loading up on deductible expenses in a high-income year. Spending \$3,000 on tires in December could save you \$900 owed to CRA when you file your 2014 tax return this April. Buying those tires in February, the following tax year, will delay your savings until 2016.

Collect your logbooks

Canadian and US laws require truck drivers to keep their logbooks for six months. Tax auditors have different standards, though. For instance, if you claim a meal expense, your logbook becomes a tax document. Like any other income tax receipt, you're required to keep it for up to seven years.

When logbooks are used as trip records for IFTA and IRP, an auditor

will want to see four years of records for IFTA and five and a half years for IRP. That's not always possible if you use an EOBR or electronic logbook. Find out where your logbook data is stored, how long it's kept, and then download or print out as much of your logbook records as you can. Make a habit of doing it every month.

Telling an auditor that you can't access your EOBR data or electronic logs is like saying the dog ate your homework. Or worse, considering the consequences.

Review your tax payments Plan

Installments aren't tax payments in advance. They're paid throughout the

calendar year in which you are earning the taxable income.

This month, compare what you paid in installments in 2014 against your estimate for the entire year. If you miss a deadline or owe more tax than you actually paid, CRA will levy penalties and interest. In fact, not only will CRA add interest to your tax bill come April 30, it will charge interest on your overdue tax balance, which of course includes installment interest. That's right. They'll want interest on your interest.

Saving money to pay income taxes takes discipline, especially when there's a pile of other bills to pay. We advise our clients to apply their quarterly GST/HST refunds to their income tax installment payments.

CRA can direct-deposit your GST/HST refunds into a separate account from your business operations to make sure the money doesn't get used for everyday activities.

If you need tax planning help, see a qualified accountant, preferably one who's familiar with trucking. Put it on your list while there's still time to do something about your taxes in 2014. You can start next year out fresh - with peace of mind and a plan to keep more of your hard-earned money in your pocket. ●

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