

Get it right the first time

One of the first things you should do as a new owner-operator is register a GST/HST account with Canada Revenue Agency (CRA). The sooner, the better: CRA can only back-date a new account 30 days so if you wait you could lose some GST/HST credits on expenses paid at the beginning of your business start.

It doesn't take long to realize that managing GST/HST takes ongoing effort, and that the strategy is different in trucking compared to other industries.

Most businesses charge HST on their income, pay HST on expenses, and as long as their income is more than expenses, will owe CRA money.

Typically, they choose to file HST returns annually.

As an owner-operator working for a carrier, you do not collect GST/HST on your income (it's called "zero rated") and you get a refund of all the GST and HST you pay on business expenses. It makes sense to file quarterly so you'll get money back into your hands faster. Make sure CRA knows you intend to file quarterly when you set up your account because they'll assume you're filing annually.

Once you have your account, CRA will conduct two reviews. The first one is easy. A CRA agent will call you and ask a few questions about what

your business does and to verify that your contact info is correct.

The second review is more involved. The majority of first GST/HST filings are audited by CRA. People are more likely to make mistakes on their first return, and you're filing for a refund, which is unique. The refund amount on your first return may be quite large, especially if you're setting up a business and purchased a truck. They'll want to check that out.

What can you expect from a first-filing audit?

We recently filed for a refund of approximately \$12,000 and about a week later CRA called our client to say they were going to conduct a



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review. The auditor also faxed a letter to us requesting details about information on the return.

A business description is part of the required response to an audit. We're always careful to provide the auditor with general information about trucking (auditors aren't experts in the industry) and details about our client.

Typically, we send a copy of the carrier contract to help the auditor understand the operation, and accounting ledgers showing all income and expenses for the period as well as receipts for the 10 largest expense invoices. One of those invoices is always the truck bill of sale and finance contract.

The auditor had no issue with the financial figures. The problem, in this case, was the name of the business was different from what was on the bill of sale.

It took two phone calls and four data submissions – credit card statements, bank statements, invoices, etc. – to clear up the name discrepancy and support answers to all the other questions they asked.

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Thankfully we were set up as an authorized agent and were able to upload files to CRA so the auditor had all the details as we got them ready. Thankfully, too, our client was set up on direct deposit so once the refund was approved it was in his account within a week rather than in the mail.

Remember that first CRA review, the easy one, where an agent calls to verify your business information? It's important. The name you provide to CRA should be the same one you use on all your documents. Not your wife's name, not your nickname, not a variation of your business name that you like better.

Obviously, it was an issue for this client. It took three months to receive his refund. CRA added \$29 in interest since it took so long.

It takes patience, time, and proper receipts to pass a CRA review. Setting up a business brings a whole new set of business-related tax filings. Be consistent not just with numbers but with names and other details. **TN**