

Tax
Talk

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March Tax Madness: Survive and advance

It's now March and since you're an organized owner/operator the only tax-related tasks remaining are to double-check your books and safely tuck away your slips and receipts. Good job! And that'll do it for this month's column. Wait. What?

Why did your wife yell at you this morning? Because she was grumpy after staying up late sifting through a pile of balled-up receipts from last year?

And your stomach is churning because you can't find your books, let alone double-check them?

Staying organized has an up-front cost in terms of time and effort. It's not easy when you work on the road and face a pile of mail when you get home.

But being disorganized costs more. Time and effort are pocket change compared to the toll that a scattered business life can take on your mental health and wallet.

Start out right

If you think your business affairs are out of control, you probably can trace that feeling back to your very first day as an owner/operator.

When you started your business did you contact CRA to register for a GST/HST account? Delays are costly – CRA will backdate registrations for only 30 days. If you bought your truck in Sep-

tember and haven't gotten around to setting up an account, you can say goodbye to most of your GST/HST refunds from fuel, repairs, etc.

What about incorporating your business versus operating as a sole proprietor? Did you actually sit down with someone and discuss which would be better for you? Or did you plow ahead based on advice from buddy-what's-his-name at the shop? There are enough successful incorporated owner/operators out there that something is obviously convincing them make that choice. Are you managing your payroll properly? Gone are the days of paying once a year and letting CRA scoop up your GST/HST refund.

CRA insists on monthly payments for wages paid to employees, which includes you if you're an incorporated owner/operator.

Do you appear disorganized? Late filings, mistakes on tax forms, and ignoring notices are signs that you don't understand how to run a business, or worse, you're in the habit of not following the rules.

From a CRA perspective, where there's smoke, there's fire.

We know one fellow who misplaced slips three times over the past four years and CRA just pounded him with a penalty that is more than the tax he owes. This can easily happen with in-

vestment slips or when you pull money from your RRSP (T4RRSP).

Another owner/operator we now work with got himself into a heck of a mess. He changed from a sole proprietor to a corporation several years ago and never bothered to contact CRA and close the GST/HST account under his sole proprietor name; he just filed zeros when the tax forms came.

Well, this year he and his bookkeeper weren't paying attention and he filed his corporation's GST/HST tax return under his old sole proprietor account. Meanwhile, the guy was making payments into the corporate account but ignoring CRA notices for not filing a corporate return. Before he knew it, bam! He was in collections and moments away from having his bank account seized. When CRA discovers your mistake as opposed to you finding and reporting it, the penalties are much larger. That's because you no longer appear disorganized, you look like a tax cheat.

Digging out

It's easy to blame others for your problems or to conveniently forget how you put yourself in a hole.

We met with an owner/operator who came in upset about owing money to CRA and figured we must have done something wrong when we filed his returns. Thankfully he was willing to sit

and talk it out. I walked him through the 2012 and 2013 tax filings that we just did for him just last fall, showing him all the penalties and interest CRA added onto those payables.

Now everything makes sense. We have a running dialog about tax planning, with steps this owner/operator can take to keep more of what he earns. He's still under tons of pressure to pay what he owes from previous years but at least he understands why.

Three steps

If you do nothing else to get your business life in order, here are three pieces of advice I'd like you to take.

First, open and read your mail. If you get a notice from your accountant, bank, or CRA, or you receive something that involves income or an expense, keep it.

Second, call CRA if you get behind. Their attitude is completely different when you instigate the call.

Third, if you owe tax, pay what you can. Even a small amount every month shows that you know you understand your obligation and that you're making an effort. Paying nothing tells CRA that you may be thinking of skipping town.

If you need help, talk to a qualified accountant. Don't make things worse by ignoring problems or thinking they'll go away. Or that CRA won't notice. ●

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