

Tax
Talk

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Putting the truck in park for good

It's never easy to shut down a business to which you've dedicated so much time, effort, and money. Some owner/operators have to stop working due to age, health, or finances.

Others decide to pursue some other opportunity or passion. The most fortunate exit on their own terms and retire.

No matter what the circumstances, or whether you're a sole proprietor, partnership, or corporation, there are deliberate steps you should take to properly close your trucking business when that day arrives.

Your accountant can guide you through the process but I'll list some

of the major points for you to consider.

Contact the CRA

You need to tell Canada Revenue Agency (CRA) to close your Business Number and all related accounts for payroll, GST/HST, and corporate income tax. You can do this by completing Form RC145, "Request to close business number accounts." Send it to your local CRA tax services office or call the CRA Business Window at 800-959-5525.

Payroll

If your company has employees (including yourself, if you're employed by your company), there are several obligations to wrap up:

1. Remit all CPP contributions, EI

premiums, and income tax withheld within seven days of the day your business ends.

2. Prepare and give a Record of Employment to each former employee.

3. Complete and file the necessary T4 slips and summaries within 30 days of the day your business ends. Distribute copies of the T4 or T4A slips to your former employees.

Also, you may want to confirm with your provincial labour standards agency that you have met their requirements for wrapping up your duties as an employer.

GST/HST

When you decide to close your business, you no longer need to be regis-

tered for GST/HST.

File all outstanding GST/HST returns and pay any amounts owing up to and including the day your business ends. The complicated part is the handling of your truck, trailer, or other equipment on these final returns. When you own capital property at the time of closing a GST/HST account, CRA deems you to have sold the equipment on your final return and expects you to pay the GST/HST.

Capital property includes land, buildings, vehicles, and computers. As a result, CRA has "change of use" rules that may apply.

For example, say you have a service vehicle on your books and claimed GST/HST refunds when you purchased it. When you close the business, you have to pay GST/HST on the fair market value of the vehicle because you're changing the use from commercial to non-commercial. You have to pay the GST/HST just as if you personally bought the vehicle from the company.

There is a way to manage at least part of this mess: CRA Form GST44, "Election concerning the acquisition of a business or part of a business."

You can use this form when you are selling your business assets to another person. To qualify, the buyer must purchase all or substantially all (at least 90% or more) ownership, possession, or use of the seller's property necessary to carry on the business. In a one-truck operation, selling the truck represents 100% of the property so this election is applicable.

File the election form together with the GST/HST return for the reporting period in which the sale was made. You should also keep a copy of this election form in your records.

Corporate income tax

Send an application for dissolution to the provincial or federal government body that your corporation is chartered in. You should also file a final tax return and send CRA a copy of the articles of dissolution. Otherwise, CRA will consider that the company still exists and it will continue to expect tax filings each year.

Of course, if your corporation has some money in its bank accounts you may not want to do this last step right away. If over the years you have managed to save money in the corporation, or if selling your equipment has put money in there, it may be best to wait.

Remember that your corporation can live forever whether it's actively in business or not. Rather than pulling money out of the business now and having to add that income to your personal tax return, you can withdraw it over time.

You can in essence treat your corporate bank account like a pension fund and withdraw X-amount of money each month until it's gone and then dissolve the company. You may end up paying a lot less tax this way.

Over the years, I've written columns about how to start a business, how to build a business, and how to plan for retirement. Eventually every owner-operator will close the business.

When that time comes, a carefully planned exit that deals with taxes and your obligations as an employer is the best way to make sure you can move on to the next chapter in your life. ●

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