Tax Talk

Keep or toss?

A guide to post-tax preparation

There's nothing like a good Spring cleanup.

Hauling out all the things you let pile up in the garage over the winter. Sweeping up dirt and tacking up a shelf for stuff worth keeping off the floor. Putting items in their proper place, even if it means sending them to the curb.

Life moves fast so we toss all kinds of things into a corner to deal with another day, including business documents.

Your finances could probably use some organizing as well.

Tax returns

You spend a lot of time on tax preparation, but you also need to make sure you're properly keeping records after your return is filed.

Whether you're a business or not, everyone must keep their tax returns and related documents for six years. So, you can store your 2018 tax return next to your returns from 2017 to 2013.

During those six years you must keep all receipts and documents to support your income and expense claims. Any previous tax returns and supporting documents can be destroyed.

But don't toss everything: remember, if you're still driving that 2011 Freightliner, you must keep the bill of sale and financing documents.

The ability to provide proof of payment with bank statements, cancelled checks, and credit card statements is crucial. Documents are easier to keep and find in today's world of downloaded cell phone bills, broker settlements, and bank statements, but you must have a system that lets you locate files quickly.

Create folders on your computer to file these documents away by year and type, and name your files so you'll know what they are. You also need a proper backup system – a crashed computer is no excuse for unsupported claims.

Logbooks

Speaking of electronic records, do you have copies of your logbook data for the first part of 2019? Most electronic on-board recorder (EOBR) providers automatically delete records after six months, which is fine for hours-of-service compliance, but not if you're using your log to support a deductible expense.

Regular readers of this column probably wonder why I keep mentioning this. Well, it's because I keep running into folks who want to use their log to support a claim – meals, for example – and can't because they didn't download their records in time.

Bank accounts

If you're a sole proprietor you should have at least two bank accounts. One for the business and one for your personal life.

If you're a corporation then you have two accounts already but why not add a third? Let's call it a tax/savings account. How about you get your GST/HST refunds direct-deposited into this new account? How about you take a percentage of each broker pay and put it into the account?

Mixing personal and business transactions in one bank account may save money on fees but imagine a CRA auditor having to sit down and make sense of what's a personal charge and what's for business.

Separate bank accounts will also help you budget. Want to know where all your money goes? Segregating your business and personal transactions is a good first step.

If you don't have a separate account for your business, get down to the bank and open one ASAP.

Your accountant can help

Just like people hire professional organizers, your accountant can help you come up with a system for managing paper and electronic records that's right for you.

And if you haven't yet filed your tax return for 2018, or any previous years, it's time to dig in. Otherwise, your taxes will end up like that blue box of empties in the corner: stinkier and harder to deal with as the weather warms up. **TN**

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