

# Small Business Minder Guide: Introduction to Bookkeeping and Financial Management

*An introductory guide for establishing and maintaining  
an effective small business bookkeeping and financial management system.*



This guide is provided by:



Last Revision Date: Jan 29<sup>th</sup>, 2010

## About This Guide

This introductory guide assists in establishing and maintaining effective small business bookkeeping and financial management practices. There are many different valid approaches and this guide highlights the basic requirements and sources of information. Information in this guide about regulations and rules of government authorities are subject to change at any time. This guide suggests making contact with the authorities such as the Canada Revenue Agency (CRA) or the Workplace Health, Safety, & Compensation System (WHSCC) and so forth for various business registrations and accounts as required. This will ensure that you have the most complete and current information. It is your responsibility to ensure you are compliant with the requirements impacting your business and this guide is a starting point to help you get organized.

## Topics Covered in This Guide

<b>“What You Need to Know” Sections</b>	<b>Page</b>
1. Business Transactions .....	1
1.1 Keeping it “Strictly Business” .....	1
1.2 Setting up “Business Only” Accounts .....	1
2. Business Registration & “Peace of Mind” .....	2
2.1 Business Number - Canada Revenue Agency .....	2
2.2 Workers Compensation Insurance .....	2
3. Record Keeping: “On the Right Track” .....	3
3.1 The Filing System .....	3
3.2 The Bookkeeping System .....	3
4. Reporting to the Authorities: “Keeping Current” .....	4
4.1 Harmonized Sales Tax - HST (Remittances) .....	4
4.2 Payroll (Remittances) .....	4
4.3 Workers Compensation (Annual Assessment) .....	4
4.4 Taxation (Tax Returns) .....	4
4.5 Company Registration (Annual Return) .....	4
5. Insurance & Regulations: “Protecting Your Business” .....	5
5.1 Property and Liability Insurance .....	5
5.2 Permits and Licenses .....	5
<b>“How to” Sections</b>	
6. Examples and Illustrations .....	6
6.1 Record Keeping .....	6
6.2 Reporting to the Authorities .....	8
7. Resource Section .....	13
7.1 Websites .....	13
7.2 Contact Information .....	14

## **1. Business Transactions**

It is important to understand the nature of business transactions. Each individual transaction and the sum of all the transactions, for each month and the whole year, will ultimately determine the chance of business success. There is no other indicator as important, so it is critical to pay close attention to the details. Whether it is funds received for goods and services sold, or funds expended on goods and services purchased for your business, you need to take a planned approach on how you want to handle these transactions. The knowledge of your transactions can help you determine if you need to make changes in how you market your business to make money or how you spend money to cover the costs of running your business.

### **1.1 Keeping it “Strictly Business”**

Whether you are in the planning, the startup or the operational phase of your business, it is important to understand the importance of tracking and monitoring business transactions. Keeping and maintaining receipts is essential for managing your business and ensuring you assign all business expenses to your business. It could mean greater HST credits or refunds and reduced income taxes payable thus putting money back into your business.

In the planning and startup phases, it is best to form good habits before it becomes difficult to pull all records together when required for bookkeeping, reporting to authorities, preparing year-end financials and tax returns, or upon the request of the Canada Revenue Agency (CRA) or other authorities. Most important, you need to understand the true costs of running your business and to be able to manage your cash flow accordingly.

Regardless of the type of business structure, whether it is a sole proprietorship, partnership or incorporated business, you must remember that the business should be treated as separate and distinct from your personal finances. You would not exchange cheque books, debit cards and/or credit cards with a friend for a week. By doing so you would know it would be inconvenient to pick apart the transactions and thereafter reimburse one another appropriately. The same applies to your business expenses and personal expenses. So keep them separate!

### **1.2 Setting Up “Business Only” Accounts**

It is a simple concept to suggest setting up or using separate business accounts such as a business bank account and an attached overdraft, a credit card and line of credit for business expenses (even if it is personal account used just for business purposes) and business only vendor accounts with suppliers. There is nothing really useful in that suggestion in and of itself. However, crucial is that business accounts are used properly and effectively as it ties back to Section 1.1 - Keeping it “Strictly Business”.

As soon as you determine that you are going to move ahead with business startup, it is a good idea to set up and establish business only accounts at your earliest opportunity. Even before you establish business only accounts, you should keep together all records of expenses (disbursements) and all records of funds received (receipts) during the planning phase of your business so that you start off on the right track. Transactions on personal accounts can be reimbursed from and/or directed to your business accounts when they are established. Then there will be business transactions with yourself as business owner (sole proprietor, partner or director of your business). The supporting invoices and documents must be kept together thereafter with your business records as well as return cheques and/or deposit slips.

Ultimately, all transactions should be traceable back to your business bank account. All revenues (receipts) should be deposited into this account. All funds expended (disbursements) to suppliers, vendors, service providers, payroll, credit card payments, line of credit or loan payments, taxes and other remittances should also come from your business bank account or accounts.

## **2. Business Registration & “Peace of Mind”**

Business registrations or more specifically lack of understanding of them, or even worse, not registering with the applicable authorities as it pertains to your business, can be very devastating and stressful. It can also be very costly especially should you be audited and your business is not up to date. The result could be penalties, interest, and possibly years of back-time obligations owed. No one particularly enjoys discussing regulations and requirements. However, there is “peace of mind” when you come to understand them, know what is expected and do it right.

### **2.1 Business Number - Canada Revenue Agency (CRA)**

Not all businesses are required to register for a business number with the Canada Revenue Agency (CRA). However, a business number is required from CRA if your business requires any of these accounts:

<b>Account</b>	<b>When is it required “for businesses”?</b>	<b>Source: <a href="http://www.cra-arc.gc.ca/">http://www.cra-arc.gc.ca/</a></b>
GST/HST	Mandatory registration with taxable sales more than \$30,000 annually. Otherwise, it is voluntary.	
Payroll	If your business is an employer thus having to pay salaries, wages, and/or other benefits.	
Corporate Income Tax	If you incorporate with a province or federally, the business will automatically be registered. Within 45 days a notice will be received, and if required before then, CRA should be contacted.	
Import/Export	If you import goods into Canada or export goods to other countries you must register.	
Other	Other reasons for registering include: Registered Charity, Excise Tax & Duty, etc.	

The contact information for the Canada Revenue Agency (CRA) is in the Resource Section of this guide. It is important to check with CRA on the current requirements as applicable to your business.

### **2.2 Workers Compensation Insurance**

The Workplace Health, Safety and Compensation Act requires all employers performing work in Newfoundland and Labrador to register with the Workplace Health, Safety and Compensation Commission (WHSCC) of Newfoundland and Labrador for the public mandatory workers’ insurance program. Below is more detail on the registration requirements:

<b>Who</b>	<b>Registration Requirements</b>	<b>Source: <a href="http://www.whscc.nf.ca/">http://www.whscc.nf.ca/</a></b>
Incorporated entities	All incorporated entities operating in Newfoundland and Labrador must register with the Commission. Coverage is mandatory for all workers, including the owner, directors, or managers, even if the owner is the only worker.	
Non-Incorporated entities	A non-incorporated entity is not required to register if the only workers are the proprietor or partners. However, as soon as a non-incorporated entity hires a worker or subcontracts work in the province, they must register. If the owners of a non-incorporated entity wish to be covered, they may voluntarily apply for optional personal coverage.	

There are exceptions for the fishing and logging industries, student coverage, out of province work, professional sports competitors and private residence work (child care, house cleaners, home care workers, construction or renovation work).

The contact information for the Workplace Health, Safety and Compensation Commission (WHSCC) is in the Resource Section of this guide. It is important to check with the WHSCC on the current requirements.

### **3. Record Keeping: “On the Right Track”**

Running a business involves providing products and services to customers and this of course is vital to business success. So it is obvious why the majority of each day is devoted to customer sales and it should be. Record keeping on the other hand, is a less attractive and more uninteresting part of running a business for most entrepreneurs. However, it does not have to be! In fact, customer sales and record keeping should be looked at together to help guide the business based on your records and your own reports. This will help to keep you “on the right track”.

#### **3.1 The Filing System**

The foundation to successful record keeping is the filing system. For some small businesses it could be a shoe box collection, and for other businesses it could be filing cabinets, but that is just the physical structure. There needs to be a planned approach to business record storage and organization, to cover everything from invoices to sales slips to documents. There are many valid approaches to storing and organizing your business information. You just need to pick one approach and adapt it as it best serves your business.

First and foremost, you need to store and organize all business records and files so that they can be retrieved by your business year to coincide with your business tax year. Within each business year you need to have groupings by both revenue (receipts) and expenses (disbursements) categories for your business. For most businesses there may be one or few types of revenue sources. The expense categories are typically organized by the vendor name or type of expense and organized chronologically in order within each category. For example you may have all the utility invoices organized in order by month within one file folder labeled “Utilities” in a filing cabinet drawer labeled with the current business year. After the tax returns are filed and applicable financial statements compiled after the completion of the business year, all files for the year get archived in one or more boxes marked by the year and stored in a safe place.

After established filing system, you need an “inbox” or “to be processed” file for incoming invoices, daily sales slips, bank statements and business documents. This is where you store current sales and expense records before you process them and then file them into your filing system. Processing involves paying bills and depositing cash receipts while doing the corresponding entry into your bookkeeping system (whether manual or computerized).

#### **3.2 The Bookkeeping System**

Once you have established and organized a filing system, you can build on that foundation by focusing on successful bookkeeping practices. The end result will be an accounting system which will keep you abreast of the true performance and financial standing of your business. Just as there are many valid approaches to organizing a filing system, the same is also true of setting up a bookkeeping system. Again you just need to pick an approach that best fits your comfort level and your business.

The first step will be to assess your capabilities as an entrepreneur and a business. Whether it will be you, a relative, a business partner, a key employee or an external party that will be doing the bookkeeping, you need to evaluate your options. The main consideration is whether you choose a manual or computerized system. While computerized has many advantages, it may not make sense at the present time if it is not a fit in both comfort level with computers and/or computerized accounting software. However, if there is capacity for computerized accounting that option should be fully explored. Your approach and accounting system can be modified over time.

This guide thus far has covered understanding business transactions, keeping business accounts separate, registering with the appropriate authorities, organizing business records and selecting a bookkeeping /accounting system. The key thing to remember is that every transaction (sales deposit, bill payment, etc.) into or from your current business bank account needs to be recorded and this needs to be done regularly in your bookkeeping or accounting system.

## **4. Reporting to the Authorities: “Keeping Current”**

Knowledge and information will make you confident in your business practices as will keep you on top of the required reports to government departments and agencies as applicable to your business. You will need to develop a timetable for your business as to the important due dates and know specifically what is required of your business, and when.

### **4.1 Harmonized Sales Tax - HST (Remittances)**

The effective date of registration for mandatory registration is the date that the taxable sales exceeds \$30,000 in any one calendar quarter or in four consecutive calendar quarters. For voluntary registration it is the date you apply. You request that the CRA add HST to your business number (BN) and if you have not required a business number (BN) before now you would also request that. From this date your business is liable to collect HST and becomes eligible to collect input tax credits (credit of HST your business pays on goods and services). Once registered for HST, you have to show customers the amount being paid in HST or that the price includes HST. The reporting period is determined by annual sales and all businesses with fiscal years beginning after 2007 with less than \$1.5 million in sales are assigned an annual reporting period. The optional reporting method is monthly and quarterly. Annual reports are due at tax time and the reports for other reporting periods (monthly and quarterly) are due within a month after the end of the reporting period. It is best to choose at least quarterly so that you remit frequently lessening the amount of outstanding obligation at any one time and making the HST payable to the CRA more manageable.

### **4.2 Payroll (Remittances)**

If your business already has a business number (BN) you only need to add a payroll account to your existing number, otherwise you need to get a business number (BN) and a payroll account. You have to remit to the CRA the Canada Pension Plan (CPP), Employment Insurance (EI) and income tax deductions from employee wages along with the employer share of CPP contributions and EI premiums. If your business is a new remitter of payroll deductions and contributions you will be considered a regular remitter and will be required to remit by each calendar month and this is due by the 15<sup>th</sup> of the following month. Also, employee T4s and a T4 Summary must be completed for each tax year.

### **4.3 Workers Compensation (Annual Assessment)**

Upon registering with the WHSCC, you will receive a firm number and an invoice for the current year based on the estimated payroll in your application. The cost will depend on the rate for the classification of work performed by your employees. The minimum assessment is \$50 per calendar year and the rates per each \$100 of assessable payroll can be less than \$1 to over \$10 depending on the type of work performed by employees. Current year assessments are due to be paid April 1<sup>st</sup> each year and those invoiced after are typically due within 30 days. Your business may also be eligible for a deferred payment plan. Assessments must be filed before February 28<sup>th</sup> each calendar year.

### **4.4 Taxation (Tax Returns)**

A sole proprietor is required to pay any balancing owing by April 30<sup>th</sup> and file a tax return by June 15<sup>th</sup> for the previous “calendar year”. Partners would report their share of income on their applicable return and may have to file other partnership forms. Corporations file their tax returns within six months of the end of the “business tax year”.

### **4.5 Corporation Registration (Annual Return)**

To incorporate a company you must register it with the provincial registry of companies and deeds (or federally if the business operates in more jurisdictions). The annual return for registered corporations must be filed annually by the specified date as per notice of the same. Typically, this would be the anniversary month of incorporation.

## **5. Insurance & Regulations: “Protecting Your Business”**

Management of a business requires a lot of multitasking and covering a lot of responsibilities. You do the best you can with the resources you have and with the capabilities of both you and your business. Even then with your best efforts, there will be potential risks that could impact your business and even result in financial ruin for both you and your business. So it is important that you explore both the potential risks to your business and the regulatory requirements your business must meet to be compliant. Attention to both keeps your business moving forward.

### **5.1 Property and Liability Insurance**

It is important to have the necessary insurance on your business assets from vehicles and equipment to real estate property. Should you have damage done to critical business assets through fire, theft, vandalism and other potential risks it may mean hardship for your business. If you have obtained or will obtain financing for any assets of your business, creditors will typically require that insurance be in place with the inclusion of them as a named loss payee in your insurance policies. Exploring all the property insurance options available to you as per the assets of your business and choosing both coverages and premiums that are reasonable and affordable is very worthwhile. Insurance can also be costly on annual basis so explore other payment options with your broker, agent or insurance company. You also want to determine what assets are most critical if you have to prioritize and adjust your coverages and deductibles to make the insurance affordable, so careful evaluation is recommended. You also do not want to pay too much for insurance, and worst, have insurance you do not need. So a good balance is required!

You should also explore general liability (and possibly directors and officers liability if your business is incorporated). Significant unforeseen obligations can arise from employees to customers to suppliers, basically anyone that can potentially sue your company or otherwise cause harm to your business. Whether incorporated, a partnership or a sole proprietor, general liability insurance should be explored if not covered off in a property insurance policy such as for a building, property or work sites. You want to assess the risks that can occur for anyone that gets hurt or anything that gets damaged as the result of the activity of running your business. The requirement for this type of coverage and the extent of coverage depends on the nature of your business activity. Again here you need to balance risks and costs and have insurance that is appropriate and beneficial.

### **5.2 Permits and Licenses**

Business owners must ensure that all necessary permits and licenses are obtained and this depends to some extent on the nature of your business as well as the products and services provided. This normally involves investigating the requirements of municipalities and provincial governments. Sometimes if a business is operating in a highly specialized industry or conduct activities that are federally regulated, it may even mean having to meet federal regulations and guidelines. The investigation of required permits and licenses should be done in the planning phase of your business and at anytime you modify your business activity.

Consult your municipality for the rules and regulations for business zoning, business permits, taxation, and rates for municipal services as applicable. Also inquire about the billing due dates as it pertains to applicable municipal services and taxation. This information is important to determine both the municipal requirements and the related costs.

Consult the provincial Department of Government Services as to applicable approvals and licenses. If there is the construction or renovation of commercial property you will need to ensure you meet the Building Accessibility and Fire/Life Safety regulations. Depending on the types of products and services your business provides you may require Food Establishment/Tobacco Licencing or Fuel Storage and Handling. There are many other types of regulations to review to ensure your business is compliant with all applicable requirements. Therefore, investigate all sources of information with respect to regulations and meet the ones that apply to your business from the very beginning.

## 6. Examples And Illustrations

This section contains basic examples and illustrations of the concepts covered in this guide. They are not exhaustive and are only for illustration purposes. Seek advice from trusted business partners, trusted relatives or friends, key employees and/or professionals with knowledge of the following sections as required.

The goal of this guide is to help first time entrepreneurs set up a system for the ongoing bookkeeping and the financial management of their business. You may need to seek assistance as necessary to guide you throughout the process. If upon reading the following sections you understand everything covered that would be great, but definitely not necessary, nor is it typically the case for almost all new entrepreneurs. This guide has been written as it more likely that the topics covered are most likely new to most first time entrepreneurs unless they have former related experience with a previous employer or business. It is even more beneficial to read the following sections and discover that you do not understand everything as then you will know what specific assistance you will need. You will be on the right track for “knowing what you know”, and even more so for “knowing what you do not know”. Both are important outcomes of this guide since all the topics covered are mandatory requirements, as applicable to your business, regardless of whether the required tasks themselves are completed by you, a business partner, a key employee, a trusted family member or friend, or a hired bookkeeping and/or accounting service.

### 6.1.1 Record Keeping (Filing)

There are many ways to organize and store your files. What is important is that you have a system and modify it over time as it best suits your business needs. Below is one such example. Develop a system that works for your business.

Business Year	Type of Files (Sections of files)	Sample Categories for File Folders	Description
Jan 1 <sup>st</sup> - Dec 31 <sup>st</sup> /2009 (for example)	<b>FINANCIAL</b>  (Current year may be in the filing cabinet and previous years archived and stored seven years beyond filing of taxes for each year.)	<p><b><u>Expenses (Disbursements):</u></b> Utilities, Phone, Insurance, Equipment Leases, Credit Cards, Vehicle Operating Costs, Loan Payments, Municipal Taxes/Services, Office Supplies, Widgets Wholesalers, ABC Supplier Ltd., Supplies Enterprises, Payroll, Receiver General, HST Paid on Sales, WHSCC, Assets Purchased, Misc Payables, etc.</p> <p><b><u>Revenue (Receipts):</u></b> Sales Slips, HST Charged on Sales, Deposit Books/Slips, Misc Receivables, etc.</p> <p><b><u>Other:</u></b> Bank Statements/Reconciliations, Cheque Stubs, Tax Returns, Financial Statements, etc.</p>	<p><b><u>Expenses (Disbursements):</u></b> A category for different types of disbursements.</p> <p><b><u>Revenue (Receipts):</u></b> A category for all the different types of receipts.</p> <p><b><u>Other:</u></b> A category for all the different types financial information other than disbursement and receipt information.</p>
Ongoing Files	<b>BUSINESS</b>	Business Number, Incorporation/Annual Returns, HST Account, Payroll Account, WHSCC Firm Number, Legal Documents, Deeds, Leases, Loans, Insurance Policies, etc.	File containing important information the business.
Ongoing Files	<b>CUSTOMER</b>	Bob Smith, John Brown, Tom Green, Supermarket Central, White’s Hardware Store, etc.	A file for each customer account.
Ongoing Files	<b>SUPPLIERS</b>	ABC Supplier Ltd., Supplies Enterprises, etc.	Orders and other information on suppliers except invoices
Ongoing Files	<b>EMPLOYEES</b>	Johhny Paycheck And Suzy Anonymous	Contract, payroll, hours, etc.
Ongoing Files	<b>PROMOTION</b>	Newspaper, Cable Channels, Posters, Flyers, etc.	All promotional contacts /files.

**6.1.2 Record Keeping (Bookkeeping)**

There are computerized and manual bookkeeping systems. If you go with computerized accounting software, then you will need to follow the documentation, tutorials, help menus, telephone support numbers and/or seek assistance from someone familiar with the software you have decided to use. You may be also interested in online or in person courses as it pertains to the accounting software program if you are not already familiar with it. If you decide to use a manual bookkeeping system, you will need cash journals and/or other various ledgers which may also include a payroll register.

Below is an example of a basic manual cash journal. You will typically have more categories to track but the example here is just for illustration purposes. If you have payroll you will need a payroll register as well.

<b>“NoName Company Limited”</b> <b>Cash Journal</b> <i>For Period Jan 1<sup>st</sup>, 2009 to Dec 31<sup>st</sup>, 2009</i>										
			Receipts		Disbursements					
Date		Details	Chq #	Sales	HST Charged	Supplies	Inventory	Utilities	HST Paid	Bank Balance
Feb	1	Opening Balance								1,711.37
Feb	10	ABC Supplier Ltd.	101				(442.48)		(57.52)	1,211.37
Feb	27	Widget Sales		668.94	86.96					1,967.27
Mar	5	Supplies Enterprises	101			(129.82)			(16.88)	1,820.57
Mar	6	Utilities (Hydro)	103					(210.09)	(27.31)	1,583.17
		<b>TOTAL</b>								

### 6.2.1 Reporting to the Authorities (HST)

You will need to file a return at the end of each reporting period, specifically a “Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants”, form GST34 as provided by the Canada Revenue Agency (CRA) preprinted with your business number or the non-personalized form GST62. The only difference is that you will have to complete the business number and name section yourself in form GST62. You will complete and file this form with CRA yearly, quarterly, or monthly. It is due within one month of your reporting period for monthly or quarterly reports and at tax time for the annual returns. It is advisable to choose monthly or at least quarterly even if your business is only required to report annually. This will help with cash management and keep your liability to CRA as low as possible throughout the year. Additionally, there may be refunds or credits owing to your business for taxable purchases made by your business in your reporting period.

The GST/HST return is calculated as outlined in the following example:

“NoName Company Limited” had a sales total of \$50,000 of taxable sales before taxes in the 3 months of the quarterly reporting period. Of the total sales \$45,000 (plus \$5,850 HST) was paid for in the reporting period and \$5,000 (plus \$650 HST) remains unpaid at the end of the reporting period as it was sold on customer accounts to be paid within 30 days.

During the same period, “NoName Company Limited” had paid a total of \$2,600 in HST on eligible expenses of the business. The company also owes \$800 (plus \$104 HST) on supplies purchased but not yet paid for.

The company recovered \$1,000 (plus \$130 in HST) of sales that were thought to be uncollectible previously as well as wrote off another sale of \$100 (plus \$13 HST) thought to be uncollectible from customer invoices.

<b>Descriptions as found on the GST/HST Return Forms</b>	<b>Amount</b>	<b>Explanation</b>
Enter your total <b>sales and other revenue</b> . Do not include provincial sales tax, GST, or HST.	\$50,000	total sales made
<b>NET TAX CALCULATION</b>		
Enter total of all <b>GST and HST amounts that you collected or that became collectible</b> by you in the reporting period	\$6,500	\$5,850 + \$650
Enter the total amount of all <b>adjustments</b> to be added to the net tax for the reporting period (e.g., the GST/HST obtained from the recovery of a bad debt)	\$130	from the sales recovered
Total GST/HST and adjustments for period	<b>\$6,630</b>	\$6,500 + \$130
Enter the GST/HST paid or owe on qualifying expenses ( <b>Input Tax Credits-ITCs</b> ) for the current period and any eligible unclaimed ITCs from a previous period	\$2,704	\$2,600 + \$104
Enter the total amount of <b>adjustments</b> to be deducted when determining the net tax for the reporting period (e.g., the GST/HST included in a bad debt)	\$13	from sales written off
Total ITCs and adjustments	<b>\$2,717</b>	\$2,704 + \$13
<b>NET TAX (if the result is negative enter a minus sign with the number)</b>	<b>\$3,913</b>	\$6,630-\$2,717

The GST/HST Return with any amounts owing can be mailed to the address on the return form and amounts owing can be paid at a participating bank but the return still must be mailed to CRA. Other electronic methods are available for qualifying and eligible businesses.

## 6.2.2 Reporting to the Authorities (Payroll)

You will need to file a return at the end of each reporting period, specifically a “Current Source Deductions Remittance Voucher”, the bottom of form PD7A - “Statement of Account For Current Source Deductions” as provided by the Canada Revenue Agency (CRA) pre-printed with your account number. You will complete and file this form with CRA monthly as a regular remitter and it is due by the 15<sup>th</sup> of each month for the previous calendar month. It is a good idea to keep source deductions and employer contributions to CPP and EI in a separate account and put those funds there when each payroll is completed. The funds can be disbursed to the CRA from there or transferred back to the main bank account later. This will help with cash management and keep your liability to CRA completely funded at all times.

Calculating payroll deductions and employer contributions can be done through up to date computerized accounting software where all tax updates to the software are maintained. If you are doing manual accounting and specifically manual payrolls there are tools and sources of information at the CRA website to help. There is a “Payroll Deductions Online Calculator - PDOC” as well as “Payroll Deductions Tables” and other options at the following website address: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/clctng/mthds/menu-eng.html>

The information required to process a payroll remittance is outlined in the following example:

“NoName Company Limited” has 2 employees. One employee “Suzy Anonymous” earns \$520 per week gross and another employee “Johnny Paycheck” earns \$364 per week gross. Both worked 4 weekly pay periods at these rates during the last calendar month and vacation pay is included in the wages. Total payroll for the month was \$3,536 as their weekly gross amounts are fixed. The company is a regular (monthly) remitter.

### Payroll results using the “Payroll Deductions Online Calculator - PDOC”

	Suzy	Johnny	Deductions & Contributions		
Weekly Gross Wages	\$520.00	\$364.00			
<b>Deductions</b>			Weekly	Per Month	Line *
Federal Tax Deductions	40.35	18.51	58.86	Tax: <b>235.44</b>	<b>A</b>
Provincial Tax Deductions	26.10	14.89	40.99	Tax: <b>163.96</b>	<b>B</b>
Canada Pension Plan (CPP) Deductions	22.41	14.69	37.10	CPP: <b>148.40</b>	<b>C</b>
Employment Insurance (EI) Deductions	9.00	6.30	15.30	EI: <b>61.20</b>	<b>D</b>
<b>Employer’s Contribution</b>					
Canada Pension Plan (equal to employee’s contribution)	22.41	14.69	37.10	CPP: <b>148.40</b>	<b>E</b>
Employment insurance (1.4 times employee’s premiums)	12.60	8.82	21.42	EI: <b>85.68</b>	<b>F</b>
<b>Total Payroll Remittance (month with 4 pay periods)</b>				<b>843.08</b>	<b>G</b>

### Section on PD7A - Statement of Account For Current Source Deductions

CPP Contributions	EI Premiums	Tax Deductions	Current Payment	Gross Payroll	No. of employees in last pas period
<b>296.80</b>	<b>146.88</b>	<b>399.40</b>	<b>843.08</b>	<b>3,536.00</b>	<b>2</b>

\* Explanation: (CPP =C+E) (EI=D+F) (Tax =A+B) (Payment=G) (Gross=(520+364) X 4 weeks)

The Payroll Remittance with any amounts owing made payable to the Receiver General can be mailed to the address on the back of the remittance form. There are other payment and submission options including electronic available.

**6.2.3 Reporting to the Authorities (Workers Compensation)**

You will need to file an Employer Payroll Statement and any other required items as applicable in the beginning of each calendar year before February 28 in the forms provided to you by Workplace Health, Safety and Compensation Commission (WHSCC). You will complete and file these forms with WHSCC and subsequently they will invoice your business as per the assessment amount owing based on the estimated gross payroll for the current calendar year as provided in the submitted Employer Payroll Statement. It is a good idea to keep this figure in mind throughout the year as well so you can plan for the annual expenditure and file a change in your payroll estimate if there is any significant change in the payroll throughout the calendar year.

There are various other requirements and procedures that must be followed as an employer in addition to paying payroll assessments. Included in those requirements, employers must have a trained health and safety representative or committee as applicable. Employers with less than ten employees at each physical location must have a trained worker health and safety representative at each location who is not connected with management and who is selected or appointed by the workers. Larger employers with more than ten people at each physical location are required to have an Occupational Health and Safety (OH&S) Committee at those locations. Employers with less than six employees having turnover difficulty or all part-time workers may appoint a workplace safety representative and it could be someone connected to management or the employer. The requirements of employers can be reviewed and investigated at the time of registration with WHSCC and the information provided to you at that time.

The below is an example of a payroll estimate and determining an annual assessment to be paid:

“NoName Company Limited” has 2 employees. One employee “Suzy Anonymous” earns \$520 per week gross and another employee “Johnny Paycheck” earns \$364 per week gross. Both are full-time employees. The WHSCC has determined that based on the classification of the industry and the business information provided that the rate per each \$100 of payroll is \$2.25.

	<b>Suzy Anonymous</b>	<b>Johnny Paycheck</b>	<b>Total Assessable Payroll</b>
Weekly Gross Wages	\$520.00	\$364.00	
Annual Gross Wages (Weekly Wages x 52 weeks)	\$27,040.00	\$18,928.00	<b>\$45,968.00</b>
Total Assessable Payroll x Assessment Rate/100 = Annual Assessment $\$45,968 \times (2.25/100) = \mathbf{\$1,034.28}$			
The annual assessment in this example is <b>\$1,034.28</b> .			

The Assessments are due April 1<sup>st</sup> of each year. Payment options include by mail, in-person and electronic. The assessment can be made in full by that date. Employers with less than \$54,000 in previous year assessment can pay by interest free deferred payment plan by preauthorized debit only. The monthly installments would be from April 1<sup>st</sup> to October 1<sup>st</sup>. Employers with more than \$54,000 in previous year assessment have to be approved for a deferred payment plan.

## 6.2.4 Reporting to the Authorities (Taxation)

You will need to file a return at the end of each business year with the Canada Revenue Agency (CRA) and in most all cases entrepreneurs will seek, and should seek, professional assistance with tax filing. For corporations, this will be the completion and filing of a corporation tax return form the “T2 Corporation Income Tax Form” and for unincorporated companies (sole proprietors and partnerships), this will be the reporting of the business income in the “T1 General Tax Return” for individuals in lines 135 to 143 for net amounts and lines 162 to 170 for gross amounts. The completed “T2125 Statement of Business or Professional Activities” must also be completed and filed with the personal tax return. For partners, the portion of income as applicable will have to be reported in their individual returns and other forms may also have to be filed with CRA in relation to the partnership.

It should be noted that there is specialized information for sole proprietors involved in fishing or farming. There is also a different form and process for rental income. For self-employed individuals involved in fishing, form “T2121 Statement of Fishing Activities” must be completed and for self-employed individuals involved in farming, form “T2042 Statement of Farming Activities” must be completed. If rental income is determined to be “income from property” and not “income from business” form IT434R has to be completed.

In addition to filing of taxes, if your business has employees you will have to distribute “T4 Slips” to employees and prepare a “T4 Summary” for the CRA. Both must be completed by the last day of February for the previous year.

The table below outlines the difference in taxation forms and filings required for different business types:

Type of Business	Tax Forms	When Due
Corporation	T2 Corporation Income Tax Form	six months after business year end
Sole Proprietor	T1 General Tax Return & T2125 Statement of Business or Professional Income	June 15 and taxes payable April 30
Partnership (for each partner and partnership forms if required)	T1 General Tax Return & T2125 Statement of Business or Professional Income	June 15 and taxes payable April 30
Sole Proprietor or Partnership <b>(Fishing)</b>	T1 General Tax Return & T2121 Statement of Fishing Activities	June 15 and taxes payable April 30
Sole Proprietor or Partnership <b>(Farming)</b>	T1 General Tax Return & T2042 Statement of Farming Activities	June 15 and taxes payable April 30
Sole Proprietor or Partnership <b>(Rental Income From Property)</b>	T1 General Tax Return & IT434R	June 15 and taxes payable April 30

*The tax year for corporations are as established for the business and for all other businesses it is the calendar year.*

A very simplified description of business taxation and what it means to business owners is as follows:

“NoName Company” had sales of \$200,000 in the last tax year and after deducting all expenses and including all eligible adjustments (e.g. depreciation expense) there was a net income of \$20,000. As a corporation, the company will be taxed in the corporation tax return as per applicable federal and provincial taxation rates on the \$20,000. If the company were a partnership with two equal partners, then in the partners’ individual tax filings they each will be taxed in their regular returns on \$10,000. As a sole proprietorship, the owner would pay taxes on the \$20,000 in his or her own individual return. For sole proprietors and partners, the total revenue and expenses of the business would be reported in the accompanying statement of income forms (Business, Fishing, Farming or Rental as applicable) submitted with their personal returns.

### **6.2.5 Reporting to the Authorities (Company Registration)**

If you have a provincially incorporated business, you will need to file an annual return with the Registry of Companies of the Commercial Registrations Division of the provincial department of Government Services. Most all businesses that are incorporated, are provincially incorporated and not federally incorporated as they do business only in the province. If you are not incorporated and want to consider incorporation you may consult someone for advice including a lawyer, accountant, and/or trusted friend, relative or business person with knowledge in this area. The fee for incorporating a business is \$300.00, not including any professional assistance from a lawyer or accountant, if sought. It would be a decision that involves considering the pros and cons as applicable to your business and your personal circumstances. So incorporating is not a requirement but an option for those who deem it beneficial.

The annual return is the annual filing requirement that maintains a corporation's existence and verifies the records are correct as maintained on your company. The Registry of Companies sends "Form 23 - Annual Return" to the mailing address on file for your company with the registry. There is a \$75 fee for filing the annual return form by mail and a discounted fee of \$67.50 for filing electronically. It is important to file this form as the records maintained on companies will show your company as "not in good standing" if the annual return is not filed. There are small fees if there are changes to the mailing address, the names of the directors and the number of directors. These changes are filed in separate forms from the annual return with various prescribed fees.

The annual return form must be completed and mailed to the address on the annual return form for the Registry of Companies.

## 7. Resource Section

The following sections contain website links and contacts where further detail can be obtained from government authorities as referenced in this guide. They are not exhaustive and the contact information is subject to change. Should any of the information provided have changed since this guide was prepared, you can do a web search for the website of the department or agency you need to make contact with and obtain the new links or contacts. You can also consult the latest telephone directories if needed.

### 7.1 Websites

Below is a list of important sites that you should spend some time reviewing or otherwise obtaining the same information in print format for reference. You can also download the forms, guides and other information you need. You can also call to request copies of the same.

**Canada Revenue Agency (CRA):** <http://www.cra-arc.gc.ca/>

Topic	Website Address/Link	How can it help you?
Businesses Number (BN)	<a href="http://www.cra-arc.gc.ca/tx/bsnss/tpcs/bn-ne/">http://www.cra-arc.gc.ca/tx/bsnss/tpcs/bn-ne/</a>	Business number registration
HST	<a href="http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/">http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/</a>	HST registration and reporting
Payroll	<a href="http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/">http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/</a>	Payroll registration and reporting
New Businesses	<a href="http://www.cra-arc.gc.ca/tx/bsnss/sm/">http://www.cra-arc.gc.ca/tx/bsnss/sm/</a>	Topics for new businesses
Businesses	<a href="http://www.cra-arc.gc.ca/tx/bsnss/">http://www.cra-arc.gc.ca/tx/bsnss/</a>	Topics for businesses
Contact	<a href="http://www.cra-arc.gc.ca/cntct/">http://www.cra-arc.gc.ca/cntct/</a>	Contact Information

**Workplace Health, Safety and Compensation Commission (WHSCC):** <http://www.whscc.nf.ca/>

Topic	Website Address/Link	How can it help you?
Employers	<a href="http://www.whscc.nf.ca/employers/">http://www.whscc.nf.ca/employers/</a>	Area of site for employers
Registration	<a href="http://www.whscc.nf.ca/employers/Emp_RegisteringYourBusiness.whscc">http://www.whscc.nf.ca/employers/Emp_RegisteringYourBusiness.whscc</a> <a href="http://www.whscc.nf.ca/employers/EmpHowToRegister.whscc">http://www.whscc.nf.ca/employers/EmpHowToRegister.whscc</a> <a href="http://www.whscc.nf.ca/employers/Emp_WhatWillItCost.whscc">http://www.whscc.nf.ca/employers/Emp_WhatWillItCost.whscc</a>	Who must register How to register What will it cost
Contact	<a href="http://www.whscc.nf.ca/contact.whscc">http://www.whscc.nf.ca/contact.whscc</a>	Contact information

**Government Services (NL):** <http://www.gs.gov.nl.ca/>

Topic	Website Address/Link	How can it help you?
Commercial Registrations	<a href="http://www.gs.gov.nl.ca/cca/cr/">http://www.gs.gov.nl.ca/cca/cr/</a>	Incorporation and annual return filing
Services	<a href="http://www.gs.gov.nl.ca/gs/gsc/">http://www.gs.gov.nl.ca/gs/gsc/</a>	Various provincial permits and licenses
Company and Deeds On-line	<a href="https://cado.eservices.gov.nl.ca/">https://cado.eservices.gov.nl.ca/</a>	On-line services for company registration
Contact	<a href="http://www.gs.gov.nl.ca/contact.asp">http://www.gs.gov.nl.ca/contact.asp</a>	Contact information

Industry Canada (Canada): <http://www.ic.gc.ca/>

Topic	Website Address/Link	How can it help you?
Corporations Canada	<a href="http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs01914.html">http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs01914.html</a>	Incorporate federally
Resources for Businesses	<a href="http://www.ic.gc.ca/eic/site/ic1.nsf/eng/h_00140.html">http://www.ic.gc.ca/eic/site/ic1.nsf/eng/h_00140.html</a>	Links and information
Federal Regulations	<a href="http://www.ic.gc.ca/eic/site/ic1.nsf/eng/h_00079.html">http://www.ic.gc.ca/eic/site/ic1.nsf/eng/h_00079.html</a>	N/A to most businesses
Contact	<a href="http://www.ic.gc.ca/eic/site/ic1.nsf/eng/h_00014.html">http://www.ic.gc.ca/eic/site/ic1.nsf/eng/h_00014.html</a>	General contact info

## 7.2 Contact Information

Below is a list of important contacts that you should spend some time reviewing or otherwise contacting as required.

### Canada Revenue Agency (CRA)

Topic	Contact	How can they help you?
Businesses and Self-Employed Individuals	1-800-959-5525	All business topics - business numbers, payroll, HST and the accompanying registration and reporting information
GST/HST Credit	1-800-959-1953	Harmonized Sales Tax (HST)
e-Services Help Desk for businesses	1-877-322-7849	To get help accessing My Business Account or using GST/HST NETFILE, GST/HST TELEFILE, Filing Information Returns Electronically, Represent a Client, or Payroll Deductions Online Calculator

### Workplace Health, Safety and Compensation Commission (WHSCC)

St. John's	Grand Falls-Windsor	Corner Brook
<b>St. John's</b> 146 - 148 Forest Rd. P.O. Box 9000 St. John's, NL A1A 3B8 Tel: (709) 778-1000 Fax: (709) 738-1714 Toll Free: 1-800-563-9000 <a href="mailto:general.inquiries@whscc.nl.ca">general.inquiries@whscc.nl.ca</a>	<b>Grand Falls-Windsor</b> 26 High Street P.O. Box 850 Grand Falls-Windsor, NL A2A 2P7 Tel: (709) 489-1600 Fax: (709) 489-1616 Toll Free: 1-800-563-3448 <a href="mailto:general.inquiries@whscc.nl.ca">general.inquiries@whscc.nl.ca</a>	<b>Corner Brook</b> Suite 201B, Millbrook Mall 2 Herald Avenue P.O. Box 474 Corner Brook, NL A2H 6E6 Tel: (709) 637-2700 Fax: (709) 639-1018 Toll Free: 1-800-563-2772 <a href="mailto:general.inquiries@whscc.nl.ca">general.inquiries@whscc.nl.ca</a>
<b>How can they help you?</b>	Help registering for workers compensation and obtaining a firm number.	

**Government Services (NL)**

Topic	Contact	How can they help you?
Registry of Companies (Commercial Registration Division)	Confederation Building - East Block Grd Floor P.O. Box 8700, St. John's, NL A1B 4J6 Ph: 709-729-3317 Fax: 709-729-0232	Help with incorporations and reporting on the annually or otherwise required as per changes to your incorporated company structure
Government Service Centre	9 Queensway, Grand Falls-Windsor, NL A2A 1W9 Ph: 709-292-4206 Fax: 709-292-4528	Information on various regulations as pertaining to provincial permits and licenses or other approvals

**Industry Canada (Canada)**

Topic	Contact	How can it help you?
Corporations Canada	<b>Headquarters</b> 9th Floor, Jean Edmonds Towers South 365 Laurier Avenue West Ottawa ON K1A 0C8 General Inquiries: 613-941-9042 Fax: 613-941-0601 Toll-free: 1-866-333-5556	Incorporate federally and report annually
Industry Canada Web Service Centre	<b>Mailing Address:</b> Industry Canada Web Service Centre Industry Canada C.D. Howe Building 235 Queen Street Ottawa, Ontario K1A 0H5 Telephone: 613-954-5031 Toll-free: 1-800-328-6189 (Canada)	If you cannot find the information you are looking for on federal regulations and/or other information on the industry Canada website, contact can be made here.

**HOW TO CONTACT THE CBDC SOUTH COAST**

This guide is authored by the **CBDC South Coast**. For further information on the types of assistance provided by **CBDC South Coast** contact us toll free at 1-888-303-2232 (if calling from within the Coast of Bays) or call us at (709) 538-3846. The **CBDC South Coast** is located in the Regional Resource Centre in St. Alban's and our business counselors also travel throughout the Coast of Bays Region. You can also visit the **CBDC** website at [www.cbdc.ca](http://www.cbdc.ca) for more information on our programs and services.



**South Coast**