

CLIENT MANUAL

Our Goals

- Most efficient
- Perfect compliance
- Excellence in everything we do
- Maximize client's benefits
- Help clients grow

In order to achieve our goals, we created this client manual for all our clients. Not only will this document communicate how we work together, it's also a reference resource for client's basic needs in the future.

Basic Tax Knowledge

Tax accounts

Federal:

- Business number (BN #), total is **9 digits**
- Corporate account (T2), Business Number starts with 8..... same as above, and then following with **RC0001 (8xxxx xxxxRC0001)**
- Payroll account (T4 and monthly remittances), Business Number starts with 8..... same as above, and then following with **RP0001 (8xxxx xxxxRP0001)**
- GST account (GST return), Business Number starts with 8..... same as above, and then following with **RT0001 (8xxxx xxxxRT0001)**

Alberta:

- Corporate account (T2), Business Number(BN#) is same as the Incorporation Number (normally starting with 2), total is **10 digits**

Tax returns that need to be filed and deadlines (only most common ones listed here):

Type of returns	Deadlines
Corporate tax returns (T2)	6 months after year end ("Y/E") [taxes owing must be paid within 2 months after Y/E (public company) & 3 months after Y/E

	(CCPC), otherwise, interests will be charged]
Payroll remittances(PD7A)	Within 15 days in the following month
T4 /T5	Before end of February
GST	1 month after each quarter; 3 months after year end (Y/E)
Information return (T5018, T1134/1135, T106)	6 months after fiscal Y/E(T5018 can be based on calendar year), this is a short version for T1134/1135 (Corporations have longer deadlines)
PST/QST if you have operations in BC, SK, MB, QC	Please contact us
T1 (individuals)	April 30th

Annual return (where you incorporated your business)

Other than tax returns you have to file, you will also need to file an annual return at REGISTRY in order to keep the company registered. **This has nothing to do with tax returns!**

Recommendations:

Always file tax returns on time, even if you are not able to pay taxes owing! This can avoid penalties and be in compliance of filing.

Basic Tax Planning Techniques (3 “D”)

Deduct

- Maximize the eligible expenses to be deducted (refer to next section: [Expenses That Can Be Claimed](#))

Defer

- Keep the profit within the company (CCPC: only 10% tax rate; Other companies: 23% in Alberta), this has significant tax deferral benefit compared to paying at top personal tax rates (48% in Alberta)
- RRSP, TFSA, RESP, etc. for individuals

Divide (income-splitting)

- Salary to family members (rules of restriction apply)
- Dividend to shareholders of family members (rules of restriction apply)
- Family trust (complicated and out of the scope discussed herein)

Life-time approach

- This is a combination of deferral and income-splitting techniques. Basically we will allocate income (or more income) earned from those years to the years you have no income or lower income.
- Taking out the profit from corporate evenly over your life-time will significantly lower overall taxes paid under personal level

How much I should take from my company and in what form (salary vs. Dividend)

- Rule of thumb: minimum amount to be taking is your annual living costs (varies depending on personal situation)
- Attributes to Salary
 - a. Need to pay CPP
 - b. Will have less cash left in your pocket compared to dividend option
 - c. Will earn RRSP room
 - d. Will qualify for daycare credit (i.e. earned income)
 - e. Need to remit payroll deductions on time (monthly/quarterly basis)
- Attributes to Dividends
 - a. No remittances required
 - b. After tax deduction under corporate level; that means to no tax deduction under corporate level
 - c. Will be taxed at a lower rate under personal level
 - d. B and C above combined will form integration of Canadian tax system (i.e. overall taxes paid should be same as taking out salary)

Recommendations:

There is no right or wrong. Generally we recommend paying the minimum amount of salary that can cover living expenses.

Expenses That Can Be Claimed

Generally speaking, you can deduct any expenses or capital (through Capital Cost Allowance) incurred to earn income. Although the following link is designed to cover the topics for sole-proprietorship and partnership, business expenses incurred for corporations are similar to sole-proprietorship in terms of nature, attributes and eligibility for tax deduction purpose.

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/sole-proprietorships-partnerships/business-expenses.html>

The amount you can deduct in a given year for any expense depends if it is considered a current year expense or capital expense. For more information, go to [current or capital expenses](#) and [basic information about capital cost allowance](#).

You cannot claim expenses you incur to buy capital property. However, as a rule, you can deduct any reasonable current expense you incur to earn income. The deductible expenses include any GST/HST you incur on these expenses less the amount of any [input tax credit](#) claimed.

Recommendations:

Review our template carefully and comprehensively understand the expense items that can be potentially deducted from your company's income.

Deduction of Expenses Which Have Both Personal and Business Attributes and Documentation Requirements

Vehicle

- Employee owned
 - Option #1: Based on mileage that is used for business purposes
 - Option #2: Based on actual costs (prorate for business usage)
 - CCA can be claimed as well if based on actual costs (option #2)
- Employer owned
 - CCA on costs (maximum amount is \$30,000)
 - Actual expenses (gas, repair and maintenance, license, insurance etc.)
 - Shareholder benefits apply if vehicle is used lease 90% for business
 - Generally leased vehicle under company is more favourable from tax deduction perspective

- Documentation requirements:
 - Mileage - beginning of fiscal year
 - Mileage - end of fiscal year
 - Mileage log covering information (**from, to, total mileage, business purposes**)
-

Recommendations:

1. Use various app to track mileage and generate reports in the end
2. Use template we provided to track mileage
3. Please note that home to regular (routine) workplace is not qualified for business purpose

Meals and entertainment

- 50% deductible
- Remote or special sites (100% deduction)
 - 30 km away with population of at least 40,000 people
 - Temporary
 - Principal place, not rented to any other person
- Not apply if available for all employees (100% deduction, e.g. Christmas party)
- Meals for shareholders only (e.g. lunch) are not considered as personal and cannot be deductible
- Records be maintained (e.g. ***names and business address of the customers being entertained, relevant places, dates, times, business reasons and amounts***)
- The audit risks are greater than just a disallowed expense. If shareholders involved, 15(1) could apply and result in **double taxation**.

Recommendations:

Always write down who you entertained and for what purpose each time.

Gift cards & non-cash gifts

- Receiving gift cards because of services - income
- Gift cards to shareholders and employees - taxable income
- Gift cards to customers/clients, business affiliates - deductible and not taxable to the recipients
- Non-cash gifts to arm's length employees (non-taxable if value is less than \$500 each and total value for the year is less than \$500)
- Non-cash gifts do NOT apply to non-arm's length employees (i.e. full amount is taxable benefit)

Recommendations:

Always write down who you gave the gift cards and for what purpose each time.

Home office

- Based on the usage of your business premise (% of total square footage of your house)
- Expense can be included: interest on mortgage, utilities, telephone/internet, property tax, condo fees, repair and maintenance
- [Income Tax Folio S4-F2-C2, Business Use of Home Expenses](#)

Overall Recommendations:

Documentation is the key. MUST FOLLOW THE DOCUMENTATION REQUIREMENTS!
If you don't have the documentation, you don't get the deduction! Double-taxation may also apply!

CRA My Account, My Business Account, Direct Deposit

Since many of the documents are posted to CRA's website and the trend of technology and digital world, we strongly recommend every client to get CRA My Account, My Business Account and Direct Deposit set up.

My Account (for individuals)

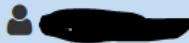
To set up My Account, click the link:

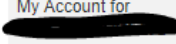
[Registration process to access the CRA login service](#)

My Account screen

Government of Canada / Gouvernement du Canada

Canada Revenue Agency Logout

[Represent a Client](#) 

My Account for  View mail **11** Submit documents

Overview

As of July 8, 2020

Tax returns

The 2019 return [has not been received](#).

[Go to Tax returns details](#)

Accounts and payments

Income tax balance: \$0.00

[View statement of account](#)


[Go to Accounts and payments details](#)


Benefits and credits

No benefits and credits payments are currently expected.

[Go to Benefits and credits details](#)

RRSP and TFSA

Your 2019 [RRSP](#) deduction limit: 

Your 2020 [TFSA](#) contribution room:  [TFSA - Important information](#)

As of January 1, 2020

[Go to RRSP and TFSA details](#)

Related services

- [Client data enquiry](#)
- [Client summary](#)
- [Tax information slips \(T4 and more\)](#)
- [Proof of income statement \(option 'C' print\)](#)
- [Audit enquiries](#)
- [Register my formal dispute](#)
- [Open a non-resident tax account](#)
- [File a GST/HST rebate](#)
- [Request CPP/EI ruling](#)
- [Request a remittance voucher](#)
- [Request relief of penalties and interest](#)

Tax schemes


Beware of tax schemes that promise to reduce your taxes. Learn about tax schemes and how to protect yourself.

[Tax schemes](#)


My Business Account (for businesses)

To set up my business account: <https://apps6.ams-sga.cra-arc.gc.ca/gol-ged/awsc/amss/enrol/start?prog=mbsl>

My Business Account screen:

 Government of Canada / Gouvernement du Canada [Français](#)

Canada Revenue Agency Logout

My Business Account  Business Profile [Submit documents](#)


My Business Account

- Mail **132**
- Message Centre
- Audit enquiries
- Direct deposit transactions
- Outstanding returns and balances
- Filing and balance confirmation
- Open a non-resident tax account

Represent a Client

- Access another account

Welcome

We have the following information on file for:  [Help with this page](#)

COVID-19: Canada Emergency Wage Subsidy (CEWS)

The new Canada Emergency Wage Subsidy (CEWS) provides a 75% wage subsidy of up to \$847 per week per employee, to eligible employers for up to 12 weeks, retroactive to March 15, 2020. The CEWS prevents further job losses, encourages employers to re-hire workers previously laid off as a result of COVID-19, and help better position Canadian companies and other employers to more easily resume normal operations following the crisis.

The Canada Emergency Wage Subsidy (CEWS) can be accessed below under the Payroll (RP) activity menu.

GST/HST

RT

- [File a return](#)
- [View expected and filed returns](#)
- [Adjust a return](#)
- [File a rebate](#)
- [View rebate status](#)
- [Adjust a PSB rebate](#)
- [File an election](#)
- [View elections](#)
- [View and pay account balance](#)
- [Register a formal dispute \(Notice of objection\)](#)
- [View direct deposit transactions](#)
- [Manage address](#)
- [Calculate instalment payments](#)
- [Enquiries service](#)
- [Manage language preference](#)
- [Manage program account name](#)
- [Close GST/HST account](#)
- [Submit PDF form with electronic signature](#) **New!**

Payroll

RP 0001 ▾

- [Canada Emergency Wage Subsidy \(CEWS\)](#)
New!
- [View and pay Canada Emergency Wage Subsidy \(CEWS\) balance](#) **New!**
- [File a return](#)
- [View return details](#)
- [Provide a nil remittance](#)
- [Respond to notices](#)
- [PIER Overview](#)
- [Request to close payroll account](#)
- [View and pay account balance](#)
- [View remitting requirements](#)
- [Register a formal dispute \(Appeal\)](#)
- [Manage address](#)
- [Request a payment search](#)
- [Request a refund](#)
- [Transfer of a misallocated payment](#)
- [Download reports](#)
- [Manage language preference](#)
- [Manage program account name](#)
- [Request a CPP/EI ruling](#)
- [Request a CPP/EI refund](#)

Corporation Income Tax

RC 0001 ▾

- [Transmit a return](#)
- [View return status](#)
- [View return balances](#)
- [View and pay account balance](#)
- [View special elections and returns \(SER\)](#)
- [Register a formal dispute \(Notice of Objection\)](#)
- [View direct deposit transactions](#)
- [Manage address](#)
- [Calculate instalment payments](#)
- [Enquiries service](#)
- [Manage language preference](#)
- [Request to close corporation income tax account](#)

Information Returns

RZ 0001 ▾

- [File a return](#)
- [View return details](#)
- [Download notifications of errors for Part XVIII](#)
- [Download notifications of errors for Part XIX](#)
- [View direct deposit transactions](#)
- [Manage address](#)
- [Download reports](#)
- [Manage language preference](#)
- [Manage program account name](#)
- [Close information returns account](#)

Direct deposit (for both individuals and businesses)

Please click the link to set up direct deposit:

[Direct deposit - Canada Revenue Agency](#)

You can also set up in My Account (individuals) and My Business Account (Businesses).

Recommendations:

We strongly recommend all clients to register My Business Account (Corporate) & My Account (T1 Individual) and set up Direct Deposit

Timing of the Work

Type of returns	Time when you will get contacted
Corporate tax returns (T2)	2 months after your fiscal year end (you will receive an automatic notification from our system)
Payroll remittances(PD7A)	This has to be done by yourself, or we can help to get your bank account or CRA withdrawal setup
T4 /T5	Beginning of February each year
GST	15 days for quarterly filing; 2 months after year end (Y/E) for annual filing(you will receive an automatic notification from our system)
Information return (T5018, T1134/1135, T106)	3 months after fiscal Y/E(T5018 can be based on calendar year)
PST/QST if you have operations in BC, SK, MB, QC	Please contact us
T1 (individuals)	April 1st

Communications

- Telephone
- Email (most preferable since it has the audit trail)
- Client portal
- CRA My Business Account (Appendix I)
- WeChat & Zoom

Recommendations:

- Any order from client or submission of documents must be done via email or client portal
- WeChat or message only for general questions or follow-up.

Client's Obligations

- Get things organized
- Review our communications carefully and respond on timely basis (i.e. **to reply our email within 48 hours**)
- Provide information in time before a particular work gets started
- Review and sign documents on time (engagement letter, T183, RC 59, Representation letter)
- Make tax payment on time
- Bills will be sent once we have substantially completed the work (90%) and due immediately, bill **payments must be made before we file tax returns or before releasing our final report/documents etc.** When a portion of the total agreed price is charged in the beginning (i.e. when signing the engagement letter agreed upon), payments must be made before we get started on the engagement.

Recommendations:

- Review our emails/documents immediately after receiving it. If we have to send follow-up emails or other reminder emails, we may charge extra fees.
- Sign the documents required immediately if you are not capable or have enough knowledge to understand them since all our communications and requirements are following our standards of professional conduct as regulated by law.

Consequences of Noncompliance

1. Penalties and interest

Type of returns	Interest rates on tax owing	Penalties for late filing
Corporate tax returns (T2)	Prescribed rate plus 4% (currently 6%)	5% plus 1% of your balance owing for each full month your return was filed after September 1, 2020, to a

		maximum of 12 months.
Payroll remittances(PD7A)	NA	10% on deduction amount
T4 /T5	NA	\$100 per slip (1-5) and gradual reduction when have more slips
GST	Prescribed rate plus 4% (currently 6%)	A + (B x C) where: A is 1% of the amount owing B is 25% of A C is the number of months the return is overdue, to a maximum of 12 months
Information return (T5018, T1134/1135, T106)	NA	\$25 per day up to 100 days
T1(individuals)	Prescribed rate plus 4% (currently 6%)	5% plus 1% of your balance owing for each full month your return was filed after September 1, 2020, to a maximum of 12 months.

2. Statute barred period and cannot be revoked

Some of the tax returns have statute bar periods. Once you have passed that period, you cannot go back to file the tax returns and claim any benefits/refund/credit etc.

3. CRA's scrutiny

Once you are not in compliance with the filing requirements, you may get CRA's scrutiny about the returns filed. Also if your non-compliances are frequent, you may be put on CRA's list of noncompliance and get more potential audits in the future as below.

4. CRA's list of noncompliance and potential more audits in the future

For frequent noncompliance, this is the worst scenario. Not only will you get to pay interest penalties on late filing, CRA will also put you on their list and be more scrutinized on your files.

Recommendations:

Always file tax returns on time even if you do not owe taxes or not able to pay taxes owing.

How to Make Tax Payments

Please click the link to see your options:

[Make a payment](#)

Mail your cheque

Canada Revenue Agency
PO Box 3800 STN A
Sudbury ON P3A 0C3

Must clearly indicate the following information on your cheque:

- 1. Legal name of the company/individual**
- 2. BN # / SIN #**
- 3. Which period the tax payment was related to**

Online banking

Individuals

1. Sign in to your financial institution's online banking service for individuals.
2. Under "Add a payee" look for an option such as:
 - CRA (revenue) – current-year tax return
 - Use this option to make a payment for your current tax return. You can use this option only once per return.
 - CRA (revenue) – tax amount owing
 - Use this option to pay any amount owing.
 - CRA (revenue) – tax instalment
 - Use this option to make payments toward the future tax year.
3. Enter your 9-digit **social insurance number** as your CRA account number.

Make sure the number is accurate so that the CRA can apply your payment correctly.

Businesses

1. Sign in to your financial institution's online banking service for businesses.
2. Looking for **Tax Payment and Filings** options [sometimes it's a separate category (e.g. CIBC) and sometimes it's under Pay Bills (e.g. TD)]

- Step to step to add the following accounts (if no such function, then contact your bank to get it set up)

Registered payments and accounts

Select	Payment type ^	Account number
<input type="radio"/>	Federal - Corporation Tax Payments -- TXINS	[REDACTED] RC0001 [REDACTED] RC0001
<input type="radio"/>	Federal - GST/HST Payment only -- GST-P -- (GST-P)	[REDACTED] RT0001 [REDACTED] RT0001
<input type="radio"/>	Federal Payroll Deductions - Regular/Quarterly -- EMPTX -- (PD7A)	[REDACTED] RP0001
<input type="radio"/>	Alberta Finance - Corporate Income Tax -- ABCIT -- (AT 1)	[REDACTED]

- Once accounts are added, choose a particular account to make the payments follow step by step.

Appendix I

How to register CRA My Business Accountant

1. To get started, go to canada.ca/my-cra-business-account and select "CRA register".
2. To validate your identity, enter your social insurance number.
3. Next, enter your postal code or zip code, date of birth, and an amount you entered on one of your income tax and benefit returns from the current tax year, or the previous one.
4. Then select a delivery method for a CRA security code, which is required to gain full access to My Business Account.
5. Depending on the delivery method you have chosen, you will be asked to confirm your current postal code or zip code, or enter your email address.
6. The next step will be to create a CRA user ID and password.
7. Then, select and answer five security questions.
8. Review and agree to the terms and conditions of use by entering your password and selecting "I agree".
9. If you have chosen to have a CRA security code issued via email, you will now be asked to contact the CRA.
10. Registration is now complete until you receive your code. Once you do, log in and enter it.
11. Review and agree to the My Business Account terms and conditions of use.
12. Then provide your Business number.
13. You will now have full access to My Business Account.